Report of the
Comptroller and Auditor General of India
on
Public Sector Undertakings

for the year ended March 2013

Government of Chhattisgarh

Report No. 4 of the year 2013

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Preface

Government commercial concerns, the accounts of which are subject to audit by the Comptroller and Auditor General of India (CAG), fall under the following categories:

(i) Government companies,
(ii) Statutory corporations, and
(iii) Departmentally managed commercial undertakings.

2. This Report deals with the results of audit of Government companies and Statutory corporation and has been prepared for submission to the Government of Chhattisgarh under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time.

3. Audit of the accounts of Government companies is conducted by the CAG under the provisions of Section 619 of the Companies Act, 1956.

4. Audit of accounts of Chhattisgarh State Warehousing Corporation which is a Statutory corporation is conducted by Chartered Accountants and supplementary audit is done by CAG. In respect of Chhattisgarh State Electricity Regulatory Commission, CAG is the sole auditor. The Audit Reports on annual accounts of these corporation/ commission are forwarded separately to the State Government.

5. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2012-13 as well as those which came to notice in earlier years, but were not dealt with in the previous Reports. Matters relating to the period subsequent to 2012-13 have also been included, wherever necessary.

6. The Audit has been conducted in accordance with the Auditing Standards issued by CAG.

Overview

1. Overview of Government companies and Statutory corporation

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit conducted by CAG. Audit of Chhattisgarh State Warehousing Corporation, a Statutory Corporation, is governed by the Warehousing Corporation Act, 1962. As on 31 March 2013, the State of Chhattisgarh had 19 working PSUs (18 companies and one Statutory corporation), which employed 20352 employees. The working PSUs registered a turnover of ₹ 11776.04 crore for 2012-13 as per their latest finalised accounts. This turnover was equal to 7.35 per cent of the State Gross Domestic Product.

Investments in PSUs

As on 31 March 2013, the investment (Capital and Long term loans) in 19 PSUs (including one Statutory Corporation) was ₹ 15609.61 crore. It grew by 426.81 per cent from ₹ 2963.05 crore in 2008-09. 79.78 per cent of total investment was towards Capital and 20.22 per cent was towards Long-term loans. The Government contributed ₹ 2877.27 crore towards equity, loans and grants/ subsidies during 2012-13.

Performance of PSUs

During the year 2012-13, out of 19 PSUs, 12 PSUs earned total profit of ₹ 214.53 crore and five PSUs incurred total loss of ₹ 2091.51 crore. One PSU earned "no profit no loss". The remaining one PSU did not finalise its first account. The losses were mainly incurred by Chhattisgarh State Power Distribution Company Limited and Chhattisgarh State Civil Supplies Corporation Limited to the extent of ₹ 2012.27 crore and ₹ 78.88 crore respectively as per their latest finalised accounts. The losses incurred by PSUs are mainly attributable to deficiencies in financial management, planning, implementation of projects, running their operations and monitoring.

Arrears in accounts

15 PSUs had arrears of 36 accounts as of September 2013. The PSUs need to set targets for the work relating to preparation of accounts with special focus on clearance of arrears.

Quality of accounts

The quality of accounts of PSUs needs improvement. Out of 24 accounts finalised by working PSUs during October 2012 to September 2013, Statutory Auditors had given qualified certificates on 16 accounts.

(Chapter – I)

2. Review relating to Government Company

A review on procurement, storage and distribution of rice, wheat and sugar under various schemes of Public Distribution System by Chhattisgarh State Civil Supplies Corporation Limited was conducted. Executive summary of our audit findings is given below.

Introduction

The Government of India (GoI) issues scheme-wise allotment of foodgrains to the States as per the number of beneficiaries in the States for distribution of the same under Public Distribution System (PDS). On the basis of it, Food, Civil Supplies and Consumer Protection Department (Department) of Government of Chhattisgarh (GoCG) issues district-wise allotment to the Chhattisgarh State Civil Supplies Corporation Limited (Company) for taking advance action for procurement, storage and distribution of foodgrains to the districts. The Company works as a nodal agency for PDS. The main objective of the Company is procurement, storage and distribution of foodgrains under various schemes of PDS so as to ensure their availability to the beneficiaries according to the schemes framed by GoI/GoCG.

Decentralised Procurement was introduced (April 2002) in the State for procurement and maintenance of stock of rice at State level in order to provide Minimum Support Price (MSP) to farmers and also to ensure economy in distribution of rice. Wheat is procured by the Company from Food Corporation of India (FCI) at subsidised rate fixed by GoI and sugar is procured by the Company from sugar mills specified by the GoI at the prescribed rate and are distributed to the beneficiaries.

The performance of the Company was reviewed to assess economy, efficiency and effectiveness in implementation of various schemes of GoI/ GoCG under PDS during the period 2008-09 to 2012-13.

Planning for procurement of rice, wheat and sugar

Keeping in view the requirement of rice to meet distribution under various schemes of PDS, the Department procures paddy from farmers through Chhattisgarh State Cooperative Marketing Federation (Markfed) at MSP and supplies Custom Milled Rice (CMR) to the Company through Markfed. For this purpose, Department issues policy related to CMR every year duly mentioning the tentative quantity of rice for procurement during Kharif Marketing Season which is followed by the Company. For procurement of wheat and sugar, the Company is under obligation to follow the allotment made by the Department.

Storage and transportation of rice, wheat and sugar

In the absence of norms of storage losses, data on actual reimbursable losses were not maintained by the Company. Requirement of storage space for reservation in State Warehousing Corporation (SWC)/ Central Warehousing Corporation (CWC) godowns was not assessed properly thereby the Company could not utilise the reservation of godowns in full and paid ₹ 7.58 crore for unutilised storage space. There was huge variation in transportation rates of different base depots in the same division and there was no mechanism for comparison of rates of neighbouring divisions. The Company recovered penalty at lower rate than the prescribed rates from transport contractors.

Distribution of foodgrains under various schemes of GoI/GoCG

The Company distributed less quantity of rice and wheat than the allotments made under various schemes during the years 2009-10 and 2010-11 due to which the benefit of the schemes had not reached fully to the intended beneficiaries. At the direction of GoCG, the Company diverted 7.43 lakh MT rice and 1.91 lakh MT wheat from Central Schemes to State Scheme (Mukhyamanti Khadyann Sahayata Yojana) in violation of GoI instructions resulted in diversion of foodgrains valuing ₹ 1975.43 crore and wrong claim of ₹ 899.12 crore from GoI. The Company distributed rice without GoI allotment under Mid Day Meal Scheme and Other Welfare Schemes which resulted in non-receipt of ₹ 35.78 crore.

Financial Management

There were delays in finalisation of accounts of the Company due to which it could not submit its audited accounts to GoI in time leading to blockage of subsidy claims of ₹ 760.93 crore and consequent loss of interest of ₹ 186.81 crore. Dues of the Company of ₹ 1.48 crore could not be recovered from Fair Price Shops due to ineffective action by the Department.

Deployment of Manpower

The post of District Managers in 18 districts were manned by Assistant Managers/ Assistant Accounts Officers (AMs/AAOs). Thus, there was no supervision on the work of these AMs/AAOs.

Monitoring and Internal Control System

There was lack of coordination among the various agencies which resulted in storage of excess stock and consequent avoidable storage charges. Mismatch in allotted quantity of GoI and GoCG caused excess/ short distribution of foodgrains and submission of incorrect utilisation certificates to GoI by the Company.

A well set monitoring and internal control system prevails in the Company due to introduction of information and communication technology. However, there is no mechanism to conduct surprise checks of stocks at different storage points and also there is no vigilance wing in the Company.

Conclusion

There were cases of non-utilisation of storage space and excess/less distribution of foodgrains under various schemes. Transport contracts were finalised without comparing rates of neighbouring divisions resulted in huge variation in transportation rates. In the absence of norms of storage losses, data on actual reimbursable losses were not maintained by the Company. Reserving storage space in excess of the requirement led to under utilisation of storage space. The Company did not recover the penalty at prescribed rates from the transport contractors. The Company diverted foodgrains from Central schemes to State scheme. Rice was distributed in Mid Day Meal Scheme and Other Welfare Schemes without GoI allotment. Delay in finalisation of accounts led to non-receipt of subsidy from GoI. The Company had not prescribed any mechanism to conduct periodical surprise check at storage points.

(Chapter - II)

3. Transaction Audit Observations

Transaction audit observations included in the Report highlight deficiencies in the management of Public Sector Undertakings involving serious financial implications. The irregularities pointed out are broadly of the following nature:

There was loss of ₹ 4.35 crore in five cases due to non-compliance with rules, directives, procedures, terms and conditions of contracts.

(Paragraphs 3.2, 3.5, 3.6, 3.7 & 3.9)

Loss of ₹ 1.27 crore was incurred in two cases due to defective/ deficient planning.

(Paragraphs 3.3 & 3.8)

Placement of orders worth ₹ 47.26 crore on ineligible bidders in one case due to finalisation of rate contracts in a non transparent manner.

(Paragraph 3.1)

Gist of some of the important audit observations are given below:

Irregular finalisation of rate contracts by **Chhattisgarh Rajya Beej Evam Krishi Vikas Nigam Limited** for vegetable seeds resulted in placement of orders worth ₹ 47.26 crore on ineligible bidders.

(Paragraph 3.1)

Failure of **Chhattisgarh State Beverages Corporation Limited** to recover excise duty of ₹ 2.97 crore from the suppliers and deposit with the Excise Department resulted in extension of undue benefit to the suppliers and loss to the State exchequer to that extent **.**

(Paragraph 3.5)

There was loss of ₹ 32.40 lakh in **Chhattisgarh State Industrial Development Corporation Limited** due to non recovery of penal interest from the allottee.

(Paragraph 3.6)

There was loss of revenue of ₹ 36.68 lakh to **Chhattisgarh State Power Distribution Company Limited** due to reduction in contract demand in violation of provision of the Chhattisgarh State Electricity Supply Code.

(Paragraph 3.7)

There was avoidable expenditure of ₹ 1.08 crore by **Chhattisgarh State Power Generation Company Limited** on outsourcing of operation & maintenance of 'Dual Flue Gas Conditioning System' at Power House -II of Korba Thermal Power Station.

(Paragraph 3.8)

There was avoidable payment of penal interest of ₹ 45.46 lakh due to non/ short payment of advance income tax in respect of **Chhattisgarh State Power Holding Company Limited.**

(Paragraph 3.9)

CHAPTER-I

1. Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporation. The State PSUs are established to carry out activities of a commercial nature while keeping in view the public welfare.

1.2 In Chhattisgarh, as on 31 March 2013, there were 18 Government companies[1] and one Statutory corporation[2] (all working). None of these companies was listed in any of the stock exchanges. These PSUs registered a turnover of ₹ 11776.04 crore for 2012-13 as per their latest finalised accounts as of September 2013. This turnover constituted 7.35 *per cent*[3] of the State Gross Domestic Product (GDP) for 2012-13. Major activities of Chhattisgarh State PSUs are concentrated in the power sector. The State PSUs incurred an aggregate loss of ₹ 1876.98 crore in 2012-13 as per their latest finalised accounts. They had employed 20352 employees as of 31 March 2013.

1.3 During the year 2012-13, no new PSUs were established and no PSU/ Statutory corporation was closed down.

Audit Mandate

1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company.

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956.

1.6 Audit of Chhattisgarh State Warehousing Corporation, a Statutory Corporation, is governed by the Warehousing Corporation Act, 1962. The audit of CSWC is conducted by Chartered Accountants and supplementary audit is done by CAG.

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[1] Chhattisgarh Rajya Beej Evam Krishi Vikas Nigam Limited (CRBEKVNL), Chhattisgarh Rajya Van Vikas Nigam Limited (CRVVNL), Chhattisgarh Nishakt Jan Vitt Avam Vikas Nigam (CNJVAVN), Chhattisgarh Infrastructure Development Corporation Limited (CIDC), Chhattisgarh State Industrial Development Corporation Limited (CSIDC), Chhattisgarh Mineral Development Corporation Limited (CMDC), CMDC ICPL Coal Limited (CICL), Chhattisgarh Sondiha Coal Company Limited (CSCCL), CSPGCL AEL Parsa Collieries Limited (CAPCL), Chhattisgarh State Power Distribution Company Limited (CSPDCL), Chhattisgarh State Power Generation Company Limited (CSPGCL), Chhattisgarh State Power Holding Company Limited (CSPHCL), Chhattisgarh State Power Trading Company Limited (CSPTr.CL), Chhattisgarh State Power Transmission Company Limited (CSPTCL), Chhattisgarh State Beverages Corporation Limited (CSBCL), Chhattisgarh State Civil Supplies Corporation Limited (CSCSCL), Chhattisgarh Medical Services Corporation Limited (CMSCL) and Chhattisgarh Police Housing Corporation Limited (CPHCL.).

[2] Chhattisgarh State Warehousing Corporation (CSWC)

[3] Percentage is based on the figure of State GDP for the year 2012-13.

Investment in State PSUs

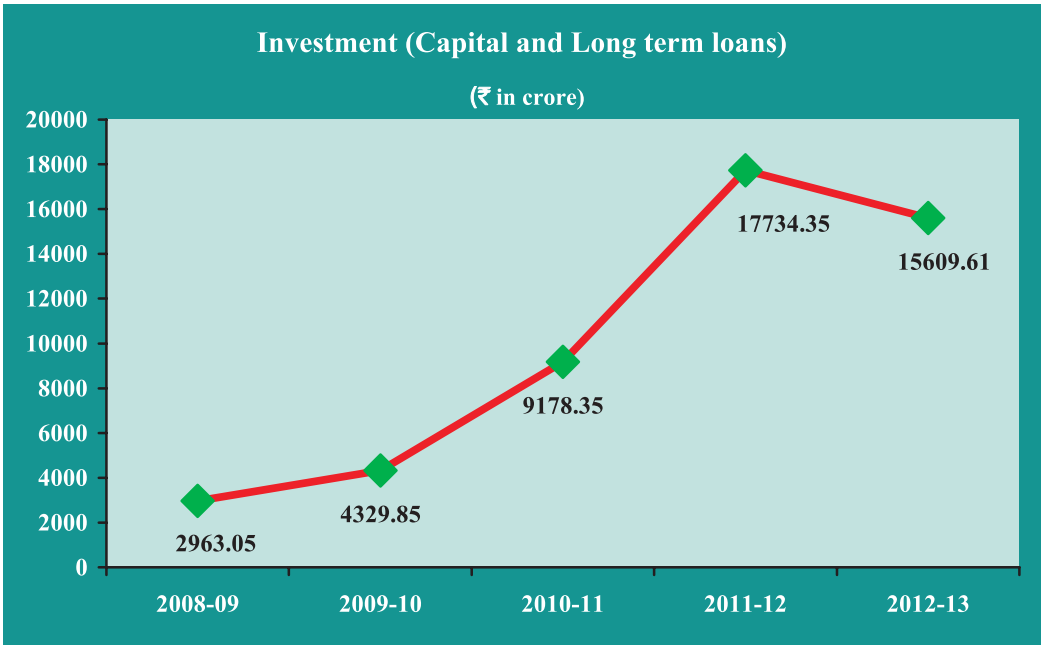
1.7 As on 31 March 2013, the investment (Capital and Long-term loans) in 19 PSUs (including one Statutory corporation) was ₹ 15609.61 crore. The details are given in the following table:

(₹ in crore)

Government companies			Statutory corporation			Grand total
Capital	Long term loans	Total	Capital	Long term loans	Total	
12449.18	3105.59	15554.77	4.04	50.80	54.84	15609.61

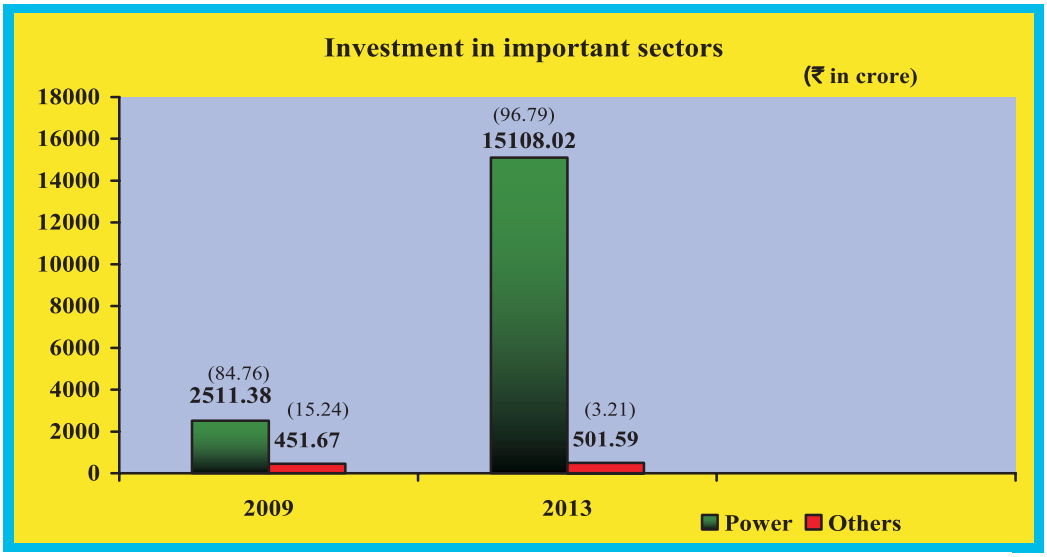
A summarised position of Government investment in State PSUs is detailed in ***Annexure-1.1***.

1.8 As on 31 March 2013, out of the total investment of ₹ 15609.61 crore, 79.78 *per cent* was towards Capital and 20.22 *per cent* was towards Long-term loans. The investment in the PSUs had grown by 426.81 *per cent* from ₹ 2963.05 crore in 2008-09 to ₹ 15609.61 crore in 2012-13 as shown below:



It may be seen from the above line graph that during the year 2012-13, there was a decrease of ₹ 2124.74 crore over the previous year in the investment in State PSUs, which was mainly due to repayment of outstanding loan of ₹ 5460.70 crore and increase in capital of ₹ 3267.46 crore in the power sector.

1.9 The investment in various important sectors and percentage thereof to total investment as of 31 March 2009 and 31 March 2013 are indicated in the following bar chart.



(Figure in brackets shows percentage of total investment)

As may be seen from the above chart, the bulk of the investment of the State Government was in the PSUs in the power sector, which increased from ₹ 2511.38 crore during 2008-09 to ₹ 15108.02 crore during 2012-13.

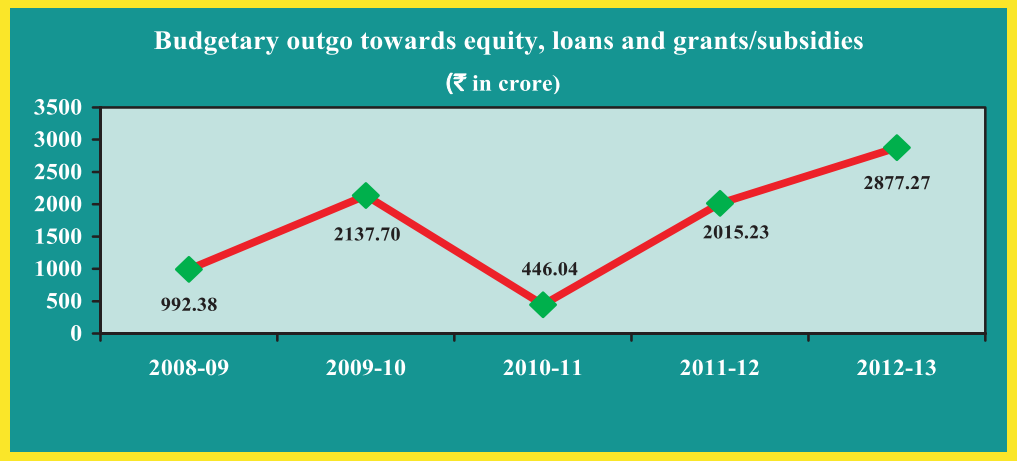
Budgetary outgo towards equity, grants/subsidies, guarantees and loans

1.10 The details regarding budgetary outgo by the State Government towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in ***Annexure–1.3.*** The summarised details for three years ended 2012-13 are given in the following table.

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of PSUs	Amount (₹ in crore)	No. of PSUs	Amount (₹ in crore)	No. of PSUs	Amount (₹ in crore)
1.	Equity Capital outgo from budget	-	-	-	-	4	903.52
2.	Loans given from budget	1	0.01	1	500.00	3	651.66
3.	Grants/ Subsidy received	7	446.03	7	1515.23	6	1322.09
4.	Total Outgo (1+2+3)	7[4]	446.04	7[4]	2015.23	10[4]	2877.27
5.	Loans converted into equity	-	-	-	-	-	-
6.	Guarantees issued	1	2.33	1	2.50	1	500.00
7.	Guarantee commitment	2	345.61	2	302.84	3	937.61

1.11 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the past five years are given in the following graph.

[4] These are the actual number of PSUs which have received budgetary support in the form of equity, loans, grants and subsidy from the State Government during the year



The budgetary outgo towards equity, loans and grants/ subsidies increased from ₹ 992.38 crore (2008-09) to ₹ 2137.70 crore (2009-10). The same had drastically decreased to ₹ 446.04 crore (2010-11) and again increased to ₹ 2015.23 crore and ₹ 2877.27 crore in 2011-12 and 2012-13 respectively. The budgetary outgo of ₹ 2877.27 crore during 2012-13 included support of ₹ 2780.74 crore extended to three PSUs viz. Chhattisgarh State Power Distribution Company Limited, Chhattisgarh State Power Holding Company Limited and Chhattisgarh State Civil Supplies Corporation Limited by way of equity, loans, subsidy and grants of ₹ 639.69 crore, ₹ 900 crore and ₹ 1241.05 crore respectively.

1.12 The guarantees outstanding increased from ₹ 345.61 crore in 2010-11 to ₹ 937.61 crore in 2012-13. None of the PSUs had paid any guarantee fee/ commission to the State Government during 2012-13.

Reconciliation with Finance Accounts

1.13 The figures in respect of equity, loans and guarantees outstanding as per the records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should reconcile the differences. The position in this regard as at 31 March 2013 is stated in the following table:

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	1191.93	6976.91	5784.98
Loans	962.41	359.83	602.58
Guarantees	676.44	937.61	261.17

(Source: Data compiled from Finance Accounts and information furnished by PSUs)

1.14 We observed that the differences occurred in respect of thirteen[5] PSUs and some of the differences were pending reconciliation since 2004-05. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

[5] CRBEKVNL, CSVVNL,CNJVAVN, CIDC, CSIDC,CMDC, CSPDCL, CSPGCL, CSPTCL, CSBCL, CSCSCL, CMSCL and CSWC

Performance of PSUs

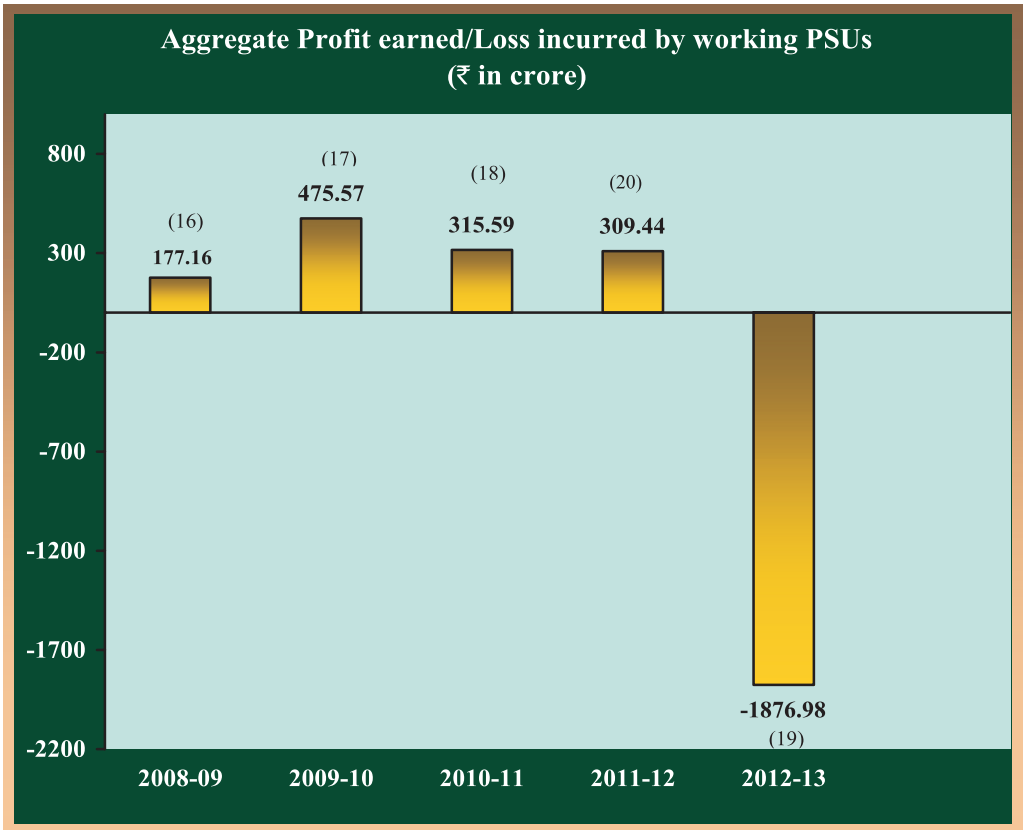
1.15 The financial results of PSUs and financial position and working results of working Statutory corporation are detailed in ***Annexure - 1.2, 1.5*** and ***1.6*** respectively. The ratio of PSUs turnover to State GDP shows the extent of PSUs activities in the State economy. The following table provides the details of working PSUs' turnover and State GDP for the period 2008-09 to 2012-13.

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Turnover[6]	4773.05	5449.33	8804.03	14200.21	11776.04
State GDP[7]	80698.41	107848.23	129717.54	135536.34	160187.71
Percentage of Turnover to State GDP	5.91	5.05	6.79	10.48	7.35

The percentage of turnover of State PSUs to the State GDP had increased from 5.91 in 2008-09 to 7.35 in 2012-13.

1.16 The aggregate profit earned/loss incurred by State working PSUs during the period 2008-09 to 2012-13 is given in the following bar chart.



(Figure in brackets shows the number of working PSUs in the respective years based on latest finalised accounts)

The aggregate profit of ₹ 309.44 crore earned by the State PSUs in 2011-12 turned into aggregate loss of ₹ 1876.98 crore in 2012-13 due to heavy loss

[6] Turnover as per the latest finalised accounts as of 30 September 2013
[7] The State GDP in respect of 2012-13 is advance estimate

incurred by Chhattisgarh State Power Distribution Company Limited (₹ 2012.27 crore).

As per the latest accounts finalised as on 30 September 2013, out of 19 working PSUs[8], 12 PSUs[9] earned total profit of ₹ 214.53 crore and five[10] PSUs incurred total loss of ₹ 2091.51 crore. One[11] PSU earned no profit no loss. The remaining one[12] PSU did not finalise its first account. The major contributors to profit were Chhattisgarh Rajya Van Vikas Nigam Limited (₹ 27.81 crore), Chhattisgarh State Power Transmission Company Limited (₹ 101.38 crore) and Chhattisgarh State Warehousing Corporation (₹ 29.05 crore). Losses were mainly incurred by Chhattisgarh State Power Distribution Company Limited (₹ 2012.27 crore) and Chhattisgarh State Civil Supplies Corporation Limited (₹ 78.88 crore).

1.17 The losses incurred by PSUs are mainly attributable to deficiencies in financial management, planning, implementation of projects, running their operations and monitoring. The current Audit Report of CAG shows that the State PSUs incurred losses to the tune of ₹ 204.13 crore* which were controllable with better management. Year wise details of Profit/ Loss of working PSUs and results of test check in audit as reported in the Audit Reports are as follows:

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	Total
Net Profit (+)/ loss (-) of working PSUs	315.59	309.44	(-) 1876.98	(-) 1251.95
Controllable losses as per CAG's Audit Report	2096.95	1958.08	204.13	4259.16
Infructuous investments	0	44.12	0	44.12

*** Paragraph numbers – 2.10, 2.14, 2.17, 2.28, 3.2, 3.3 and 3.5 to 3.9**

1.18 The above losses pointed out in the Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses may be much more. The above table shows that with better management, the profits can be enhanced substantially. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards the need for professionalism and accountability in the functioning of PSUs.

1.19 Other key parameters pertaining to State PSUs, as per their latest finalised accounts, are given in the following table.

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Return on Capital Employed (*per cent*)	14.38	12.09	5.10	5.59	(-)11.93
Debt (₹ in crore)	2861.68	4249.60	5258.06	8576.28	3156.39
Turnover[13] (₹in crore)	4773.05	5449.33	8804.03	14200.21	11776.04
Debt/ Turnover Ratio	0.60:1	0.78:1	0.60:1	0.60:1	0.27:1
Interest Payments (₹ in crore)	180.99	213.31	353.87	618.38	395.46
Accumulated Profit/ Loss (-) (₹ in crore)	836.89	1808.06	2052.21	2002.78	(-) 3136.26

[8] CRBEKVNL, CRVVNL, CNJVAVN, CIDC, CSIDC, CMDC, CICL, CSCCL, CAPCL, CSPDCL, CSPGCL, CSPHCL ,CSPTr.CL, CSPTCL, CSBCL, CSCSCL, CMSCL, CPHCL and CSWC
[9] CRBEKVNL, CRVVNL,CNJVAVN, CIDC, CSIDC, CMDC, CSPGCL, CSPHCL, CSPTCL, CSBCL, CMSCL and CSWC
[10] CSCCL, CAPCL, CSPDCL, CSPTr.CL and CSCSCL
[11] CICL
[12] CPHCL
[13] Turnover of working PSUs as per the latest finalised accounts as of 30 September 2013

1.20 Return on Capital Employed decreased from 14.38 *per cent* in 2008-09 to (-) 11.93 *per cent* in 2012-13 and though the accumulated profit of the State PSUs had increased from ₹ 836.89 crore in 2008-09 to ₹ 2002.78 crore in 2011-12, the same turned into accumulated loss of ₹ 3136.26 crore in 2012-13. This indicated the deteriorating operational performance of PSUs. The Debt turnover ratio decreased from 0.60:1 in 2008-09 to 0.27:1 in 2012-13.

1.21 The State Government had not formulated any dividend policy for payment of minimum return on the paid-up share capital contributed by the State Government. As per their latest finalised accounts, 12 PSUs earned profit aggregating ₹ 214.53 crore of which only two PSUs[14] declared dividend of ₹ 2.97 crore.

Arrears in finalisation of accounts

1.22 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporation, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2013.

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1.	Number of Working PSUs	16[15]	17[16]	18[17]	20[18]	19
2.	Number of accounts finalised during the year	9	16	15	16	24
3.	Number of accounts in arrears	36	36	38	41	36
4.	Average arrears per PSU (3/1)	2.57	2.25	2.24	2.16	1.89
5.	Number of Working PSUs with arrears in accounts	13	15	15	15	15
6.	Extent of arrears (years)	1 to 5	1 to 6	1 to 5	1 to 6	1 to 7

1.23 The number of accounts in arrears of the PSUs had increased over the years from 36 accounts in respect of 13 PSUs in 2008-09 to 41 in 2011-12 in respect of 15 PSUs and it has decreased to 36 accounts in 2012-13 in respect of 15 PSUs.

1.24 The State Government had invested ₹ 4795.29 crore (Equity: ₹ 903.52 crore, Loans: ₹ 1120.78 crore, Grants: ₹ 320.63 crore and Subsidy: ₹ 2450.36 crore) in 10 PSUs during the years for which accounts have not been finalised as detailed in ***Annexure–1.4.*** In the absence of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the

[14] CRVVNL and CSWC
[15] Including CSPHCL and CSPTr.CL incorporated on 30 December 2008 and not considered to be in arrears as their first accounts were prepared for 15 months period
[16] Including CSEB, which was unbundled into five companies with effect from 1 January 2009 as per the State Government Gazette Notification dated 19 December 2008. The name of CSEB has been included in the Chapter for reconciliation purposes as CSEB, having pendency upto 2008-09 in finalisation of accounts.
[17] CSEB not considered as arrears of accounts
[18] CSEB not considered as arrears of accounts and CPHCL incorporated on 14 December 2011 is also not considered to be in arrears as their first accounts were prepared for 15 months period. However in respect of CMSCL two accounts have been considered as arrears because the Company has prepared two accounts separately - one for the period from 7 October 2010 to 31 March 2011 and another for the period from 1 April 2011 to 31 March 2012

purpose for which the amount was invested had been achieved. Thus, the Government's investment in such PSUs remained outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

1.25 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though we informed the concerned administrative departments and officials of the Government of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this, we could not assess the net worth of these PSUs. We had also taken up (September 2013) the matter of arrears in accounts with the Chief Secretary to expedite clearance of the backlog of arrears in accounts in a time bound manner.

1.26 In view of the above state of arrears, it is recommended that the Government should monitor and ensure timely finalisation of accounts in conformity with the provisions of the Companies Act, 1956.

Accounts Comments and Internal Audit

1.27 Fourteen working companies forwarded their 23 audited accounts to the Accountant General during the period from 1 October 2012 to 30 September 2013. Out of these, 13 companies[19] were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved. The details of aggregate money value of comments of statutory auditors and CAG are as follows:

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of accounts	Amount (₹ in crore)	No. of accounts	Amount (₹ in crore)	No. of accounts	Amount (₹ in crore)
1.	Decrease in Profit	3	1027.92	8	1024.43	6	9.41
2.	Increase in Loss	1	0.36	-	-	4	42.66
3.	Increase in Profit	2	3.66	-	-	4	10.90
4.	Decrease in Loss	-	-	1	6469.24	3	129.49
5.	Non-disclosure of material facts	1	15.62	-	-	-	-

1.28 During the year 2012-13, the statutory auditors had given unqualified certificates for eight accounts and qualified certificates for 15 accounts. The compliance by companies with the Accounting Standards (AS) was generally satisfactory as there were only nine instances of non-compliance with AS-15[20], three instances with respect to AS-2[21] and AS-28[22] and one instance

[19] CRBEKVNL, CRVVNL, CIDC, CMDC, CSPGCL, CSPTCL, CSBCL, CICL, CSPDCL, CSCSCL, CSPHCL, CMSCL and CSPTrCL
[20] AS-15: Accounting for Retirement Benefits in the Financial Statement of Employers
[21] AS-2: Valuation of Inventories
[22] AS-28: Impairment of Assets.

with respect to AS-1[23], AS-9[24], AS-21[25], AS-23[26] and AS-27[27] during the year.

1.29 Some of the important comments in respect of accounts of companies finalised during 2012-13 are as follows:

Chhattisgarh Rajya Beej Evam Krishi Vikas Nigam Limited (2007-08)

- Prior Period Expenditure and payment to and provision for employees, were understated by ₹ 95 lakh and ₹ 62 lakh and Profit was overstated by ₹ 1.57 crore due to non-provision of amount towards pay arrears payable upto 31 March 2008 on account of implementation of Sixth Pay Commission recommendations effective from 1 January 2006.

Chhattisgarh State Power Distribution Company Limited (2010-11)

- Current Liabilities and Provisions and Loss were understated by ₹ 1.02 crore due to non provision towards Unscheduled Interchange Charges bills for the month of March 2011 paid in April 2011 to Western Regional Power Committee.

Chhattisgarh State Power Distribution Company Limited (2011-12)

- The Net Loss for the year and Other Current Liabilities were understated by ₹ 9.40 crore as the company had not accounted for the bilateral transactions with Madhya Pradesh Poorva Kshetra Vidyut Vitran Company Limited (MPPKVVCL) in its accounts since November 2000 to 2011-12.
- Short provision of surcharge payable to CSPTCL had resulted in understatement of cost of power purchase as well as loss for the year by ₹ 6.49 crore with corresponding understatement of Other Current Liabilities to the same extent.
- Other Current Liabilities and Loss for the period 2011-12 was understated by ₹ 0.54 crore due to non provision of the demand raised by Income Tax Department between November 2011 and December 2012 towards interest on short deduction/late deposit of tax deducted at Source pertaining to the previous years 2007-08 to 2010-11.
- The Company's claim of ₹ 8.98 crore on Madhya Pradesh Power Management Company Limited (MPPMC) towards recovery of Reactive Energy Charges upto 31 March 2012, which was disputed by MPPMC before Central Electricity Regulatory Commission, had not been disclosed in the notes to accounts.

Chhattisgarh State Power Transmission Company Limited (2010-11)

- The Net Loss and Deferred Tax Liabilities were overstated by ₹ 80.22 lakh due to incorrect application of Income Tax rate i.e. 33.99 *per cent* instead of 33.21 *per cent.*

[23] AS-1: Disclosure of Accounting Policies
[24] AS-9: Revenue Recognition
[25] AS-21: Consolidated Financial Statements
[26] AS-23: Accounting for Investments in Associates in Consolidated Financial Statements
[27] AS-27: Financial Reporting of Interests in Joint Ventures

Chhattisgarh State Power Generation Company Limited (2010-11)

- Non-provision of ₹ 2.00 crore (₹ 1.96 crore pertaining to prior period i.e. before 1 April 2010 and ₹ 0.04 crore pertaining to March 2011) being water charges payable to Water Resources Department as on 31 March 2011, had resulted in understatement of current liabilities by ₹ 2.00 crore, Prior Period Expenditure by ₹ 1.96 crore and consequent understatement of loss to the extent of ₹ 2.00 crore.
- Current Liabilities and loss were understated to the extent of ₹ 55.51 lakh due to non-provision of Royalty payable to South Eastern Coal Field Limited (SECL) for the period from March 2007 to August 2007, but paid in August 2011.
- Current Liabilities, Prior Period Expenditure and Loss were understated by ₹ 7.02 crore due to non provision of surface transportation charges payable to SECL against coal supplied from Kusmunda Mines for the period March 2007 to August 2007 because the Company had accepted the liability as per Minutes of the Meeting held on 26 February 2011.
- Provision for Electricity Duty and Cess and Sundry Debtors were understated by ₹ 57.05 crore due to non-provision of Electricity Duty payable to the State Government at the rate of two paise per unit of energy transmitted to Chhattisgarh State Power Distribution Company Limited.
- Provision for Electricity Duty and Cess and Loss were understated by ₹ 14.69 crore due to non provision of penal interest payable at the rate of 24 *per cent per annum* to the State Government on account of non-payment of Electricity Duty on energy transmitted to Chhattisgarh State Power Distribution Company Limited, as per requirement of Section 5 (2) of the Madhya Pradesh Electricity Duty Act, 1949 for the period from 1 January 2009 to 31 March 2011.
- Provision for Electricity Duty and Cess and Loss were understated by ₹ 1.47 crore due to short provision of Electricity Duty and Energy Development Cess on auxiliary consumption payable to the State Government as on 31 March 2011.

Chhattisgarh State Power Generation Company Limited (2011-12)

- Profit was overstated by ₹ 1.10 crore due to non accountal of interest accrued but not due on loan of ₹ 200 crore availed from PFC as on 31 March 2012.

Chhattisgarh Rajya Van Vikas Nigam Limited (2011-12)

- Other Current Liabilities was understated by ₹ 5.91 crore and Profit was overstated to the same extent due to non-provision of lease rent amounting to ₹ 5.91 crore which the Company had agreed to pay to the State Government at the rate of ₹ 50 per hectare of land transferred by the State Government to the Company.

1.30 Similarly, the Chhattisgarh State Warehousing Corporation forwarded accounts for the year 2011-12 to the Accountant General during the year 2012-13. The Statutory Auditor has given qualified certificate on the accounts

and the accounts of the Corporation was selected for supplementary audit. The details of aggregate money value of comments of Statutory Auditors and CAG on the Corporation is as follows:

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of accounts	Amount (₹ in crore)	No. of accounts	Amount (₹ in crore)	No. of accounts	Amount (₹ in crore)
1	Increase in profit	-	-	-	-	1	0.81
2	Decrease in profit	2	3607.91	2	1056.20	-	-
3	Non-disclosure of material facts	1	1.93	-	-	-	-
	Total		**3609.84**		**1056.20**		**0.81**

1.31 The important comment in respect of accounts of the Chhattisgarh State Warehousing Corporation for the year 2011-12 is as follows:

- Erroneous adjustment of Deferred Tax of ₹ 83.17 lakh instead of ₹ 15.78 lakh had resulted in understatement of Provision for Deferred Tax and overstatement of Profit by ₹ 67.39 lakh.

Recoveries at the instance of audit

1.32 During the course of audit in 2012-13, recoveries of ₹ 78.21 crore were pointed out to the Management of various PSUs of which ₹ 5.55 crore was admitted and the same was recovered during the year 2012-13.

Status of placement of Separate Audit Reports

1.33 The following table shows the status of placement of Separate Audit Report (SAR) issued by the CAG on the accounts of Statutory corporation in the State Legislature.

Sl. No.	Name of Statutory corporation	Year for which SAR placed in Legislature		
		Year of SAR	Date of issue to the Government	Date of placement in legislature
1.	Chhattisgarh State Warehousing Corporation	2011-12	21.02.2013	16.07.2013

(Source: Data compiled from the information furnished by corporation)

Reforms in Power Sector

1.34 The process of unbundling of Chhattisgarh State Electricity Board was completed as per the Electricity Act, 2003. The Board was unbundled into five companies[28] with effect from 1 January 2009.

1.35 The State has formed the Chhattisgarh State Electricity Regulatory Commission (CSERC) in May 2004 under Section 82 of the Electricity Act, 2003 with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences. During 2012-13, CSERC issued 12 orders on annual revenue requirements and 47 other orders.

1.36 A Memorandum of Understanding (MoU) was signed in May 2000 between the Union Ministry of Power and the State Government of Madhya Pradesh as a joint commitment for implementation of reforms programme in

[28] CSPDCL, CSPGCL, CSPHCL, CSPTr.CL and CSPTCL

the power sector with identified milestones. However, no MoU was signed between the Union Ministry of Power and the State of Chhattisgarh after formation of the latter in November 2000 bifurcating the erstwhile State of Madhya Pradesh under the Madhya Pradesh Reorganisation Act. Hence, the implementation of reforms programme and achievement of identified milestones could not be assessed.

CHAPTER – II

2. Review relating to Government Company

Review on procurement, storage and distribution of rice, wheat and sugar under various schemes of Public Distribution System by Chhattisgarh State Civil Supplies Corporation Limited

Executive Summary

Introduction

The Government of India (GoI) issues scheme-wise allotment of foodgrains to the States as per the number of beneficiaries in the States for distribution of the same under Public Distribution System (PDS). On the basis of it, Food, Civil Supplies and Consumer Protection Department (Department) of Government of Chhattisgarh (GoCG) issues district-wise allotment to the Chhattisgarh State Civil Supplies Corporation Limited (Company) for taking advance action for procurement, storage and distribution of foodgrains to the districts. The Company works as a nodal agency for PDS. The main objective of the Company is procurement, storage and distribution of foodgrains under various schemes of PDS so as to ensure their availability to the beneficiaries according to the schemes framed by GoI/GoCG.

Decentralised Procurement was introduced (April 2002) in the State for procurement and maintenance of stock of rice at State Level in order to provide Minimum Support Price (MSP) to farmers and also to ensure economy in distribution of rice. Wheat is procured by the Company from Food Corporation of India (FCI) at subsidised rate fixed by GoI and sugar is procured by the Company from sugar mills specified by the GoI at the prescribed rate and are distributed to the beneficiaries.

The performance of the Company was reviewed to assess economy, efficiency and effectiveness in implementation of various schemes of GoI/ GoCG under PDS during the period 2008-09 to 2012-13.

Planning for procurement of rice, wheat and sugar

Keeping in view the requirement of rice to meet distribution under various schemes of PDS, the Department procures paddy from farmers through Chhattisgarh State Cooperative Marketing Federation (Markfed) at MSP and supplies Custom Milled Rice (CMR) to the Company through Markfed. For this purpose, Department issues policy related to CMR every year duly mentioning the tentative quantity of rice for procurement during Kharif Marketing Season which is followed by the Company. For procurement of wheat and sugar, the Company is under obligation to follow the allotment made by the Department.

Storage and transportation of rice, wheat and sugar

In the absence of norms of storage losses, data on actual reimbursable losses were not maintained by the Company. Requirement of storage space for reservation in State Warehousing Corporation (SWC)/ Central Warehousing Corporation (CWC) godowns was not assessed properly thereby the Company could not utilise the reservation of godowns in full and paid ₹ 7.58 crore for unutilised storage space. There was huge variation in transportation rates of different base depots in the same division and there was no mechanism for comparison of rates of neighbouring divisions. The Company recovered penalty at a lower rate than the prescribed rates from transport contractors.

Distribution of foodgrains under various schemes of GoI/GoCG

The Company distributed less quantity of rice and wheat than the allotments made under various schemes during the years 2009-10 and 2010-11 due to which the benefit of the schemes had not reached fully to the intended beneficiaries. At the direction of GoCG, the Company diverted 7.43 lakh MT rice and 1.91 lakh MT wheat from Central Schemes to State Scheme (Mukhyamanti Khadyann Sahayata Yojana) in violation of GoI instructions resulted in diversion of foodgrains valuing ₹ 1975.43 crore and wrong claim of ₹ 899.12 crore from GoI. The Company distributed rice without GoI allotment under Mid Day Meal Scheme and Other Welfare Schemes which resulted in non-receipt of ₹ 35.78 crore.

Financial Management

There were delays in finalisation of accounts of the Company due to which it could not submit its audited accounts to GoI in time leading to blockage of subsidy claims of ₹ 760.93 crore and consequent loss of interest of ₹ 186.81 crore. Dues of the Company of ₹ 1.48 crore could not be recovered from Fair Price Shops due to ineffective action by the Department.

Deployment of Manpower

The post of District Managers in 18 districts were manned by Assistant Managers/ Assistant Accounts Officers (AMs/AAOs). Thus, there was no supervision on the work of these AMs/AAOs.

Monitoring and Internal Control System

There was lack of coordination among the various agencies which resulted in storage of excess stock and consequent avoidable storage charges. Mismatch in allotted quantity of GoI and GoCG caused excess/ short distribution of foodgrains and submission of incorrect utilisation certificates to GoI by the Company.

A well set monitoring and internal control system prevails in the Company due to introduction of information and communication technology. However, there is no mechanism to conduct surprise checks of stocks at different storage points and also there is no vigilance wing in the Company.

Conclusion

There were cases of non-utilisation of storage space and excess/less distribution of foodgrains under various schemes. Transport contracts were finalised without comparing rates of neighbouring divisions resulted in huge variation in transportation rates. In the absence of norms of storage losses, data on actual reimbursable losses were not maintained by the Company. Reserving storage space in excess of the requirement led to underutilisation of storage space. The Company did not recover the penalty at prescribed rates from the transport contractors. The Company diverted foodgrains from Central schemes to State scheme. Rice was distributed in Mid Day Meal Scheme and Other Welfare Schemes without GoI allotment. Delay in finalisation of accounts led to non-receipt of subsidy from GoI. The Company had not prescribed any mechanism to conduct periodical surprise check at storage points.

Introduction

2.1 The Government of India (GoI) issues scheme-wise allotment of foodgrains[1] to the State as per the number of beneficiaries[2] in the State for distribution of the same under various schemes of Public Distribution System (PDS). Based on it and considering the number of beneficiaries in each district, the Food, Civil Supplies and Consumer Protection Department (Department) of Government of Chhattisgarh (GoCG) issues district-wise[3] allotment to the Chhattisgarh State Civil Supplies Corporation Limited (Company) for taking advance action for procurement, storage and distribution of foodgrains to the districts. The Company works as a nodal agency for PDS. The main objective of the Company is procurement, storage and distribution of foodgrains under various schemes of PDS so as to ensure their availability to the beneficiaries according to the schemes framed by GoI/GoCG.

Keeping in view the requirement of rice, the Department procures paddy from farmers through Chhattisgarh State Cooperative Marketing Federation (Markfed) at Minimum Support Price (MSP) and gives it to rice millers for milling. The milled rice known as Custom Milled Rice (CMR) is procured by the Company from Markfed based on the allotment made by the Department under Decentralised Procurement Scheme (DCP) which was introduced (April 2002) in the State for maintenance of stock of rice at State level to provide MSP to farmers and also to ensure economy in distribution of rice under DCP. While making allotment of rice to the State, GoI fixes Central Issue Price[4] (CIP). The difference between cost of rice procured by the Company from Markfed and CIP is reimbursed by the GoI to the Company which is known as Central subsidy. However, GoCG issues the rice at further subsidised rates to the beneficiaries and the difference between CIP and further subsidised rates is reimbursed to the Company which is known as State subsidy.

Wheat is procured by the Company from Food Corporation of India (FCI) at subsidised rate fixed by GoI. However, GoCG issues the wheat at further subsidised rates to the beneficiaries and the difference between FCI rate and further subsidised rate is reimbursed by GoCG to the Company as State subsidy. Similarly, sugar is also procured by the Company from sugar mills specified by the GoI at the prescribed rate and is distributed to the beneficiaries. The difference between expenditure incurred by the Company for procurement and distribution of sugar and sale proceeds of the sugar is reimbursed by GoI from Levy Sugar Price Equalisation Fund[5].

The foodgrains so procured are stored by the Company in the warehouses of Chhattisgarh State Warehousing Corporation (SWC) and Central

[1] Rice, wheat and sugar.
[2] Ration cardholders, students under Mid Day Meal Scheme, pregnant lactating woman and children between six months and six years, and students of SC/ST Hostels.
[3] District wise include block-wise, fair price shop-wise and Ration Cardholder-wise allotments.
[4] Price at which rice is to be distributed to the beneficiaries under PDS.
[5] Levy Sugar Price Equalisation Fund is a fund to ensure that the price of levy sugar may be uniform throughout India.

Warehousing Corporation (CWC) for which the Company pays storage charges. From these warehouses, the foodgrains are transported to Fair Price Shops (FPS) for distribution to the beneficiaries under various schemes of PDS.

Distribution of foodgrains under PDS is done through seven schemes of GoI and one scheme of GoCG which are briefly described in the ***Annexure-2.1.***

Organisational Setup

2.2 The Company comes under the administrative control of the Food, Civil Supplies and Consumer Protection Department (Department) which is headed by a Secretary. The Board of Directors (BoD) comprising of two[6] functional and seven[7] non-functional directors. The Managing Director (MD) is the Chief Executive of the Company who is assisted by one General Manager, one Company Secretary at the Head Office and 27 District Managers (DMs) in districts for overall management of procurement, storage and distribution of rice, wheat, sugar and other essential commodities under different schemes.

Scope and Methodology of Audit

2.3 The Review covers the procurement, storage and distribution of rice, wheat and sugar under various schemes of PDS by the Department and the Company from 2008-09 to 2012-13. After a preliminary study and collection of background information, an entry conference with the Secretary of the Department and MD of the Company was held on 30 April 2013 wherein the scope, objectives and methodology of audit were discussed. Review was conducted during May 2013 to June 2013 involving examination of records of the Department, Head Office and nine[8] out of 18 District Offices[9] (DOs) of the Company. These districts were selected considering maximum quantity of allotment, procurement and lifting of PDS commodities and number of FPS. The audit findings were reported to the Company and the State Government in July 2013 and the replies of the Company were received on 5 September 2013. However, the replies of the Government were not received (September 2013). The replies furnished by the Company have been considered while finalising this Review. The Exit Conference with the Secretary of the Department was held on 18 September 2013 to discuss the audit findings.

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[6] One Chairman and one Managing Director.

[7] Principal Secretary, GoCG, Agriculture Department, Secretary, GoCG, Food Department, Secretary, GoCG, Finance Department, two MLAs and two other members nominated by GoCG.

[8] Raipur, Mahasamund, Durg, Rajnandgaon, Bilaspur, Janjgir, Raigarh, Sarguja and Jagdalpur.

[9] Raipur, Mahasamund, Durg, Rajnandgaon, Bilaspur, Janjgir, Raigarh, Sarguja, Jagdalpur, Korba, Dantewada, Kanker, Dhamtari, Baikunthpur, Jashpur, Narayanpur, Beejapur and Kawardha. Subsequently, nine new districts were also formed from 1st January 2012.

Audit Objectives

2.4 The objectives of the Review were to assess whether:

i. the Company had framed annual plan for procurement, storage and distribution of rice, wheat and sugar according to the Food and Procurement Policy of GoCG and allotment made by GoI;

ii. the storage and transportation of rice, wheat and sugar were efficient and economical;

iii. the distribution of rice, wheat and sugar to the targeted sections under different schemes were adequate and effective;

iv. financial management of the Company was effective and efficient;

v. adequate manpower was available to manage the operations of the Company and whether manpower was deployed efficiently and effectively;

vi. System of monitoring, internal control and coordination with the School Education Department, FCI, SWC/CWC and the Department was effective and efficient.

Audit Criteria

2.5 The performance of the Company was assessed against the criteria drawn from the followings**:**

- Memorandum of Understanding (MoUs) signed between GoI and GoCG and scheme guidelines from GoI/GoCG for claiming subsidy;
- Food and Procurement Policy of GoCG;
- guidelines/instructions of GoCG and GoI with regard to procurement and distribution of foodgrains under various schemes;
- Public Distribution System (Control) orders issued by GoI/GoCG, annual targets of procurement and annual budgets;
- Annual Accounts, approved economic cost of Custom Milled Rice (CMR) issued by GoI, records of Department to verify the co-ordination among the Department, Markfed, FCI, School Education Department and the Company.

Audit Findings

2.6 Review on Procurement, Storage and Distribution of rice, wheat and sugar under various schemes of PDS by the Company revealed several discrepancies in planning for procurement, storage, transportation and distribution of rice, wheat and sugar, financial management, deployment of

manpower and monitoring and internal control as discussed in the succeeding paragraphs.

Planning for procurement, storage and distribution of rice, wheat and sugar

2.7 Keeping in view the requirement of rice to meet distribution under various schemes of PDS, the Department procures paddy from farmers through Markfed at Minimum Support Price (MSP) and supplies CMR to the Company through Markfed. For this purpose, Department issues policy related to CMR every year duly mentioning the tentative quantity of rice for procurement during Kharif Marketing Season (KMS). The Memorandum of Understanding (MoU) executed (December 2002/September 2006) between GoI and GoCG regulates procurement and distribution of rice under PDS. The following are the details of tentative quantity of rice planned for procurement during the five KMS years ending 2012-13.

Year	Quantity of rice (in lakh MT)
2008-09	13.20
2009-10	13.00
2010-11	14.00
2011-12	13.00
2012-13	15.00

(Source: figures compiled from the records of the Company)

For procurement of rice, wheat and sugar, the Company is under obligation to follow the allotment made by the Department and accordingly it procures rice from Markfed, wheat from FCI at subsidised rate fixed by GoI and sugar from sugar mills at the rates specified by GoI. However, the Company had not prepared any plan for procurement of wheat and sugar as it follows the instructions regarding procurement of wheat (from FCI) and sugar (from prescribed mills) communicated to it by the Department on the basis of allotment made by the GoI.

The Company allows its District Managers (DMs) to plan for reservation of storage space in SWC/CWC godowns for storing the foodgrains to be procured and distributed through FPS based on district-wise allotment made by the Department in consultation with the District Collector. The DMs reserves the storage space in SWC/CWC godowns based on the allocation made by the Department. However, due to improper planning, the Company had reserved more storage space than its requirement leading to avoidable payment of storage charges as discussed in the succeeding ***paragraph 2.14***.

For transportation of foodgrains from warehouses to FPS, the Company engages private transport by finalising annual rate contracts through open tenders at division level. We noticed that the transportation of foodgrains was being made in a very planned manner through timely finalisation of the contract.

The Company delivers the foodgrains to the FPS as per the allotment made by the Department and then FPS distributes the same to the beneficiaries under various schemes of PDS. No separate planning was found to have

been done by the Company for smooth distribution of the foodgrains to the FPS. As mentioned in the succeeding ***paragraph 2.21***, there were sub-optimal distribution of foodgrains under various schemes which could have been avoided through proper planning.

Allotment and procurement of rice, wheat and sugar

2.8 The following are the details of allotment and procurement of rice during the years 2008-09 to 2012-13:

(Qty. in lakh MT)

Year	Allotment of rice by GoI	Procurement by the Company based on allotment made by GoCG	Excess/ Shortfall (-)
2008-09	16.36	17.41	1.05
2009-10	15.18	11.74	(-) 3.44
2010-11	13.84	12.19	(-) 1.65
2011-12	14.83	16.78	1.95
2012-13	16.58	14.61	(-) 1.97
Total	**76.79**	**72.73**	**(-) 4.06**

(Source: Information provided by the Company)

It may be seen from the table that the Company achieved the target of procurement of rice in 2008-09 and 2011-12. However, it did not achieve the targets for procurement of rice in 2009-10, 2010-11 and 2012-13 due to less allotment made by the department.

Due to less allotment of rice during 2009-10, 2010-11 and 2012-13 and non-availability of wheat and sugar with FCI and sugar mills, the Company unable to procure as per allotment made by GoI

2.9 The following are the details of allotment and procurement of wheat and sugar during the year 2008-09 to 2012-13.

(Qty. in lakh MT)

Year	Allotment by GoI		Procurement by Company based on availability		Excess/ Shortfall (-)	
	Wheat	Sugar	Wheat	Sugar	Wheat	Sugar
2008-09	1.39	0.54	0.38	0.49	(-) 1.01	(-) 0.05
2009-10	2.67	0.76	2.23	0.60	(-) 0.44	(-) 0.16
2010-11	3.78	0.57	3.33	0.52	(-) 0.45	(-) 0.05
2011-12	4.03	0.59	2.50	0.51	(-) 1.53	(-) 0.08
2012-13	3.02	0.60	3.06	0.53	0.04	(-) 0.07
Total	**14.89**	**3.06**	**11.50**	**2.65**	**(-) 3.39**	**(-) 0.41**

(Source: Information provided by the Company)

The Company could not achieve the target for procurement of wheat during the years 2008-09 to 2011-12 due to non availability/ non supply of wheat by FCI. Similarly, the Company could not achieve the target for procurement of sugar due to short supply of sugar from sugar mills.

Procurement of rice

2.10 District Offices of the Company (DOs) procure rice from Markfed as per allotment made by the Department to distribute the same under various schemes of PDS. In case of shortage of rice at any DO, the same is arranged through inter district transfers.

Test check of procurement of rice at DOs revealed that there was improper planning in procurement of rice during the years 2008-09 to 2012-13

Improper planning for procurement of rice resulted in payment of transportation charges of ₹ 1.25 crore

which resulted in avoidable transportation expenditure. In two[10] out of nine test checked DOs, rice was procured from other districts on transfer purchase[11] despite availability of adequate stock of rice with DOs which led to payment of transportation charges of ₹ 1.25 crore as shown in the ***Annexure-2.2***.

The Management stated (September 2013) that rice is not procured in all the districts as per requirement. The districts, which procure more quantity of rice, transport/ transfer such surplus quantity of rice to the districts where less quantity of rice is procured as per the allotment. The Management further stated that as there was less procurement in the above districts, rice was procured on transfer purchase from other districts.

Response of the Management confirms that procurement by the Company was not being carried out as per requirement. However, the reply does not address the main issue i.e. purchase of rice by two districts on transfer basis despite having surplus stock of rice within the districts.

Procurement of wheat and sugar

2.11 The Company procures wheat from FCI at subsidised rate fixed by GoI and sugar from specified sugar mills at the rate fixed by GoI. Audit did not come across any major irregularities in procurement of wheat and sugar during the test check.

Storage and transportation of rice, wheat and sugar

2.12 Foodgrains are stored in the warehouses of SWC/CWC and transported to various FPS through trucks which are engaged by entering into transportation contracts.

Storage of foodgrains

2.13 The Company stores rice, wheat and sugar in the warehouses of SWC/CWC. As per section 6 (1) of the Warehousing (Development and Regulation) Act, 2007, Warehousing Corporation is primarily responsible for losses caused during storage of foodgrains. During the course of storage, some reduction in the quantity of foodgrains is likely to happen due to driAge, long storage, leakage due to hooking of bags etc. FCI follows a norm of storage loss for rice at 0.70 *per cent* weight loss for driage of one *per cent* moisture and in proportion thereof below 14 *per cent* moisture content. However, no agreement with SWC and CWC, duly providing a clause for reimbursement of storage losses, had been entered into by the Company.

The following are the details of losses occurred on storage of rice, wheat and sugar during the years 2008-09 to 2012-13.

[10] Rajnandgaon and Janjgir.

[11] The Company considers the rice received by the district office from other districts as transfer purchase.

(₹ in lakh)

Year	SWC			CWC		
	Rice	Wheat	Sugar	Rice	Wheat	Sugar
2008-09	1133.42	3.97	0.17	299.32	0.03	7.08
2009-10	1626.40	6.05	4.75	662.67	0.00	2.02
2010-11	2041.76	41.62	5.51	473.78	5.17	9.55
2011-12	1197.47	17.20	0.71	384.81	4.56	3.77
2012-13	2134.42	18.24	1.08	343.42	3.05	23.22
Total	**8133.47**	**87.08**	**12.22**	**2164.00**	**12.81**	**45.64**
Grand Total						**10455.22**

(Source: figures compiled from the data provided by the Company)

In the absence of norms of storage losses, data on actual reimbursable losses were not maintained by the Company, while the Company booked storage loss of ₹ 104.55 crore.

The Management stated (September 2013) that the Company has sent a proposal to GoCG for reimbursement of storage losses after finalisation of accounts for KMS 2002-03 to 2006-07 for which GoCG is committed but no decision is taken yet.

The fact, therefore, remains that due to not entering into any suitable agreements with SWC/CWC, not having fixed norms and lack of efforts to realise the storage losses from the SWC/CWC, the Company has lost out in receiving storage losses of ₹ 104.55 crore.

Utilisation of storage space

2.14 The Company reserves storage space of SWC/CWC for storage of foodgrains and other commodities and it directed (December 2004) all DOs to ensure optimum utilisation of the storage capacity. SWC also clarified (August 2012) that for scientific storage of foodgrains, upto 75 *per cent* of the storage space is to be used.

During test check of utilisation of storage space in Raipur, Jagdalpur, Bilaspur and Mahasamund districts, we observed that the Company had utilised storage space in excess of 75 *per cent* on 2263 occasions, less than 75 *per cent* on 354 occasions and did not utilise the storage space on 20 occasions during the years 2008-09 to 2012-13. In this connection, it is pertinent to mention that despite the instructions (December 2004) of the Company to ensure optimum utilisation of the storage capacity, the DOs had failed to comply with the same and no action was taken for non-compliance. The details of payment of storage charges for unutilised storage space are given below:

(₹ in lakh)

Name of DOs	2008-09	2009-10	2010-11	2011-12	2012-13	Total
Mahasamund	15.05	27.75	10.84	13.66	2.55	**69.85**
Bilaspur	7.38	59.32	4.80	9.15	5.06	**85.71**
Jagdalpur	13.62	--	--	13.60	18.25	**45.47**
Raipur	247.19	218.41	14.92	21.56	54.57	**556.65**
Total	**283.24**	**305.48**	**30.56**	**57.97**	**80.43**	**757.68**

(Source: figures compiled from the data provided by the Company)

Thus, failure on the part of DOs in assessment of the requirement of storage capacities to be reserved in the godowns of SWC/CWC even after

Failure to assess the requirement of storage space for reservation led to payment of avoidable storage charges of ₹ 7.58 crore

repeated instructions from the Company, resulted in payment of avoidable storage charges of ₹ 7.58 crore.

The Management stated (September 2013) that godown reservations were made as per the allotments. On many occasions the Company was not able to procure foodgrains according to allotment due to which reservation could not be utilised fully. Further, SWC provides reservation for a minimum of three months period. However, procurement was made on a monthly basis. The Management further stated that the issue was taken up (May 2013) with GoCG for arranging reservation in SWC godowns as per the actual utilisation so as to enable the Company to pay storage charges as per the actual utilisation of storage space. Decision at government level is yet to be taken.

The Management reply confirmed that the issue was taken up with GoCG for payment of storage charges for actual utilisation of storage space on being pointed out by Audit.

Non-accountal of sample rice

2.15 CMR and levy rice are received by the Company in the warehouses of SWC in standard lot size (maximum 270 quintals with 50 kg bags). On receipt of rice from Millers, three samples of 500 grams each from every lot are taken for the purpose of analysis of quality parameters. One sample is handed over to Rice Miller and one sample each is kept in the receiving centre and concerned DOs of the Company. As per the directives (November 2003) of GoCG, the samples so collected are to be discarded[12] after expiry of three months from the date of sampling.

Non-accountal of sample rice valuing ₹ 38.37 lakh

Audit observed that in contravention of the directives, the Company did not evolve any procedure for maintaining accounts and discarding of sample rice. Therefore, no records of disposal of the sample rice were kept during the period 2008-09 to 2011-12. In the absence of such records, Audit could not ensure whether the sample rice was discarded after expiry of three months from the date of sampling. In the absence of proper documentation regarding accountal of quantity of sample rice kept in the godowns/head office, the possibility of misappropriation of such rice valuing ₹ 38.37 lakh cannot be ruled out.

While accepting the facts, the Management stated (September 2013) that necessary action has been taken during the year 2012-13 by instructing the DOs (February 2012) to maintain a record of sample rice by entering the same in the data base.

System of finalisation of transportation rates

2.16 The Company invites open tenders for transportation of foodgrains in the State by publishing the Notice Inviting Tender in newspapers as well as uploading the same on the website of the State Government. Accordingly, for finalisation of annual rates for transportation of foodgrains and sugar from one base depot to another base depot situated in different districts in various divisions, the Company has been inviting open

[12] Destruction of sample rice after expiry of three months from the date of sampling as per practice followed by FCI.

tenders at the division level (the work is awarded only to a domicile resident of the concerned division). The above system of transportation is called Long Route Transport (LRT). For transportation of foodgrains within the local area, transportation is made under LRT local. On the basis of rates obtained in the tender, the Company finalises annual transportation rate per MT per km in respect of LRT 1 to 25 kilo meters (KM) and per metric tonne (MT) in respect of Local lead[13].

The transportation rates were finalised based on the rates for previous year without comparing the rates of base depots of neighboring divisions for effective negotiation with tenderers for competitive rates. Thus, the system adopted by the Company for finalising the rates of transportation lacks due deligence causing huge variations in transportation rates as discussed below:

The following table indicates the year-wise details of minimum and maximum rate per MT in LRT local lead in Raipur and Bilaspur divisions for the years 2008-09 to 2012-13.

(Amount in ₹)

Raipur Division	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**
Minimum	89 (Rajnandgaon)	111 (Kharora)	120 (Neora)	132 (Neora)	132 (Neora)
Maximum	250 (Balodabazar)	250 (Balodabazar)	291 (Kawardha)	256 (Durg)	280 (Bagbahara)
Rate Difference	161	139	171	124	148
Percentage of variation	181.00	125.23	142.50	93.94	112.12
Bilaspur Division	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**
Minimum	68 (Naila)	120 (Kharasiya)	140 (Naila)	133 (Naila)	145 (Kharasiya)
Maximum	228 (Bilaspur)	275 (Bilaspur)	315 (Pendra Road)	327 (Jairamnagar)	327 (Jairamnagar)
Rate Difference	160	155	175	194	182
Percentage of variation	235.29	129.17	125.00	145.86	125.52

(Source: figures compiled from the data provided by the Company)

Abnormal variation in transportation rates

It may be seen from the above that percentage of variation in minimum and maximum rate of transportation of foodgrains ranged between 93.94 and 181.00 in Raipur division and 125 and 235.29 in Bilaspur Division during the years 2008-09 to 2012-13.

The following table indicates the year-wise details of minimum and maximum rate per MT in LRT 1 to 25 km lead in Raipur and Bilaspur divisions for the years 2008-09 to 2012-13:

[13] Transportation of foodgrains from Railway Station or base depot of FCI to base depot of the Company.

(Amount in ₹)

Raipur Division	2008-09	2009-10	2010-11	2011-12	2012-13
Minimum	4.31 (Durg)	7.48 (Rajnandgaon)	8.60 (Rajnandgaon)	9.60 (Balod)	10.56 (Neora)
Maximum	15.3 (Hathkhoj)	21.00 (Durg)	22.40 (Hathkhoj)	24.78 (Hathkhoj)	24.78 (Hathkhoj)
Rate Difference	10.99	13.52	13.80	15.18	14.22
Percentage of variation	254.99	180.75	160.47	158.13	134.66
Bilaspur Division	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**
Minimum	6.40 (Akaltara)	6.95 (Kharasiya)	8.20 (Kharasiya)	8.98 (Kharasiya)	8.98 (Kharasiya)
Maximum	11.75 (Bilha)	16.75 (Naila)	16.50 (Bilaspur)	17.98 (Bilha)	17.98 (Bilha)
Rate Difference	5.35	9.80	8.30	9.00	9.00
Percentage of variation	83.59	141.01	101.22	100.22	100.22

(Source: figures compiled from the data provided by the Company)

It may be seen from the above that percentage of variation in minimum and maximum rate of transportation of foodgrains ranged between 134.66 and 254.99 in Raipur division and 83.59 and 141.01 in Bilaspur Division during the years 2008-09 to 2012-13.

The Management stated (September 2013) that during the specified period provision was available to submit tenders by tenderers of base depot related divisions. Separate rates are received for each depot and for various base depots one or more transporters are appointed. Rates for each base depot is received based on work quantity, road situation, prevailing hamali rates, distance of centres, entry problems, traffic problems etc.

The reply of the Management is not acceptable as there was huge variation in transportation rates of different base depot in the same division. The Management should have negotiated with the transporters keeping in view the average rate of the division to avoid excess expenditure on transportation.

During the exit conference the Secretary of the Department assured for taking corrective action in finalisation of transport contracts.

Non-delivery of foodgrains by transporters

2.17 Whenever the transporter fails to deliver foodgrains of high value, the Company forfeits the security deposit (SD) and lodges complaint with the police. A test check of transportation contracts revealed that the Company fixes meagre amount of security deposit.

It was noticed that during the period from 2008-09 to 2012-13, cases[14] of non-delivery of foodgrains involving ₹ 2.87 crore (***Annexure-2.3***) took place. The Company forfeited security deposit of ₹ 6.00 lakh only and lodged FIR in the Police Stations. However, the

[14] Non-delivery of foodgrains by three transporters:
1. 01 April 2007 to 30 June 2008 – ₹ 31.23 lakh.
2. 01 April 2007 to 30 June 2008 – ₹ 167.85 lakh.
3. 17 February 2010 to 09 March 2010 – ₹ 88.41 lakh.

Company could not recover the same from the transporters so far (September 2013) as the cases are under trial in the courts of law.

Non-obtaining sufficient security deposit/bank guarantee from transporters resulted in loss of ₹ 2.87 crore due to non-delivery of foodgrains by transporters

Since, the Company had come across the cases of non-delivery of foodgrains by the transporters, the Company should have initiated stringent measures to prevent non-delivery of foodgrains by the transporters. Had the Company increased the amount of SD, collected Indemnity Bond/Bank Guarantee, Collateral Security etc., the Company could have realised the loss by forfeiting the security deposit or encashing the bank guarantee etc.

The Management stated (September 2013) that the suggestion of audit would be considered in future during finalisation of transportation contracts.

The fact, however, remains that due to the failure of the Company to obtain sufficient security deposit/bank guarantee from transporters it could not realise ₹ 2.87 crore.

Fixation of penalty at lower rate for shortage of sugar in transportation contract

2.18 The Company procures sugar from the factories at the rate and quantity allotted by GoI for distribution of the same in the State under various schemes of PDS. From the factory, sugar is transported through rail to different rake points located in the State. Thereafter, from rake point, sugar is transported to various destinations within the State for which separate 'Handling & Road Transport' (H&T) contracts are finalised by the Company every year by issuing open tender. As per the tender terms & conditions, if any shortage occurs during transportation of sugar, the transporter was liable to pay penalty to the Company at the rates mentioned below:

Year	Market price of sugar (₹ per qtl)	Rate of penalty for shortage (₹ per qtl)	Fixation of penalty for shortage of sugar per quintal
2008-09	2800	2050	₹ 700 + Consumer price per quintal i.e., ₹ 1350
2009-10	3000	2050	₹ 700 + Consumer price per quintal i.e., ₹ 1350
2010-11	3200	2700	Twice the consumer price per quintal i.e., ₹ 1350 x 2
2011-12	3400	2700	Twice the consumer price per quintal i.e., ₹ 1350 x 2
2012-13	3600	2700	Twice the consumer price per quintal i.e., ₹ 1350 x 2

(Source: figures compiled from the records of the Company)

Though the Company is a commercial entity it did not keep it's rate of penalty for less delivery of sugar at par with the market rates of sugar as can be seen from the above table in all the years.

A test check of records relating to recovery of penalty for shortage in quantum of sugar delivered revealed that apart from fixing of penalty at less than the market rate, the district offices of the Company recovered penalty at lower rates than the prescribed rate during the years 2008-09 to 2011-12. The details of penalty recoverable at prescribed rate and actually recovered during the period 2008-09 to 2012-13 are as follows:

Year	Quantity of sugar less delivered by the transporter (in qtl)	Market price/ penalty prescribed (₹ per qtl)	Penalty as per prescribed rate (in ₹)	Penalty actually levied (in ₹)	Short levy of penalty as per prescribed rate (in ₹)
1	2	3	4	5	6 (4-5)
2008-09	2835.45	2800/2050	5812673	4799560	1013113
2009-10	4148.82	3000/2050	8505081	7501325	1003756
2010-11	4130.18	3200/2700	11151486	10704293	447193
2011-12	4075.06	3400/2700	11002662	10888337	114325
2012-13	3941.95	3600/2700	10643265	10987510	- 344245
Total			**47115167**	**44881025**	**2234142**

(Source: Data provided by the Company)

It may be seen from the above that DOs did not follow the Company's instruction and recovered penalty at a rate lower than the rate prescribed by the Company except in the year 2012-13 when the total recovery was higher.

The Management, while accepting the facts stated (June 2013) that the rate of penalty has been fixed at ₹ 4050 per quintal for the year 2013-14.

The fact remains that based on Audit observation the Company proposed to increase the penalty rate to ₹ 4050 per quintal during 2012-13. However, the Company instead of enforcing the higher penalty rate allowed the continuation of existing penalty rate of ₹ 2700 for 2012-13 also.

Computerisation of PDS, Database Management and System Improvement

2.19 As reported in *paragraph 1.4 in Performance Audit report of the Comptroller and Auditor General of India (Civil and Commercial) for the year ended 31 March 2011 (Report No. 2),* to impart greater efficiency and transparency in PDS, GoCG initiated the project for computerisation of PDS in June 2007 by involving different organisations like the Department, Markfed, National Informatics Centre (NIC) and the Company.

The Government of India conferred National Award for e-Governance for 2008-09 to the Department for excellence in Government process re-engineering.

In the Review, we analysed database, selecting the master file namely "TRUCKCHALLAN" which contained the details of delivery orders and movement of foodgrains as this master file was not covered in earlier Performance Audit. Analysis of data revealed the following deficiencies:

- ***Non-availability of USER_ID in the relevant column***

USER_ID's are unique identification of users[15] who are accessing the system. As and when any user logs in to the system the USER_ID's of the same are required to be captured and stored in the USER_ID column of the database so that the chronological log of system access could be maintained. However, we noticed from the analysis of "TRUCKCHALLAN" that instead of having USER_IDs, there were "NULL"/ random entries in the USER_ID column of the data base which indicates that the USER_IDs are not being captured by the system on mandatory basis and access control over the system was also not adequate. This may lead to un-traceable/unauthorised access of the system and it would be difficult for the Company to fix responsibility on the registered users whose systems have been misused.

The Management stated (September 2013) that separate log-in password are provided to every issue centre and on login of user on software, login date and time are saved. The Issue Centre In-charge is solely responsible for Truck Challan entries.

Reply is not acceptable, as the system does not capture the USER_ID on mandatory basis, hence, no audit trail for unauthorised access of system was recorded.

- ***No validation check over input of "DATE OF ISSUE"***

While analysing "DATE OF ISSUE" column corresponding to TRUCKCHALLAN_ID No. 325890, 325892 and 326073, it was found that year has been entered as "2209" which was not correct as the corresponding Delivery Order year was "2009". This indicates lack of input control in the system which resulted in misinformation regarding truck challans issued during the year and the actual quantity of foodgrains transported in a particular year.

While accepting the facts the Management stated (September 2013) that the software of the Company is in operation since 2007 but due to lack of experienced hands the work of data entry could not be operated properly. After appointment of computer operators during 2011-12 they could able to control the same**.**

The reply of the Management does not address the issue of system deficiency/lacunae pointed out by the audit, requiring modification in software.

- ***Existence of entries where "DATE OF ISSUE" was prior to the date of Delivery Order date (DO DATE)***

According to the procedure, Truck Challans are required to be prepared on the basis of Delivery Orders. Therefore, the date of issue of Truck Challans ("DATE OF ISSUE") must be a later date to the date of Delivery Orders. However, 1564 entries were found where "DATE OF ISSUE" of truck challan was prior to the date of Delivery Order date (DO DATE)

[15] Employee of the Company posted in base depots who is authorised to access the system for creation of truck challan.

which was not correct and raises questions regarding the integrity of the Data Base and the System. It also indicates lack of proper Input Control.

While accepting the facts the Management stated (September 2013) that the required provision has been made in the software.

Though the Management has taken corrective action to prevent unrealistic entries in future period, it did not remove the unrealistic data present in the database.

- ***Repeat allotment of "TRUCKCHALAN_ID"***

Truck Challans are prepared for the movement of foodgrains on the basis of allotment. All the Truck Challans bear a unique "TRUCKCHALAN_ID" which is automatically generated through the system, any detail pertaining to the movement of allotted foodgrains is retrieved using TRUCKCHALAN_ID. In order to ensure transparency in this regard it is prerequisite that the Truck Challans should be prepared serially and cancelled Truck Challans should be preserved in the system. Analysis of IDs revealed that "TRUCKCHALAN_ID" were not allotted serially and there were huge gaps between two challans.

The Management stated (September 2013) that the "TRUCKCHALAN_ID" is auto generated field so whenever a truck challan is deleted a new number is assigned next time for next truck challan by SQL server.

Reply is not convincing as even the deleted entries should be available in the system for future reference. The number once assigned should not be allocated again for another entry as non-availability of deleted entries would result in possibilities of creation and operation of fake challans and subsequent cancellation of the same can not be ruled out. Thus, the system lacks integrity. Huge gaps between truck challan IDs also do not support the reply furnished by the Management.

Distribution of rice, wheat and sugar

2.20 The Company delivers the foodgrains to the FPS as per the allotment made by the Department and then FPS distributes the same to the beneficiaries under various schemes of PDS. However, the responsibility of monitoring of scheme-wise allotment of foodgrains made by GoI and its distribution to the beneficiaries lies with GoCG and the Company has no direct involvement in distribution to the ultimate beneficiaries. The deficiencies noticed in distribution of foodgrains under various schemes are discussed in the succeeding paragraphs:

Distribution under various schemes of GoI/GoCG

2.21 As per allocations made by the GoI and as per number of beneficiaries in the State, the GoCG releases sub-allocations to the districts. Accordingly, district-wise allotment of rice and wheat for distribution in various schemes is issued by the Department**.** As against the allotment, the actual distribution of rice and wheat[16] under

[16] Sugar is distributed to the BPL beneficiaries only and there was less distribution ranging between 5000 MT and 16000 MT during the period 2008-09 to 2012-13.

various schemes for Below Poverty Line (BPL), Above Poverty Line (APL), Antyodaya Anna Yojna (AAY), Annapurna Yojna (APY), Other Welfare Scheme (OWS), Mid Day Meal (MDM), Poorak Poshan Aahar (PPA) and Mukhyamantri Khadyanna Sahayata Yojna (MKSY) during the years 2008-09 to 2012-13 are given in the ***Annexure - 2.4.***

It may be observed from the Annexure that:

i. During the year 2008-09, there was excess distribution of rice and wheat over and above the allotment in BPL, MDM, PPA and MKSY schemes by 9793.53 MT, 2181.34 MT, 2517.33 MT and 29809.97 MT respectively whereas there was no distribution in respect of OWS scheme.

ii. During the year 2009-10, there was less distribution of rice and wheat in APL, OWS, MDM, PPA and MKSY schemes by 80744.53 MT, 2727.87 MT, 8759.40 MT, 27728.30 MT and 18779.72 MT respectively.

iii. During the year 2010-11, there was less distribution of rice and wheat in APL, BPL, AAY, APY, OWS, PPA and MKSY schemes by 44554.96 MT, 1846.18 MT, 2428.07 MT, 83.11 MT, 1841.69 MT, 1555.88 MT and 2971.93 MT respectively.

iv. During the year 2011-12, there was excess distribution in MKSY scheme by 30882.22 MT whereas less distribution of rice and wheat in APL, BPL, MDM and PPA schemes by 151899.01 MT, 33435.13 MT, 13435.53 MT and 3130.92 MT respectively.

v. During the year 2012-13, there was excess distribution of rice and wheat in BPL scheme by 4080.29 MT whereas less distribution in APL, AAY, OWS and MDM schemes by 178107.85 MT, 7363.31 MT, 10569.04 MT and 19319.06 MT respectively.

Due to less distribution of rice and wheat the benefit of the schemes had not reached fully to the intended beneficiaries.

The above position indicates that the Company on the one hand distributed rice and wheat in excess of allotment in some schemes and on the other hand, it distributed less/no quantity of rice and wheat in other schemes during the years 2008-09, 2011-12 and 2012-13. The Company distributed less quantity of rice and wheat than the allotments during the years 2009-10 and 2010-11. The Company follows the distribution schedule communicated to it by the Department under various schemes. However, as seen in audit, due to less distribution of rice and wheat under various schemes, the benefit of the schemes had not reached fully to the intended beneficiaries.

A sample survey on 1077 beneficiaries also confirmed that 184 beneficiaries (148 BPL and 36 APL) who form 17.08 *per cent* of the sample population were not getting the foodgrains as per their entitlement.

The Management stated (September 2013) that distribution was done as per the on line allotment given by the department.

The reply of the Management confirmed that the department violated the instruction of GoI.

Diversion of foodgrains received for central schemes from GoI to State scheme

2.22 Mukhyamantri Khadyanna Sahayata Yojna (MKSY) is a scheme introduced by GoCG in April 2007 to distribute commodities of PDS to poor families left out from the Targeted Public Distribution System (TPDS) schemes[17] of GoI.

Government of India (GoI) reimburses the cost of foodgrains i.e. economic cost minus Central Issue Price (CIP), distributed under these schemes to the Company based on the allotment, distribution and submission of utilisation certificates. The GoI instructed that the foodgrains allocated under TPDS should be utilised only for the purpose for which the same are allocated and not for any other purpose/ scheme.

Diversion of foodgrains valuing ₹ 1975.43 crore and wrong claim of subsidy amounting to ₹ 899.12 crore with respect to rice

During test check of records relating to distribution of rice and wheat under various schemes and claim for subsidy, it was revealed that out of 371457 MT wheat and 882512 MT rice allocated as adhoc/ additional/ special allocation of foodgrains by GoI during the years 2009-10 to 2012-13, 180287.40 MT wheat and 139648.65 MT rice were distributed by the Company for the purpose/ scheme and remaining quantity 191169.60 MT wheat and 742863.35 MT rice were distributed under the State sponsored MKSY scheme as per instructions of GoCG in violation of the instruction of the GoI. The Company claimed the subsidy from GoI by submitting utilisation certificate without disclosing the fact that rice was distributed under the MKSY scheme. In respect of wheat, no claim for subsidy was made from the GoI as the same is received from FCI at subsidised rate and the FCI claims the subsidy directly from the GoI.

We observed that the above diversion of the rice and wheat valuing ₹ 1975.43 crore by the Company was against the instructions of GoI which resulted in diversion of foodgrains and wrong claim of subsidy amounting to ₹ 899.12 crore with respect to rice (***Annexure-2.5***). Further, by diverting wheat and rice from centrally sponsored schemes to MKSY, the Company at the instance[18] of GoCG violated the instructions of GoI and submitted wrong utilisation certificates.

The Management stated (September 2013) that the Department issues monthly allotments under different schemes and accordingly distribution is made and claim submitted to GoI. MKSY is a scheme sponsored by GoCG for providing additional facilities to the people of the State but not ignoring the GoI instructions. In this scheme foodgrains are provided at subsidised rates to APL, BPL and AAY families of the State which cannot be treated as diversion of foodgrains. Rice distributed to beneficiaries under this scheme is in addition to GoI allotments under APL/ BPL schemes, is met from State pool. Provisional cost fixed for rice procured under Decentralised Procurement (DCP) is recovered from selling price, subsidy from GoI {Economic cost minus Central Issue Price (CIP)} and subsidy from State Government (CIP minus subsidised price).

[17] APL, BPL, AAY, OWS, WBNP and MDM schemes comes under TPDS.

[18] As mentioned in the Gazette Notification of GoCG dated 23 February 2007 for MKSY Scheme and Office Order No. 986/Food/2009/29 dated 29 March 2010 of the Chief Secretary of the Department of GoCG.

The Management reply is not acceptable as the department arranged distribution of foodgrains on subsidised rate in MKSY from its own funds during the year 2008-09. However, in the subsequent years, it diverted the foodgrains meant for central schemes for distribution under MKSY scheme and stated in the UCs/subsidy claim documents that the foodgrains were distributed under the respective schemes of GoI. Consequentially, the schemes of APL, BPL and AAY of GoI were affected to that extent.

Distribution of rice without GoI allotment

2.23 The Department arranged the distribution of rice through the Company under OWS and MDM Schemes without the allotment of GoI as per the details given below:

S.N.	Name of the Scheme	Year	Allotment by GoI (MT)	Distribution by the Company (MT)	Excess distribution (MT)	Amount (₹ in crore)	Amount received from GoCG (₹ in crore)	Balance (₹ in crore)
1	OWS	2009-10	-	20161.97	20161.97	26.40	-	26.40
2	MDM	2008-09	79354.28	81835.75	2481.47	6.20	1.40	4.80
3	MDM	2010-11	81363.90	84683.58	3319.68	6.70	2.12	4.58
				Total				**35.78**

(Source: figures compiled from the records of the Company)

Non-receipt of ₹ 35.78 crore from the GoCG despite distribution of rice at the instance of GoCG without allotment from GoI

It may be seen from the above that the Department had given online allotment for distribution of rice under OWS and MDM schemes in excess of allotment from GoI. As the excess allotment for distribution of rice under OWS and MDM schemes was made by the GoCG, it was responsible for reimbursement of the cost of rice to the Company. However, GoCG did not reimburse the amount in full which had resulted in non-realisation of ₹ 35.78 crore for the period ranging between two and four years from GoCG.

The Management stated (September 2013) that rice was distributed in anticipation of allotment from GoI in the case of OWS. As the allotment was not received from the GoI it requested GoCG for payment of the amount. The Management further stated that as distribution was made in excess of the allotment of GoI, it requested GoCG for payment of the amount. However, GoCG had paid only ₹ 3.52 crore out of ₹ 39.30 crore.

The reply of the management confirms the distribution of rice without allotment from GoI which has resulted in non-receipt of ₹ 35.78 crore.

Results of sample survey on distribution of commodities under PDS

2.24 A sample survey, to verify whether the benefit of various schemes under PDS had reached the intended beneficiaries was conducted on 10 *per cent*[19] of the beneficiaries in one urban and one rural blocks of each of the five[20] districts selected. The survey was conducted on 500 rural and 577 urban beneficiaries covering 1077 beneficiaries consisting of 598 BPL and 479 APL beneficiaries as per the sample shown in the following table:

[19] Except Ambikapur urban block of Sarguja district where survey was conducted on five *per cent* of the beneficiaries where 2181 beneficiaries were available.
[20] Rajnandgaon, Sarguja, Raigarh, Kanker and Bastar.

Name of district	Name of place	FPS number	No. of beneficiaries			Sample size (10 *per cent* of the beneficiaries)		
			APL	BPL	Total	APL	BPL	Total
Sarguja (Ambikapur)	Mainpat (Rural Block)	392008001	247	761	1008	25	76	101
	Ambikapur (Urban Block)	392001004	1725	456	2181	86	23	109
Raigarh	Sarangarh (Rural Block)	412003020	284	727	1011	28	73	101
	Kharsia (Urban Block)	411002006	305	859	1164	31	86	117
Kanker	Kanker (Rural Block)	602001008	300	663	963	30	66	96
	Kanker (Urban Block)	601001005	619	432	1051	62	43	105
Bastar (Jagdalpur)	Bastar (Rural Block)	452002040	249	653	902	25	65	90
	Jagdalpur (Urban Block)	451001019	841	178	1019	84	18	102
Rajnandgaon	Dongargarh (Rural Block)	422004035	716	404	1120	72	40	112
	Dongargaon (Urban Block)	421006003	359	1082	1441	36	108	144

The findings of the beneficiary survey are as under:

- Out of 598 BPL beneficiaries, 148 beneficiaries {all 40 beneficiaries of Lal Bahadur Nagar (Rural) and all 108 beneficiaries of Dongargaon (Urban) block} from Rajnandgaon district reported that they received 1.000 kg and 1.200 kg of sugar respectively as against their entitlement of 1.300 kg.

  The balance 450 BPL beneficiaries (258 from Sarguja and Raigarh districts and 192 from Kanker and Bastar districts) reported that they were satisfied with the schemes and they were getting all the commodities regularly as per their eligibility at the prescribed rates.

- Out of 479 APL beneficiaries, 418 beneficiaries reported that they were satisfied with the schemes and were getting all the commodities regularly as per their entitlement. Of the remaining 61 APL beneficiaries major survey findings are as under:

  - 12 beneficiaries reported that they were not getting foodgrains regularly.
  - 24 beneficiaries reported that they were not getting foodgrains from FPS as per their entitlement and they were getting 4 kgs of wheat as against their entitlement of 5 kgs.
  - 16 beneficiaries reported that they were charged ₹ 150 for 10 kgs of rice and 5 kgs of wheat instead of ₹ 131 prescribed under the scheme.

Financial Management

Financial position and working results

2.25 An analysis of the financial position (***Annexure-2.6***) of the Company revealed that Capital Employed had decreased from ₹ 277.75 crore in 2008-09 to ₹ (-) 58.73 crore (Provisional) in 2011-12 and net worth also decreased from ₹ 8.45 crore in 2008-09 to ₹ 4.06 crore (Provisional) in 2011-12. Sundry Debtors[21] includes ₹ 3.13 crore recoverable from FCI since March 2008. As the FCI deducted the amount from the accounts payable to the Company on account of inferior quality of rice supplied to it, the chances for recovery of the same is remote.

Scrutiny of Working Results (***Annexure -2.7***) revealed that the percentage of sales to cost of goods sold increased from 90.69 in 2008-09 to 116.69 in 2009-10, to 108.78 in 2010-11 and decreased to 88.67 (Provisional) in 2011-12 as shown in the table.

(₹in crore)

Particular	Year			
	2008-09	2009-10	2010-11	2011-12
Sales including subsidy (₹)	2662.59	2864.92	2893.44	3074.91
Cost of goods sold (₹)	2935.89	2455.08	2659.78	3467.95
Percentage of sales to cost of goods sold	90.69	116.69	108.78	88.67

(Source: figures compiled from Annual Accounts)

The increase/decrease in the percentage of sales to cost of goods sold was due to variation in receipt of subsidy and cost of goods sold. Further scrutiny of working results revealed that purchases were made in excess of sales in all the years leading to holding of excess inventory and avoidable payment of storage charges as mentioned in the preceding paragraphs (***paragraph 2.10 and paragraph 2.13***).

Subsidy claims

2.26 The Memorandum of Understanding (MoU) executed (December 2002/September 2006) between GoI and GoCG regulates procurement and distribution of rice under PDS. The clause 9 and 10 of the MoU provide that 95 *per cent* of total Central subsidy would be released by GoI to GoCG in advance for Decentralised Procurement (DCP) without submitting the audited accounts based on quarterly claim of subsidy in the first month of every quarter and balance five *per cent* on the basis of utilisation and submission of final audited accounts by the Company and on determination of final economic cost by GoI. Further, the Company avails cash credit facilities from banks against hypothecation of the stock of foodgrains to meet its expenditure.

2.27 Section 210 of the Companies Act, 1956 read with Sections 166 and 216, vests the duty on the Board of Directors of a Company to place the accounts of the Company along with Auditor's Report (including

[21] Prior to the year 2008-09 the Company used to supply rice to the FCI. FCI deducted ₹ 3.13 crore on quality parameters from amount payable to the Company. However, the Company shows it as amount recoverable from FCI.

supplementary comments of C&AG) in the Annual General Meeting of the shareholders within six months of the close of its financial year.

However, the Company disregarded the provisions of the Companies Act and finalised its accounts for the years 2008-09 to 2010-11 with a delay ranging between 15 and 23 months as detailed below:

Year of Accounts	Due date of finalisation	Actual date of finalisation	Period of delay in month
2008-09	September 2009	16 August 2011	23
2009-10	September 2010	10 February 2012	16
2010-11	September 2011	20 December 2012	15
2011-12	September 2012	Not yet finalised	-
2012-13	September 2013	Not yet finalised	-

(Source: figures compiled from records of the Company)

Due to delay in finalisation of accounts, the Company could not submit its audited accounts to GoI due to shortage of man-power in accounts wing as mentioned in ***paragraph 2.30*** and could not get timely reimbursement of subsidy as discussed in the succeeding paragraphs.

Non-receipt of subsidy of ₹ 760.93 crore due to non-finalisation of annual accounts

2.28 Scrutiny of records of the Company revealed that during the period 2002-03 to 2012-13, the Company procured DCP rice worth ₹ 11269 crore (***Annexure- 2.8***) in the Kharif Marketing Season (KMS). It claimed ₹ 10705.53 crore, being 95 *per cent* of total procurement against which GoI released ₹ 10508.07 crore only and the balance ₹ 197.46 crore remained unrealised till date (March 2013) due to non-determination of final economic cost. Apart from this, the claim for release of remaining five *per cent* of subsidy amounting to ₹ 563.47 crore could not be prepared and submitted to GoI due to non-finalisation of the annual accounts. The Company submitted (June 2013) audited annual accounts to GoI upto the year 2010-11 only. Thus delay in finalisation of Annual Accounts and non-determination of final economic cost by GoI in the absence of final audited accounts led to blockage of subsidy claim of ₹ 760.93 crore. The blockage of subsidy also led to loss of interest of ₹ 186.81 crore[22].

The Management stated (September 2013) that the Company had submitted the final accounts upto KMS 2009-10 to GOI in the month of December 2012 whereas Markfed had submitted the same in June 2013. It further stated that GoI takes 2 to 3 years for fixation of final margins and takes further two years in settlement/payment of claims. Thus, GoI takes more than five years in payment of final claim.

The Management's reply confirms that there was delay in submission of KMS accounts as the accounts of KMS 2009-10 were submitted in December 2012.

Non-recovery of outstanding dues from FPS

2.29 Fair Price Shops (FPS) are established by the GoCG for distribution of foodgrains under PDS to the beneficiaries. These FPS work under the direct control of the Department. As per the instructions

[22] Interest was calculated at the rate of CC limit/loan taken by the Company.

(October 2006) of GoCG, the Company provides foodgrains to FPS on one month credit and the owners of FPS deposit the sale proceeds of foodgrains to draw foodgrains required for subsequent months. In this way, cost of only one month foodgrains is allowed on credit with FPS at any point of time.

As the Company does not have direct control on FPS owners and thus in case of defaults by FPS owner in payment of sale proceeds, the Company takes up the matter with the District Collector of the respective District and the Department for recovery of outstanding amount from FPS owners and payment of the same to the Company. The Department is responsible to take effective action to recover the outstanding amount from FPS owners and make payment of the same to the Company.

Blocking-up of Company's fund of ₹ 1.48 crore due to ineffective action by the Department

We observed that as on 31 March 2013, an amount of ₹ 1.48 crore was recoverable from different FPS owners and the delay in recovery ranged between 12 and 66 months (***Annexure-2.9***). Out of total outstanding of ₹ 1.48 crore, an amount of ₹ 1.08 crore pertains to Sarguja District alone where ₹ 0.83 crore is outstanding for more than four years. However, no effective action was taken by the Department to recover the outstanding amount from FPS owners which resulted in blocking-up of Company's fund of ₹ 1.48 crore.

The Management stated (September 2013) that as per the instructions of GoCG the responsibility to recover outstanding dues from FPS lies with Food Controller/Food Officer/Food Inspectors of the Department. The Company requested (May 2013) the Secretary of the Department to issue instructions to the Collectors/Food Controllers/Food Officers in this regard and accordingly, the Under Secretary of the Department addressed (June 2013) a letter to the Director of the Department.

The fact, however, remains that despite issuance of letter by Department, the dues of ₹ 1.48 crore from FPS remained unrecovered.

Deployment of Manpower

2.30 The Company had sanctioned strength of 918 posts against which 852 men-in-position was there as on 31 March 2013 ***(Annexure-2.10).***

An analysis of man-power position revealed that during the period 2008-09 to 2012-13, there was acute shortage[23] in the cadres of District Manager (DM), Assistant Manager (Technical) (AM(T)), Assistant Accounts Officer (AAO), Senior Assistants, Assistants and Junior Technical Assistant (JTA). In 18 districts, the post of District Manager was manned by Assistant Managers/Assistant Accounts Officers due to huge vacancies in cadre of DMs.

Due to operation of the post of District Managers by AMs/AAOs in 18 districts there was no segregation of duties between AMs/AAOs and DMs. Thus, there was no supervision on the work of these AMs/AAOs. As no AM (T) was posted in the Company, there was no technical supervision

[23] The percentage of shortage in these six cadres ranged between 41.7 and 59.1, 60 and 100, 56.7 and 76.7, 19.2 and 33.3, 18.6 and 25.6 and 5.6 and 15.5 respectively.

on testing of samples of foodgrains during the years 2008-09 to 2010-11. Due to shortage of manpower in the Accounts Wing, the preparation and submission of UCs, annual accounts etc., were adversely affected which led to delay in finalisation of accounts and delay in realisation of subsidy from GoI/GoCG as mentioned in ***paragraph 2.27 and 2.28***.

The Management stated (September 2013) that the officers/officials work beyond office hours for smooth functioning and implementation of Government Schemes.

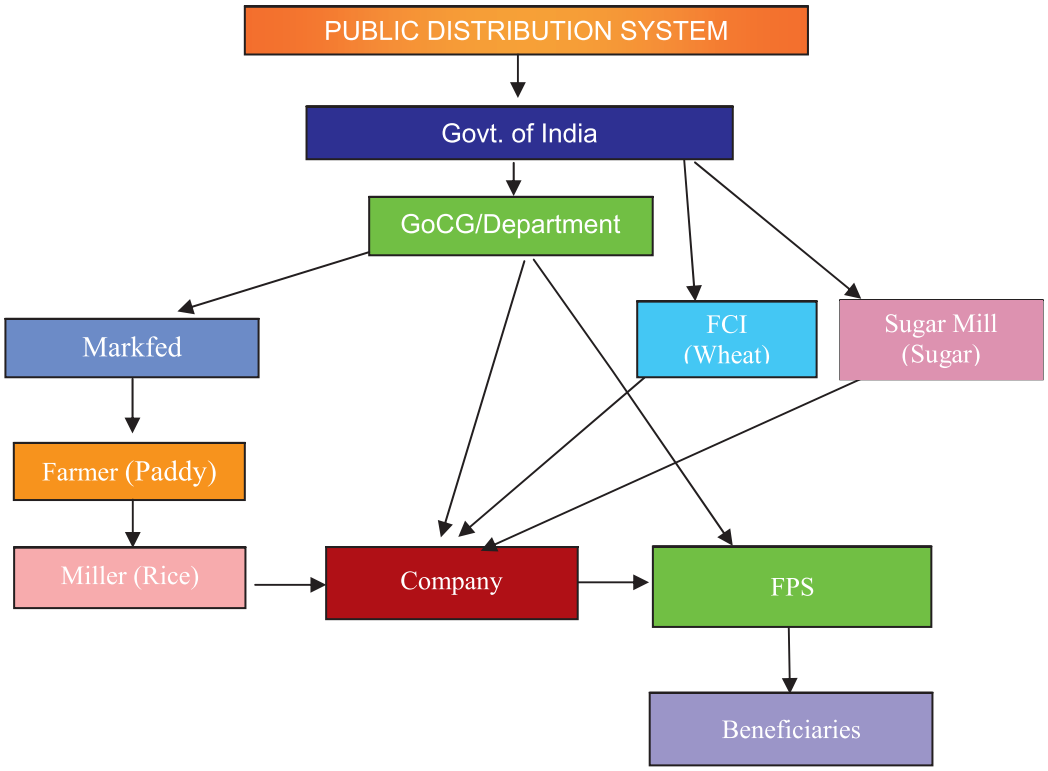
The reply of the Company is silent about shortage of manpower in Accounts wing which led to delay in finalisation of accounts and submission of claims.

Monitoring and Internal Control System

Lack of coordination among the Company, Markfed, FCI, GoCG and GoI

2.31 The Company procured CMR from Markfed and other foodgrains from FCI for distribution under various schemes of GoI/GoCG. As GoCG executed schemes of PDS by involving the Food, Civil Supplies and Consumer Protection Department, Markfed, FCI and the Company, a proper coordination among them is essential.

The following chart depicts the relationship among various organisations in implementation of PDS:



Test check of records revealed lack of coordination among the various agencies as follows:

- The GoCG sanctioned allotment of foodgrains without ascertaining the availability of stock with the Company which led to storage of excess stock and consequent avoidable transportation charges as discussed in ***paragraph 2.10***.
- There was mismatch in allotted quantity of GoI and GoCG which caused excess/short distribution of foodgrains and submission of incorrect utilisation certificates to GoI by the Company as discussed in ***paragraph 2.22.***
- There was delay in issue of sub-allotment i.e. allotment order to FPS by GoCG which led to delay in distribution of foodgrains to consumers.
- The Department did not effectively coordinate with SWC/CWC for release of amount towards storage losses (***paragraph 2.13***), with GoCG to release payment towards excess distribution of rice in MDM and OWS scheme (***paragraph 2.23***), recovery of outstanding amount from FPS (***paragraph 2.29***) and getting released the subsidies in time from GoI by directing both the Company and the Markfed for timely submission of audited annual accounts (***paragraph 2.27***).

The Management stated (September 2013) that due to unavoidable circumstances excess stock of rice was procured, due to mismatch in allotted quantity of GoI and GoCG which caused problems in preparation of utilisation certificates and the Company is in continuous touch with the GoCG for solving the problems faced in the process.

The reply of the Company confirms the shortcomings in co-ordination among various agencies. The Department did not coordinate with the School Education Department/GoCG/GoI to release the blocked amounts of the Company.

Monitoring Mechanism

2.32 For better monitoring, GoCG had initiated measures based on information and communication Technology for effective control on the PDS operations such as web-based software which takes care of all operations done at Distribution Centre for receiving PDS commodities from different sources and for issuing to FPS. Truck Dispatch Information provides information of details of commodities dispatched to FPS through SMS to registered users in which citizens can register their mobile numbers on the department's web-site and whenever PDS commodities are despatched to an FPS from the warehouse, an SMS is sent to all the mobile numbers registered for that FPS. With the introduction of Centralised Online Real-time Electronic PDS (CORE PDS) Chhattisgarh State has become the first State in the Country to facilitate beneficiaries to select FPS for getting foodgrains as per their choice. CORE PDS is introduced (March/December 2012) in Raipur, Durg, Rajnandgaon and Mahasamund districts and the introduction of the same is yet to be done in other districts of the State. The Department made it mandatory to paint the trucks carrying PDS commodities with yellow colour for easy identification of PDS trucks.

Internal Control System

2.33 Internal control is a management tool used to provide reasonable assurance that the objectives of the Company are being achieved in an economical, efficient and effective manner. A good system of internal control comprises proper allocation of functional responsibilities within the Company, proper procedures for operation and co-ordination among different wings of the Company. A review of internal control mechanism revealed the following:

- Internal Audit of the Company was conducted by Chartered Accountants through outsourcing and no major cases of lapses were pointed out by them.
- The Company ensures quality control by deployment of Junior Technical Assistants in procurement centres for analysis of samples. However, as no Assistant Manager (Technical) was posted in the Company during the year 2008-09 to 2010-11, there was no supervision on testing of samples of foodgrains.
- The Company operated the post of District Managers by Assistant Managers (AMs)/Assistant Account Officers (AAOs) in 18 districts as a result there was no segregation of duties between AMs/AAOs and DMs and no supervision on the work of these AMs/AAOs.
- The Company reconciles the quantity of foodgrains issued to FPS against delivery orders and demand drafts (DDs) received at the DOs in each month.
- The Company ensures proper maintenance of records in DOs, procurement/issue centre and submission of periodical returns to the Head Office.
- There was no mechanism to conduct surprise checks of stocks at different storage points.
- There is no vigilance wing in the Company.

Non-compliance of provisions of the Companies Act, 1956

2.34 According to Section 285 of the Companies Act, 1956 (Act), the Board of Directors of the Company (BoD) shall meet at least once in every three calendar months, i.e. four times in a calendar year. The table shows the number of meetings of BoD held during the years 2008 to 2012.

Year	No. of meetings held	Date of meeting
2008	1	9 April 2008
2009	2	23 June 2009 and 28 October 2009
2010	3	9 March 2010, 25 June 2010 and 29 October 2010
2011	2	18 February 2011 and 26 August 2011
2012	3	12 March 2012, 12 July 2012 and 17 December 2012

(Source: Information provided by the Company)

It could be seen from the table that meetings of the BoD were not held according to the requirement of the Act and the Company failed to arrange the meetings of BoD. This led to lack of monitoring by the BoD over the

activities of the Company. It was further observed that during the scrutiny of agenda and minutes of BoD, it was noticed that the Company discussed the issue of fixation of norm for storage loss in the 24th and 26th meeting of BoD which was held on 23 June 2009 and 9 March 2010 respectively. Thereafter, it was not discussed in the succeeding meetings. The Company also did not discuss the issue regarding MDM claims, OWS claims and non-receipt of wheat from FCI.

The Management stated (September 2013) that due to certain unavoidable circumstances, sufficient meetings could not be convened and efforts will be made to convene sufficient meetings.

Conclusion

The Review revealed that the procurement and transportation of rice from other districts without any requirement resulting in payment of avoidable charges on transportation, non utilisation of storage space and excess/ less distribution of foodgrains under various schemes. In transportation contracts, huge variation was noticed in transportation rates of different base depots in the same division. In the absence of norms of storage losses, data on actual reimbursable losses were not maintained by the Company. Reserving storage space in excess of the requirement led to underutilisation of storage space and consequent avoidable payment of storage charges. The Company fixed and levied penalty at lower rate for shortage in quantum of sugar delivered by transport contractors. With the introduction of Centralised Online Real-time Electronic PDS (CORE PDS) Chhattisgarh State has become the first State in the Country to facilitate beneficiaries to select FPS for getting foodgrains as per their choice. The Company diverted foodgrains from Central schemes to State schemes. Rice was distributed in Mid Day Meal Scheme and Other Welfare Schemes without GoI allotment. Delay in finalisation of annual accounts led to non-receipt of subsidy from GoI. The Company has not prescribed any mechanism to conduct periodical surprise checks at storage points.

Recommendations

The Company should consider:

- **procurement of foodgrains as per the requirement at different districts to avoid additional transportation charges towards inter district transfers which also gets included in the subsidy claims;**
- **fixing norms for storage loss to avoid any dispute with SWC/CWC and realise the outstanding amount and reserving storage space with proper planning to avoid non-utilisation/under utilisation of storage space;**
- **distribution of foodgrains as per the allotment without diverting the foodgrains from one scheme to other schemes;**
- **timely finalisation of annual accounts for early reimbursement of subsidy from Government of India; and**

- **strengthening of internal control mechanism through setting up of Internal Audit wing and a mechanism for surprise checks to ensure better monitoring and supervision.**

CHAPTER - III

3. Transaction Audit Observations

Important audit findings emerging from test check of transactions made by the State Government Companies have been included in this Chapter.

Government Companies

Chhattisgarh Rajya Beej Evam Krishi Vikas Nigam Limited

3.1 Irregular finalisation of rate contracts

Irregular finalisation of rate contracts for vegetable seeds resulted in placement of orders worth ₹ 47.26 crore on ineligible bidders

The Chhattisgarh Rajya Beej Evam Krishi Vikas Nigam Limited, Raipur (Company) procures vegetable seeds {Certified[1]/ Open Pollinated Truth Level[2] (OPTL)} of different crops through its District Offices for Horticulture and Farm Forestry Department, Government of Chhattisgarh. This is done on the basis of rate contracts finalised by it by inviting Open Ended Rate Contract Offer (RCO) from the registered seed producers/ suppliers. The lowest rates received through RCO are compared with the previous rates (increased by 50 *per cent*) finalised by the Company and prevailing rates of Madhya Pradesh State Agro Industries Development Corporation Limited (MP Agro). Accordingly, the Company issues counter offers to the suppliers on the basis of lowest of the above three rates and rate contracts are finalised with the suppliers who accept the counter offer rate. These rate contracts remain effective for one year or upto finalisation of new rate contracts.

For the year 2010-11, the Company invited (11 February 2011) RCO for 29 and 40 types of Certified and OPTL vegetable seeds respectively. In response, 15 offers were received upto the last date i.e. 26 March 2011. The technical bids were evaluated by the tender evaluation committee on 26 March 2011 and 13 bidders were found technically qualified. Accordingly, price bid of these 13 bidders were opened on 13 April 2011 who had quoted the rates for 17 and 37 crops of Certified and OPTL seeds respectively. As rates received were on higher side, the tender committee conducted (2 May 2011) negotiation with the bidders. Only one bidder i.e. M/s Raj Seeds Traders, Bhopal was present for negotiation. After negotiation, tender committee recommended rates of ₹ 25 and ₹ 30 per kg for Certified seeds of potato and arbi respectively. In case of remaining 52 Certified/OPTL vegetable seeds, the committee recommended for issue of counter offer to the bidders at the rate received in RCO or 150 *per cent* of old rates or rates approved by MP Agro whichever was less. Accordingly, Company issued (3 May 2011 and 18 May 2011) counter offers to all the 13 bidders of which only eight bidders accepted the same. After receipt of acceptance from the suppliers, the Company finalised Rate

[1] Certified by the seed certifying agency with respect to variety
[2] Uncertified seed which contains more than one variety due to pollination

Contracts (RCs) with eight[3] suppliers in May 2011 and July 2011 for 11 crops of Certified seeds and 25 crops of OPTL seeds. Subsequently, Company also finalised (July 2011) RC with M/s Shefali Business International, Raipur in line with the RCs already finalised based on the request (25 April 2011) of M/s Shefali though they did not participate in the tender.

On scrutiny of records relating to finalisation of RCs, the following observations are made:

A. Finalisation of RCs with ineligible bidders and discrepancies in tendering system resulted in undue favour to the suppliers

- **Opening of RCO without obtaining proper approval of the competent authority**

  The Company had constituted (14 March 2011) a committee comprising eight members including two technical members from Horticulture & Farm Forestry Department and Agriculture University, Raipur for verification of tender documents. However, for evaluation of technical and financial bids, a separate purchase committee, though required under Rule 4.12 of Chhattisgarh Store Purchase Rules, was not constituted. The tender verification committee *suo moto* evaluated the technical bids (26 March 2011) and financial bids (13 April 2011) without approval of the competent authority. Moreover, at the time of evaluation of technical and financial bids, both the technical members were not present. The technical bids were evaluated by non-technical members (all from the Company itself) in clear violation of Rule 4.12 of Chhattisgarh Store Purchase Rules which stipulates compulsory presence of technical members in the tender committee, thus making the entire tendering process irregular.

  The Government while acknowledging the fact of non constitution of separate committees for evaluation of technical and financial bids, stated (July 2013) that due to continuous absence of technical members, the bids were opened and evaluated by the remaining members of the committee.

  The reply confirms that technical members were not involved with the opening and technical evaluation of the bids. The Company did not make any efforts to ensure the presence of technical members to comply with the provision of Chhattisgarh Store Purchase Rules. Further, the reply is silent about non-formation of a separate tender evaluation committee.

- **Finalisation of RCs with ineligible bidders**

  i. As per clause 1.1 of Annexure III of the RCO documents, the bidder/ offerer should be a registered producer of Certified vegetable seed and must be registered with certification agency for production of Certified seed with license for sale of seeds under Seed Act, 1966 and Seed Control Order, 1983. However, we observed that out of 13 technically qualified bidders, only one bidder i.e. M/s K. B. A. Traders, Indore was actually

[3] Avani Traders- Raipur, K.B.A. Traders- Indore, Sanyog Marketing Pvt. Limited- Raipur, Royal Seeds & Fertilisers Pvt. Limited- Kolkata, Laukik Seeds & Fertilisers- Raipur, Rama Traders- Bhopal, Raj Seeds – Bhopal and Nafed Seeds, Ranchi

having valid license for production of Certified seed. The remaining 12 bidders did not fulfill this criteria.

ii. Clause 1.2 of Annexure III of the RCO documents stipulates that the bidder/offerer should enclose alongwith the tender documents, the details of nursery they are having alongwith area of production taken crop wise, latest copy of B-1 (Khasra) and list of farmers and area of each crop, if seed production programme was taken on the land of other farmers. However, none of the bidders had attached the above documents.

iii. Clause 1.4 of Annexure III of the RCO documents stipulates that the bidder/ offerer must produce the source of seed material and variety for production of OPTL seed. However, none of the bidders had furnished the required information.

The Government stated (July 2013) that at the time of preparation of RCO documents, the tender committee had removed the terms and conditions of Annexure – III and fixed the eligibility criteria for the bidder as per Annexure – IV of the RCO documents. However, due to clerical mistake, the changes could not be made in the RCO documents. It was further stated that the bidder who fulfilled the eligibility criteria as per the Annexure - IV of the RCO documents had been considered as eligible by the tender committee.

The reply is not acceptable and seems to be an afterthought because nowhere in the records it was mentioned that the tender committee had changed the eligibility criteria as stated above. Further, Annexure – IV of the RCO documents also stipulated that the bidder must be a self producer of seeds. However, 12 out of 13 bidders did not furnish the supporting documents regarding seed production.

- **Finalisation of RC with the firm despite non participation in the tender**

The Company had finalised (July 2011) an RC with M/s Shefali Business International, Raipur which was irregular because the firm did not participate in the tender.

The Government stated (July 2013) that in the 14th meeting (July 2009) of the Board of Directors of the Company, a decision was taken that the firms which have not participated in RCO can get themselves registered and they would be issued orders on prevailing rates of the items.

The reply is not acceptable because the scheme as stated in the reply was discontinued from June 2011 and thus finalisation of RC with M/s Shefali Business International in July 2011 was irregular.

From the above it is evident that all the 13 bidders did not qualify the technical bid and thus their financial bids should not have been opened. However, the tender committee ignored these facts and considered all the 13 bidders for opening of financial bids and finalised RCs with the nine ineligible bidders from whom it procured vegetable seeds amounting to ₹ 47.26 crore during the years 2011-12 to 2012-13 as detailed in ***Annexure - 3.1*** which resulted in extension of undue benefit to these bidders.

It is pertinent to mention that the Company was aware about the above discrepancies in finalisation of RCs and had issued (26 November 2011) show cause notices to the members of tender committee i.e. Deputy General Manager (Marketing), Deputy General Manager (S), Deputy Manager (Accounts) and District Manager, Raipur. The officials were required to submit their replies within 10 days but only one reply[4] from District Manager, Raipur was received (28 December 2011) and all the other officials had not submitted their replies till the date of Audit (April 2013). Even the Company had neither taken any action against the officials nor cancelled the rate contracts till the date of Audit.

B. Procurement of seeds worth ₹24.42 crore from the bidders who indulged in collusive bidding

As per clause 5.1 of the general conditions of RCO document, not more than one RCO will be accepted from any bidder. If an individual participates in the RCO, representing more than one organisation in one or different names, such offer (s) would not be entertained.

We observed that out of eight bidders with whom RCs were finalised by the Company, two bidders had submitted four bids in different names who shared the same registered addresses, landline & mobile numbers and signatures as follows:

Name of firm	Address	Contact Number	Value of seeds procured upto 31. 03. 2013 (₹ in crore)	Remarks
Raj Seeds Traders	A-7, B.D.A. Colony, Tulsi Nagar, Bhopal – 462003	0755-2551094 94250-11024	1.65	Correspondence from both the firms was made by the same person which was evident from the signature.
Rama Traders	A-7, B.D.A. Colony, Tulsi Nagar, Bhopal – 462003	0755-2551094 94250-11024	0.29	
Avani Traders	54, Aishwarya Residency, Telibandha, G.E. Road, Raipur	0771-4034171 99261-99999	12.87	Correspondence from both the firms was made by the same person which was evident from the signature.
K.B.A. Traders	54, Aishwarya Residency, Telibandha, G.E. Road, Raipur	0771-4034171 99261-99999	9.61	
Total			**24.42**	

This indicates that two bidders were operating under different names which were against the tender conditions. Despite being aware of receipt of higher rates, the Company, while finalising the RCs, did not verify the bid documents and credentials of the bidders properly even though there was evidence of malpractice. Instead of rejecting the bids and blacklisting the bidders who indulged in malpractices, the Company accepted the higher rates. Failure of the Company to verify the documents properly facilitated the bidders to submit higher rates through collusive bidding. For instance, RCs for Certified

[4] The District Manager, Raipur has replied that his role in the tender committee was only to assist the tender committee for preparation of comparative statements and other clerical works. It was further stated by him that he was not a part of decision making process.

seed of potato and coriander were finalised at the rate of ₹ 25 per kg and ₹ 180 per kg respectively against the prevailing rate of ₹ 16 per kg and ₹ 140 per kg respectively (discussed in succeeding paragraph). Thus, finalisation of RCs and procurement of seeds worth ₹ 24.42 crore during the years 2011-12 to 2012-13 from these bidders was irregular and resulted in extension of undue benefit to them. Out of the total value (₹ 47.26 crore) of seeds procured, 52 *per cent* seeds were procured from the above four firms only.

The Government stated (July 2013) that all the four firms mentioned above were separate firms having separate owners. M/s K.B.A. Traders, Indore was from Indore and its Raipur address and phone numbers may be the address and phone numbers of its agent at Raipur.

While it is a fact that bids were furnished by different firms, their addresses and telephone/mobile numbers were identical which proves that all the bids were submitted by bidders related to each other and operating from the same location. This proves collusive bidding. Further, participation in the tender by M/s KBA Traders as principal and Avani Traders as agent of M/s KBA is a clear violation of clause 5.1 of the general conditions of RCO document which stipulates that if an individual participates in the RCO, representing more than one organisation in one or different names, such offer (s) would not be entertained.

C. ***Procurement of potato and coriander seeds worth ₹14.24 crore at higher rates***

We observed that while issuing counter offer rates in respect of OPTL seeds, the Company did not compare the rates with the rates of MP Agro and finalised the RCs for 25 crops. Similarly, out of 11 crops of Certified seeds finalised for RCs, the Company did not compare the rates of three crops with that of MP Agro. The RCs for 25 crops of OPTL seed and three crops of Certified seed was finalised by comparing with previous rates only.

Further, on comparing the available rates of Horticulture Department, Government of Madhya Pradesh for the year 2011-12 in respect of two crops of Certified seeds (rates of which were not compared), we observed that the RCs for Certified seed of potato and coriander were finalised at much higher rates as follows:

SN	Certified seed (Crops)	Rate of Horticulture Department, MP (₹ per kg)	Rate at which RC has been finalised by the Company (₹ per kg)	RC finalised with	Total value of seeds procured (₹ in crore)
1	2	3	4	5	6
1	Potato	16	25	Eight firms except NAFED	13.76 (Details in ***Annexure – 3.2)***
2	Coriander	140	180	Two firms only viz Rama Traders and Raj Traders	0.48 (Details in ***Annexure – 3.3***)
				Total	**14.24**

It is pertinent to mention that the two firms with whom RCs have been finalised for coriander seed was actually one firm who had submitted bids in different names as discussed in the preceding paragraph.

The Government stated (July 2013) that at the time of finalisation of RCs in May 2011, the rates of MP Agro were not available. Further the rates of Director, Horticulture, MP finalised in August 2011 were ex-Nursery rates whereas the rates finalised by the Company in RCs were FOR destination. Thus, the rates were finalised at the lower rates based on the then available data.

The reply confirms that the rates were not compared in absence of the rates of MP Agro which indicated that the Company's policy of comparing the rates only with the rates of MP Agro was deficient. The basic purpose of comparison of rates is to ascertain the prevailing market rates so as to assess the reasonability of rates received in tender. Therefore, for the purpose of comparison of rates, the Company should have obtained rates finalised by other PSUs/ State Government and should not solely depend on MP Agro. Further, even after knowing the lower rates of Director, Horticulture, MP, the Company did not try to get the offer from them to assess the reasonability of rates of the RCs already finalised.

Thus, irregular finalisation of rate contracts for vegetable seeds resulted in placement of orders worth ₹ 47.26 crore on ineligible bidders.

The Company should finalise the RCs in transparent manner after following applicable rules and laid down procedures to protect its financial interest. The Company may fix responsibility for irregularities committed in the instant tender and take suitable action against the concerned officials.

3.2 Extra expenditure due to procurement at higher rates

Extra expenditure of ₹ 23.60 lakh due to procurement of jute bags at higher rates

The Chhattisgarh Rajya Beej Evam Krishi Vikas Nigam Limited, Raipur (Company) produces seeds of different crops through its registered farmers. After processing and packing, the seeds are sold to the farmers as Certified seeds. The seeds are packed in jute bags. The requirement of jute bags for ensuing Khariff season is assessed on the basis of estimated production as per production programme of the season. Similarly the jute bags for Rabi season are procured after considering surplus jute bags of previous Khariff season, if any.

To meet the requirement of jute bags for Khariff 2011 and Rabi 2011-12 season, the Company, after completing tender formalities, had executed (10 October 2011) agreement with M/s National Agriculture Co-operative Marketing Federation of India Limited, Raipur (NAFED) for supply of 40 kg and 50 kg bags at the rate of ₹ 37.73 and ₹ 42.63 per bag respectively. As per clause 11 of the agreement, approved rate was valid for one year upto 9 October 2012. Similarly, for Khariff 2012 and Rabi 2012-13 seasons, the Company had executed (6 October 2012) agreements with NAFED and M/s K. L. Jute, Kolkata for supply of 50 kg bags at the rate of ₹ 43.92 per bag and 40 kg bags at the rate of ₹ 38.61 per bag respectively. Accordingly, to meet the requirement of jute bags for Khariff 2012 season, the Company placed order on NAFED (8 October 2012) and M/s K. L. Jute, Kolkata

(18 October 2012) for supply of 10 lakh jute bags of 50 kg and 12.16 lakh jute bags of 40 kg respectively.

We observed that the rate of 50 kg bag was ₹ 42.63 per bag as per the first agreement executed with NAFED which was valid up to 9 October 2012. However, within this validity period, the Company placed (8 October 2012) order on NAFED for supply of 10 lakh bags of 50 kg at the rate of ₹ 43.92 per bag ignoring the prevailing lower rate of ₹ 42.63 per bag. Thus placement of order at higher rate ignoring the then prevailing lower rate on the same firm resulted in extra expenditure of ₹ 12.90 lakh[5] to the Company.

We also observed that placement (18 October 2012) of order on M/s K. L. Jute, Kolkata for supply of 12.16 lakh of 40 kg jute bags at the rate of ₹ 38.61 per bag was also not proper. Since the production programme for Khariff 2012 was already approved on 16 April 2012, the Company was well aware of the requirement of 40 kg jute bags in advance. Therefore, the Company should have placed the order on NAFED within the validity period (9 October 2012) of the first agreement for supply of 40 kg jute bags at the old rate (₹ 37.73 per bag) which would have avoided placement of order (18 October 2012) on M/s K L Jute, Kolkata at a higher rate (₹ 38.61 per bag) and consequent extra expenditure of ₹ 10.70 lakh[6] .

Thus, issue of orders for purchase of jute bags at higher rates ignoring the prevailing agreed rates had resulted in extra expenditure of ₹ 23.60 lakh.

The Government stated (July 2013) that on finalisation of new agreements on 6 October 2012, the old agreement had ceased to exist. Thus, placement of orders at old rates was not justifiable. Had the Company placed the orders as per old agreement, the suppliers could have disputed the orders and would not have supplied the material.

The reply is not acceptable because while executing (6 October 2012) the new agreements with NAFED and M/s K. L. Jute, the Company was aware that the new rates were higher than the old rates which were valid upto 9 October 2012. Accordingly, to protect its financial interest, the Company should have placed the orders on NAFED at old rates within the validity period of the old agreement and thereafter executed the new agreements.

The Company should procure the materials in most economical way to protect its financial interest.

Chhattisgarh Nishakt Jan Vitt Avam Vikas Nigam

3.3 Deficient fund management

Failure of the Company to avail auto sweep facility in savings bank account resulted in loss of interest of ₹ 18.84 lakh

The Chhattisgarh Nishakt Jan Vitt Avam Vikas Nigam, Raipur (Company) was incorporated (19 July 2004) with a view to formulate and implement schemes for the economic development of the physically handicapped and

[5] 10 lakh bags x (₹ 43.92 - ₹ 42.63)
[6] 12.16 lakh bags x (₹ 38.61 - ₹ 37.73)

disabled persons. The Company avails loan from National Handicapped Finance and Development Corporation, New Delhi (NHFDC) and provides financial assistance in the form of loan to disabled persons of the State of Chhattisgarh for various self employment schemes. The Company maintains savings bank account with State Bank of India (SBI) for carrying out its day to day transactions. The surplus funds of the Company are invested in Fixed Deposits (FD).

Scrutiny of cash book revealed (December 2012) that the Company had huge cash balance in its saving account maintained with SBI. The minimum balance lying in the account was ranging between ₹ 11115 (November 2009) to ₹ 32475930 (July 2012) on which the Company received interest at the rate of four *per cent* per annum.

We observed that SBI had introduced (August 2007) '*Surabhi Deposit Scheme',* an auto sweep facility for Corporate, Institutions, Trusts and Small and Medium Enterprises. Under the scheme, the customer has to maintain a minimum balance of ₹ 50000 and the amount exceeding the minimum balance would be automatically converted into FDs on weekly basis for the period till the fund is utilised by the customer. At the requirement of the customer, if there are insufficient funds in the savings account, the FD would be automatically closed (depending on the withdrawal amount) and interest will be calculated for the period during which the fund was remained under the scheme, subject to the minimum duration of 15 days. However, the Company did not avail auto sweep facility and instead allowed huge balances to remain in the savings account at lower rate of interest.

Had the Company availed auto sweep facility, it could have earned additional interest of ₹ 18.84 lakh during the period 2009-10 to 2012-13 as detailed in ***Annexure - 3.4***.

The Management stated (May 2013) that the Company receives funds from NHFDC for disbursement to the beneficiaries within 90 days and for this purpose, the funds were kept in savings account.

The reply is not acceptable because the Company can maximise the interest income on the undisbursed amount lying in the savings bank account by opting the auto sweep facility and this would not have impacted on payment to beneficiaries within 90 days because FD rates were applicable for any deposit beyond 15 days only.

We reported (June 2013) the matter to the Government, their reply is awaited (September 2013).

3.4 Providing financial assistance to the disabled persons

Introduction

3.4.1 The Chhattisgarh Nishakt Jan Vitt Avam Vikas Nigam, Raipur (Company) was incorporated (19 July 2004) with a view to formulate and implement schemes for the economic development of the physically

handicapped and disabled persons. The Company avails[7] loan from National Handicapped Finance and Development Corporation, New Delhi (NHFDC) and provides financial assistance in the form of loan to disabled persons of the State of Chhattisgarh (State) for various self employment schemes (schemes) approved by NHFDC for Small Business, Agricultural/ allied activities, Purchase of Vehicle, Self Employment, Small Industries, Technical Education/ Training, Micro Credit Scheme, Scheme for Association of Parents for the Mentally Retarded Persons, and Skills and Entrepreneurial Development. Any Indian citizen aged between 18 and 60 years with 40 *per cent* or more disability, who fulfils the criteria as prescribed by NHFDC, is eligible for financial assistance.

Rate of interest

3.4.2 The Company recovers interest[8] from beneficiaries and repays the same to the NHFDC at the rates prescribed in the lending policy of NHFDC. The income towards differential rate of interest is retained by the Company for meeting its administrative expenses.

Audit objectives

3.4.3 Audit was undertaken with a view to assess whether:

- the Company had prepared any plans for financing the targeted beneficiaries;
- the financial assistance was extended to the eligible disabled persons in time;
- the system of recovery of loan was effective to ensure timely recovery and effective action was taken in case of default; and
- the Company had put in place an efficient system of monitoring of implementation of scheme after disbursement of loans.

Audit Findings

Performance of the Company

3.4.4 Since its inception in July 2004 upto 2012-13, the Company extended financial assistance to 952 disabled persons out of the total 170290 eligible population of disabled persons[9] of the State. During the period 2009-2013, the Company received ₹ 8.66 crore from NHFDC and same was disbursed to 457 beneficiaries as detailed in ***Annexure - 3.5***.

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[7] For the purpose of availing loan from NHFDC and disbursing the same to the disabled persons, the Government of Chhattisgarh nominated the Company as the State Channelising Agency (SCA).

[8] (i) For loans upto ₹ 50000, rate of interest to be paid by beneficiaries to the Company is five *per cent* and rate of interest to be paid by the Company to NHFDC is two *per cent.*
(ii) For loans above ₹ 50000 and upto ₹ 5.00 lakh, rate of interest to be paid by beneficiaries to the Company is six *per cent* and rate of interest to be paid by the Company to NHFDC is three *per cent.*
(iii) For loans above ₹ 5.00 lakh, rate of interest to be paid by beneficiaries to the Company is eight *per cent* and rate of interest to be paid by the Company to NHFDC is five *per cent.*

[9] As per the State wide survey of 2001- Population of Indian citizen aged between 20 to 59 years with 40 *per cent* or more disability

Planning

Non formulation of long term/ short term plans

3.4.5 The main objective of the Company is to implement schemes for the economic development of the disabled persons by extending financial assistance to them. For proper implantation of the schemes by covering the entire eligible population of disabled persons, preparation of long terms/short terms plans was essential indicating targets and means to achieve the same.

We observed that though the Company has been in existence for more than nine years, it has not formulated any long term or short term plans for financing the targeted beneficiaries in phased manner which led to poor coverage of targeted population. The Company had also not formulated its own policy in line with the guidelines issued by the NHFDC.

Sanction of loans

Upto 2012-13, the Company had extended financial assistance to only 0.56 *per cent* of the total eligible disabled population.

3.4.6 The Company, since its inception upto 2012-13, could extend financial assistance to only 952 disabled persons i.e. 0.56 *per cent* of the total eligible disabled population of the State. Further, the coverage of the disabled persons in the tribal and remote areas was also very poor. Upto 2012-13, the Company had extended financial assistance to only 14 out of 90 application received from the total 18055 disabled persons from these areas as follows:

District	Number of eligible population of disabled persons in the district	No. of applications received	No. of applications not sanctioned due to deficiencies/ in process	Loans sanctioned to the number of disabled persons
Bastar	7373	19	17	2
Narayanpur		2	0	2
Dantewada	5784	17	14	3
Bijapur		1	1	0
Kanker	4898	51	44	7
Total	**18055**	**90**	**76**	**14**

Thus the eligible disabled persons living in remote areas were also deprived of the financial assistance and consequent benefits of the schemes.

The Management stated (May 2013) that with the help of Social Welfare Department, Government of Chhattisgarh, financial assistance was extended to the disabled persons.

The reply does not address the main issue of poor coverage of the targeted population.

Delay in sanctioning loans

Loans were sanctioned with delay ranged between three and 46 months.

3.4.7 On scrutiny of records pertaining to loans sanctioned during the period from 2009-10 to 2012-13, we observed that the Company had not prescribed any time schedule for processing the loan applications received by it at district offices and at HO. In absence of the same, very long time ranged between three and 46 months were taken in processing cases as noticed on test check of 220 out of 457 cases of loan sanctioned during the period. It was also observed

that the registers were not maintained at the district offices and HO to monitor the status of the applications.

We also observed that the Company has also not prescribed any time schedule for holding the meeting of the screening committee responsible for sanctioning of the cases at HO. As a result the meeting of the screening committee was not conducted regularly which is evident from the fact that during the period from 1 April 2009 to 31 March 2013, only five meetings were held which had also delayed the sanction of loans.

The Management stated (May 2013) that the work of sanctioning of loans has now been included under the *'Chhattisgarh Lok Seva Guarantee Adhiniyam 2011'* and cases would be processed within the time limit of 90 days as prescribed therein.

Disbursement of loan

Non-disbursal of Company's share to beneficiaries

3.4.8 As per guidelines issued by NHFDC, the Company was expected to contribute five *per cent* of the sanctioned project cost as their share of loan[10] in case the cost of the project exceeds ₹ 50000 (except educational loan scheme).

We observed that while disbursing the loan amount to the beneficiaries, the Company had released only the share of NHFDC and did not disburse its share of loan in respect of all the cases where project cost exceeded ₹ 50000. As a result, the beneficiaries had to arrange more funds from their own sources for implementation of their project thereby causing financial hardship to them.

The Management stated (May 2013) that in absence of provision for payment of five *per cent* share of the Company, the same was not released to the beneficiaries. The Management, however, stated that they would take up the matter with the Government.

The fact remains that by non disbursing its share, Company failed to comply with the guidelines issued by NHFDC.

Non insurance of loans disbursed to the beneficiaries

3.4.9 The Company decided (March 2008) to obtain insurance coverage of loan disbursed to the beneficiaries so that Company's interest may be safeguarded against the life risks of the beneficiaries and in case of death of any beneficiary, the outstanding loan amount may be claimed from the Insurance Company.

We, however, observed that in spite of the above decision, the Company did not obtain any insurance policy against the loans of ₹ 8.66 crore disbursed to 457 beneficiaries during 2009-10 to 2012-13. We also observed that an

[10] (i) For project cost upto ₹ 50000, NHFDC share is 100 *per cent.*
(ii) For project cost above ₹ 50000 and upto ₹ 1.00 lakh, NHFDC share is 95 *per cent* and Company share is five *per cent.*
(iii) For project cost above ₹ 1.00 lakh and upto ₹ 5.00 lakh, NHFDC share is 90 *per cent* , Company share is five *per cent* and beneficiary share is five *per cent.*
(iv) For project cost above ₹ 5.00 lakh, NHFDC share is 85 *per cent* , Company share is five *per cent* and beneficiary share is 10 *per cent.*

amount of ₹ 2.64 lakh was outstanding upto March 2013 against four beneficiaries who expired between 2007 and 2009.

The Management stated (May 2013) that due to non-finalisation of rate of premium with the insurance companies, the insurance policy could not be obtained. The Management also stated that as per the guidelines (2011) of NHFDC, there is provision for waiver of the loan amount in death case.

The reply is not convincing because the loan waiver scheme of NHFDC is applicable to cases of loan upto rupees one lakh only given to the Below Poverty Line beneficiaries. Further the waiver is also conditionals such as income generating unit becomes non-operational due to the demise of beneficiary, the legal heir(s) of the beneficiary are not in a position to carry out the business or repay the outstanding loans.

Recovery and monitoring of loans

Accumulation of huge arrears of ₹ 4.27 crore due to poor pace of recovery of loans

3.4.10 The Company sanctions and disburses the loans to the beneficiaries with repayment period ranging between three and seven years excluding moratorium period of three months. For loans upto rupees five lakh[11], no security is taken by the Company whereas for loan above rupees five lakh, the assets purchased out of the loan amount is hypothecated in favour of the Company. The amount of principal and interest is recovered through equated monthly instalment.

We observed that for recovery of loans, the Company had neither formulated any policy nor evolved a proper system. Recoveries were being made based on the cash/ cheques/ post dated cheques deposited by the beneficiaries. As a result, the recovery of loan during the last four years ending 31 March 2013 was very poor and percentage of recovery ranged between 40.53 and 42.48. Due to the poor recovery, the outstanding amount increased from ₹ 1.12 crore in 2009-10 to ₹ 4.27 crore in 2012-13 as follows:

(₹ in crore)

Year	Amount due at the end of the year			Amount paid by beneficiaries	Outstanding amount at year end	Percentage of recovery
	Principal	Interest	Total receivable amount at the year end			
1	2	3	4	5	6 (4-5)	7 (5/4)
2009-10	1.33	0.56	1.89	0.77	1.12	40.74
2010-11	2.16	0.77	2.93	1.19	1.74	40.61
2011-12	3.41	1.11	4.52	1.92	2.60	42.48
2012-13	6.20	0.98	7.18	2.91	4.27	40.53

We further observed that 229 beneficiaries to whom the Company had disbursed loan of ₹ 3.95 crore between 2005 and 2012, did not pay any installments so far (December 2012). The age wise details of these 229 beneficiaries are as follows:

[11] Rupees three lakh upto 31 March 2012

Year	No. of beneficiaries	Loan Amount (₹)
2005-06	5	270000
2006-07	7	347000
2007-08	27	1424600
2008-09	8	982000
2009-10	33	3001050
2010-11	11	1089977
2011-12	71	16746665
2012-13	67	15618049
Total	**229**	**39479341**

Though the Company had decided (12 July 2010) to issue show cause notices to defaulters and hand over the cases to Revenue Department for recovery of dues as arrears of land revenue, not a single case was handed over to Revenue Department so far (March 2013). Further, the Company had not fixed any criteria for categorisation of loans as performing assets and non performing assets.

The Management stated (April 2013) that procedure for recovery of loans would be formulated and outstanding amount would be recovered as land revenue. The Management further stated (May 2013) that necessary instructions have been issued to District Managers for improving the recovery position.

The fact remains that in absence of proper system of recovery of loans and failure of the Management to take action against the defaulters, the percentage of recovery of dues was very poor which remained below 43.

Lack of monitoring of implementation of projects

3.4.11 As per the guidelines of NHFDC, it was the responsibility of the Company to ensure that the loan disbursed to the beneficiaries was utilised for the purpose for which it was sanctioned. Further, the Company was also responsible for monitoring the implementation of the projects for which loans were sanctioned to the beneficiaries.

We, however, observed that for monitoring of the projects, the Company had not put in place any system and even it had not conducted any physical verification of assets of beneficiaries, which were purchased/ created from the loan. As a result, Company was not in position to ascertain whether the funds were utilised by the beneficiaries for the purpose for which it was sanctioned or whether the projects were in working condition or the same was closed, sold or managed by persons other than the beneficiaries.

The Management stated (May 2013) that physical verification of assets and monitoring of the projects are done by the District Managers.

The reply is not acceptable as the Management failed to produce any documentary evidence in support of their claim.

Subsidy amounting to ₹28.79 lakh drawn for ineligible beneficiaries

3.4.12 The '*Utthan Subsidy Scheme'* approved by the Social Welfare Department, Government of Chhattisgarh envisages payment of subsidy equal to 50 *per cent* of the balance amount of loan to those beneficiaries who are

running their business successfully for at least three years and repaid the monthly installments of loan on due dates without any default during the last three years.

Accordingly, during the year 2009-10, the Company had identified 84 beneficiaries under this scheme and submitted (January 2010) a proposal to the Government claiming ₹ 14.83 lakh as subsidy which was released by the Government in March 2010. Similarly, during the year 2010-11, the Company identified 55 beneficiaries and submitted (January 2011) a proposal to the Government for release of ₹ 15.20 lakh towards subsidy. Accordingly Government released ₹ 15.00 lakh in November 2011.

We observed that while submitting the proposals to the Government for claiming subsidy under this Scheme for the years 2009-11, the Company had also selected beneficiaries who were not eligible under the Scheme as they had not remitted the installments on due dates and in some cases period of loan disbursement to the beneficiaries were less than three years. As a result the Company had drawn excess subsidy of ₹ 28.79 lakh from the Government in the name of 131 ineligible beneficiaries which is yet to be disbursed to the beneficiaries. Further, the subsidy of ₹ 1.04 lakh received from the Government for the eight eligible beneficiaries were also not distributed so far (March 2013).

Thus, drawing of subsidy in respect of ineligible beneficiaries and non disbursement of the subsidy to the eligible beneficiaries despite receiving the same from Government was irregular.

The Management stated (May 2013) that the beneficiaries were selected at the district level according to the criteria of the Scheme.

The reply is not acceptable because out of the total 139 beneficiaries selected by the Company under the *Utthan Subsidy Scheme*, 131 beneficiaries did not fulfill the eligibility criteria.

Conclusion

The Company had not prepared any long term/short term plans for providing financial assistance to the disabled persons. The coverage of the disabled persons was very poor as the Company could extend the financial assistance only to 952 disabled persons out of the total 170290 eligible disabled population of the State upto 2012-13. For sanctioning of loans, the Company had taken very long time ranged between three and 46 months. The Company had not obtained insurance coverage against the loans sanctioned to the beneficiaries. The Company had not evolved any effective and proper system for recovery of loan from the beneficiaries resulting in accumulation of arrears of ₹ 4.27 crore as on 31 March 2013 and percentage of recovery remained below 43 during last four years ending 31 March 2013. There was no system for monitoring the implementation of the projects to ensure that the loan was utilised for the purpose for which it was sanctioned.

We reported (June 2013) the matter to the Government, their reply is awaited (September 2013).

Chhattisgarh State Beverages Corporation Limited

3.5 Non-recovery of Excise Duty on godown breakages

Failure of the Company to recover excise duty of ₹ 2.97 crore from the suppliers and deposit with the Excise Department resulted in extension of undue benefit to the suppliers and loss to the State exchequer to that extent

The Chhattisgarh State Beverages Corporation Limited, Raipur (Company), a FL-10 licensee[12] under the '*Chhattisgarh Videshi Madira Niyam 1996'* (*Videshi Madira Niyam*), having two godowns at Raipur and Bilaspur was established (November 2001) as a wholly owned State Government Company to act as sole licensed wholesale agent to procure, store and sell Indian Made Foreign Liquor (IMFL) in the State of Chhattisgarh. Every financial year, the Company invites open tender from suppliers/manufacturers of IMFL (Suppliers) for registration for supply of IMFL to the Company at the landing price[13]. The landing price is approved by the Company based on the offers received from the Suppliers. From the registered Suppliers, the Company procures different brands of IMFL at the landing price, stores the same in its godowns and after adding its margin, the same is then sold to the retailers having permit of the State Excise Department (Department). As per clause 2.2 of the agreement finalised between the Company and Suppliers, payment to the Suppliers for IMFL so procured is made only when the stock is sold to the retailers by the Company. The clause 2.4 of the agreement also provides that till the sale is made by the Company to the retailers, the risk and property in the stock shall vest with Suppliers who shall bear all losses in the stock. The unsold closing stock lying at the godowns at the end of financial year is valued at the then prevailing landing price and the same is shown in the annual accounts of the Company as closing inventory.

The Rule 17(2) of *Chhattisgarh Videshi Madira Niyam 1996* does not allow any godown wastage/ breakage of IMFL stored at the godown of FL-10 licensee. In case of any godown wastages, the FL-10 licensee needs to pay the applicable duty on the quantity of godown wastages to the State Excise Department.

Scrutiny (January 2013) of records relating to godown breakages revealed that during the years 2007-08 to 2010-11, 132448.25 Proof litre of spirit and 140253.9 Bulk litre of malt were accounted under breakages in Raipur godown. Similarly, during the same period, 122004.4 Proof litre of spirit and 253927.5 Bulk litre of malt were accounted under breakages in Bilaspur godown. As per Rule 17 (2) of *Videshi Madira Niyam* and clause 2.4 of the agreement finalised with the Suppliers, the Company was required to recover the Excise Duty of ₹ 2.97 crore on the quantity of above godown breakages from the Suppliers

[12] Wholesale license to sell registered brands of IMFL manufactured by the distilleries to retailers.

[13] The price at which the Company receive the stock of IMFL at its godown.

and deposit with the State Excise Department as detailed in ***Annexure – 3.6***. We, however, observed that the Company did not recover the Excise Duty of ₹ 2.97 crore from the Suppliers and deposit the same with the State Excise Department. This has resulted in extension of undue benefit to the suppliers and loss to the State exchequer to the extent of ₹ 2.97 crore.

The Management stated (June 2013) that as per clause 2.4 of the agreement, the Suppliers are responsible for all losses till the stock is resold by the Company but nowhere in the agreement it was mentioned that the Suppliers would be liable for payment of excise duty on the quantity of godown breakages. The Management also stated that the rule 17 (2) of *Videshi Madira Niyam* states about *Chhijan* only i.e. losses on account of leakage and evaporation and it does not state about losses on account of godown breakages/shortages. Since the instant cases related to godown breakages, the rule 17 (2) is not applicable. The Management further stated that as per the judgments of the Honourable Supreme Court of India in cases of the State of Madhya Pradesh *versus* Gappulal, the State of Rajasthan *versus* Pannalal and Bimal Chandra Banerjee *versus* the State of Madhya Pradesh, excise duty on the quantity of liquor not lifted/drawn by the licensee is not recoverable. The Government has also endorsed (August 2013) the views of the Management.

The reply is not acceptable because

- clause 2.4 of the agreement states that the Suppliers are responsible for all losses till the stock is resold by the Company. Thus it is implied that any taxes payable on such losses is also to be borne by the Suppliers only.
- *Chhijan* means wastage which includes godown breakages as mentioned by the Management in its letter (10 December 2010) to the Commissioner (Excise), Government of Chhattisgarh. In the letter the Management had requested the Commissioner to fix a permissible limit for storage loss (godown breakage) by amending the *Videshi Madira Niyam* because it does not allow any loss towards *Chhijan* as occurrence of storage loss on handling of IMFL in the godowns is a normal process.
- Case laws cited by the Company were regarding collection of excise duty on unlifted/ undrawn quantity of liquor if the fixed monthly quantity is not taken in any month by the liquor contractors (retailers) whereas the instant case is regarding collection of excise duty on reported godown breakages from FL-10 licensees. Thus, the collection of excise duty on godown breakages from the FL-10 licensees is totally different from collection of excise duty on unlifted quantity from the retailers.

Chhattisgarh State Industrial Development Corporation Limited

3.6 Extension of undue benefit

Extension of undue benefit of ₹ 32.40 lakh to the allottee due to non recovery of penal interest

The Chhattisgarh State Industrial Development Corporation Limited, Raipur (Company) develops and maintains industrial growth centres / areas with common facilities like roads, water, power etc. and allots land to the potential

industrial units (entrepreneurs). For land within the industrial area, the Company collects land premium (lumpsum amount towards cost of the land) as fixed by the Board of Directors (Board) of the Company as well as annual lease rent and annual maintenance charges from the entrepreneurs. The Company receives applications from entrepreneurs for allotment of land. If land is available and applications are found in order, the Company, after collecting advance premium (10 *per cent* of total premium payable) issues Letter of Intent (LoI) indicating the terms of allotment and total amount to be paid. On receipt of LoI amount, land allotment order is issued.

Sona Beverages Private Limited (SBPL) had applied (October 2009) for allotment of 25 acres land at Birkoni Industrial Area of the Company in Mahasamund District for setting up a Beer manufacturing unit. After receipt (19 February 2010) of ₹ 5.83 lakh[14] towards advance premium, the Company issued (6 May 2010) LoI for allotment of 12 acres land. Subsequently, SBPL had submitted (18 August 2010) fresh application for allotment of 25 acres land at Borai Industrial Growth Centre, Durg and requested (25 August 2010) the Company to adjust the amount of advance of ₹ 5.83 lakh already paid for land at Birkoni Industrial Area. Accordingly, the Company issued (8 October 2010) revised LoI for allotment of 25 acres land and instructed SBPL to deposit the balance amount of ₹ 9.02 crore[15]. However, SBPL requested the Company (12 October 2010) to allot 9.63 acres land instead of 25 acres. In response, the Company again revised (14 October 2010) the LoI for allotment of 9.63 acres land for ₹ 3.50 crore but SBPL did not deposit the amount and sought (26 November 2010) extension of one month for the same as soil testing work was going on in the subject land. Request of SBPL was accepted (9 December 2010) by the Company with the condition of payment of penal interest as per clause 5 of LoI[16]. The SBPL deposited (23 April 2011) ₹ 3.44 crore after adjusting ₹ 5.83 lakh. However, SBPL did not deposit the penal interest amounting to ₹ 32.40 lakh[17] and requested (23 April 2011) the Company to waive the same considering the high value of the land. The land allotment order was issued on 13 May 2011. Considering the request of SBPL, the Company submitted (13 July 2011) a proposal to the Board for waiver of penal interest of ₹ 32.40 lakh on the ground that the value of the land allotted to SBPL in food park area was more than the value of land in other part of the Borai Industrial area. Neither the Board had taken any decision in this regard even after lapse of two years nor the Company had recovered the penal interest of ₹ 32.40 lakh from SBPL so far (July 2013).

We observed that the proposal submitted by the Company for waiver of penal interest of ₹ 32.40 lakh for delayed payment of ₹ 3.44 crore on the ground of high value of land was not justified and amounts to extension of undue benefit to SBPL as the value of the land was pre fixed (September 2010) by the Board

[14] 10 *per cent* of total cost of ₹ 58.28 lakh.

[15] ₹ 9.08 crore for land at Borai – ₹ 0.06 crore advance already paid for land at Birkoni

[16] If the applicant failed to deposit the required amount within the stipulated time of 45 days, the applicant shall apply for time extension and if the Company accepted the request of time extension, the applicant shall have to pay interest at the rate of 18 *per cent* per annum for delay period.

[17] ₹ 3.44 crore X 18 *per cent* X191 days (08/10/2010 to 23/04/2011)/ 365 days

of the Company and SBPL was also aware of the same. Thus, as per clause 5 of LoI, SBPL was required to pay penal interest for delayed period which was also mentioned in the Company's extension letter dated 9 December 2010.

The Management stated (December 2012) that the decision regarding recovery of penal interest would be taken by the Board of the Company.

The reply confirms that though the Board is supposed to take the decision in the interest of the Company according to the terms and conditions of LoI, it has not taken any decision so far despite lapse of more than two years. The Company instead of recovering the amount of ₹ 32.40 lakh from SBPL, has kept the matter pending for more than two years which tantamounts to undue advantage to SBPL of ₹ 32.40 lakh.

The Company should immediately recover the amount of ₹ 32.40 lakh from SBPL.

We reported (June 2013) the matter to the Government, their reply is awaited (September 2013).

Chhattisgarh State Power Distribution Company Limited

3.7 Loss of revenue

Reduction in contract demand in violation of provision of the Chhattisgarh State Electricity Supply Code resulted in loss of revenue of ₹ 36.68 lakh

The distribution and supply of electricity in the state of Chhattisgarh is governed by the "Chhattisgarh State Electricity Supply Code 2005" (Supply Code) as amended from time to time. As per clause 7.9 of Supply Code 2005, generally no application for reduction of contract demand / connected load shall be entertained by the licensee within the 'initial period of agreement'. The clause 7.9 was modified in the amended (November 2011) Supply Code 2011 which provided that no application form for reduction of contract demand / connected load for more than 50 *per cent* shall be entertained by the licensee within the 'initial period of agreement'. As per clause 2.1 (kk) of Supply Code 2011, 'Initial period of agreement' means the period of two years starting from the date of commencement of agreement. The initial period of agreement shall continue till the end of the month, on which the last date of the two year period expires.

The erstwhile Chhattisgarh State Electricity Board {now Chhattisgarh State Power Distribution Company Limited (Company)} had released (September 2007) High Tension connection to M/s Brahaspati Iron and Steel Company (P) Limited, Raipur (consumer) for contract demand[18] (CD) of 4160 KVA. Based on the request (September 2009) of the consumer, the CD

[18] The maximum load in KW, KVA or HP, as the case may be, agreed to be supplied by the licensee and contracted by the consumer and mentioned in the agreement.

was enhanced from 4160 KVA to 10000 KVA with effect from 1 April 2010 after finalising (17 February 2010) a new agreement in this regard with consumer. Clause 4 and 9 of the new agreement provide that the parties are bound to comply with the relevant provisions of the Electricity Act, 2003 and all regulations made there under including the Supply Code. The supply and use of electricity under this agreement shall be strictly regulated in accordance with the various provision of the Supply Code as amended from time to time. As per special clause 27 (i) of the new agreement, the existing agreement (September 2007) entered into by the consumer for supply of power for a total CD of 4160 KVA shall cease to have further effect from the date of commencement of this agreement. Subsequently, on the basis of the request (November 2011) of the consumer, the Company reduced the CD from 10000 KVA to 60 KVA with effect from 1 January 2012.

We observed that as per provision of clause 2.1 (kk) of the Supply Code 2011, the initial period of two years of new agreement was due for expiry on 31 March 2012. Within this initial period of two years, the reduction in CD was permitted upto 50 *per cent* of the existing CD i.e 5000 KVA. However, the Company reduced the CD of the consumer for more than 50 *per cent* of the existing CD i.e. from 10000 KVA to 60 KVA with effect from 1 January 2012 in violation of the provision (clause 7.9) of the Supply Code 2011.

Thus reduction of CD in violation of provision of Supply Code 2011 had resulted in loss of revenue of ₹ 36.68 lakh[19] to the Company towards minimum demand charges for the period from 1 January 2012 to 31 March 2012.

The Management stated (May 2013) that the consumer had begun to take electrical energy on 28 November 2007 and thus the initial period of agreement had expired on 30 November 2009. Subsequently for the purpose of increasing the CD from 4160 KVA to 10000 KVA, a supplementary agreement was executed with the consumer with effect from 1 April 2010 in accordance with the clause 7.17 of Supply Code 2005 which provides that "If there is a need to modify/ amend the agreement signed between the licensee and consumer, it may be done by a supplementary agreement." Thus, the agreement executed with the consumer effective from 1 April 2010 was for all purpose was a supplementary agreement and not a new agreement. Hence the provision of Supply Code regarding restriction of reduction in CD during the initial period of agreement is not applicable on this supplementary agreement.

The reply is not acceptable because as per clause 7.17 of Supply Code 2005, modification/ amendment of existing agreement may be done by supplementary agreement. Thus, supplementary agreement is not mandatory as per Supply Code but is only an option and this option was not exercised by the contracting parties. For the purpose of increasing the CD to 10000 KVA the Company had executed (17 February 2010) a new agreement, not a supplementary agreement, with the consumer. The above fact is also

[19] Permissible reduction in CD i.e. 50 *per cent* of 10000 KVA = 5000 KVA - 60 KVA = 4940 KVA x 75 *per cent* (billing is done based on actual maximum demand or 75 *per cent* of the CD whichever is higher) x ₹ 330 per KVA (being the rate of demand charges per KVA per month as per the then prevailing tariff) x 3 months (January 2012 to March 2012) = ₹ 3667950

substantiated from the special clause 27 (i) of the new agreement which provides that the existing agreement (September 2007) entered into by the consumer for supply of power for a total CD of 4160 KVA shall cease to have further effect from the date of commencement of this agreement. It is pertinent to mention that in case of supplementary agreement, both the original agreement and supplementary agreement co exist. However, in the instant case the validity of the original agreement (September 2007) expired after the new agreement came into effect from 1 April 2010 as per clause 27 (i) of the new agreement.

While allowing reduction in contract demand, the Company should strictly comply with the provisions of "Chhattisgarh State Electricity Supply Code".

We reported (May 2013) the matter to the Government, their reply is awaited (September 2013).

Chhattisgarh State Power Generation Company Limited

3.8 Avoidable expenditure

Avoidable expenditure of ₹ 1.08 crore on outsourcing of operation & maintenance of 'Dual Flue Gas Conditioning System' at Power House -II of KTPS

In order to reduce stack emission[20] of exit flue gases of Power House - II of Korba Thermal Power Station (KTPS) within the norms prescribed by the Chhattisgarh Environment Conservation Board, the erstwhile Chhattisgarh State Electricity Board {now Chhattisgarh State Power Generation Company Limited (Company)} installed a Dual Flue Gas Conditioning System (DFGC). The DFGC was designed, erected and commissioned (1 February 2008) by a private company i.e. M/s Chemithon Engineers Private Limited, Mumbai (Chemithon). As per the work order (13 October 2006), Operation & Maintenance (O&M) of DFGC for initial one year from date of commissioning was to be carried out by Chemithon. It was also stipulated in the work order[21] that Chemithon shall train the staff of the Company for O&M of DFGC at no cost to the Company. The O&M of DFGC for initial one year was completed by Chemithon in January 2009.

However, the Company citing (February 2009) acute shortage of staff at KTPS did not spare the man power for training and consequently it had to outsource

[20] A stack is a type of chimney, through which combustion product gases called flue gases are exhausted to the outside air. Flue gases are produced when coal, oil, natural gas or any other fuel is combusted in a power plant's steam generating boiler. Flue gas is usually composed of carbon dioxide, water vapor, nitrogen, excess oxygen and small percentage of pollutants such as suspended particulate matter, carbon monoxide, nitrogen oxide and sulfur oxides. To control these pollutants, the Dual Flue Gas Conditioning System is used which minimises the emission of pollutants to the air.

[21] Clause 3.14.00 – Upon completion of the work and prior to taking over the system the contractor shall train the Company personnel for O&M of the system installed by them at no cost to the Company.

the O&M of DFGC to Chemithon continuously from February 2009 on yearly contract basis with total expenditure of ₹ 2.23 crore (till January 2013).

We observed (January 2012) that the Company was aware that the DFGC, an important environment protection equipment required continuous operation parallel to the operation of Power House – II of KTPS. Accordingly, O&M of DFGC for initial one year from date of commissioning was given to Chemithon mainly with a view to train the staff of the Company so that O&M of DFGC can be carried out departmentally in subsequent years without incurring any extra expenditure. In spite of the above and despite being aware of requirement of only four Plant Attendants Grade II (PAs II) and four Junior Engineers (JEs) for O&M work, the Company had not taken any action during the initial period of one year of O&M contract (February 2008 to January 2009) to recruit the required manpower and get them trained for O&M of DFGC. We further observed that the Company had subsequently recruited 14 PAs II and 257 JEs between 2009-10 and 2011-12 but same were not deputed for O&M of DFGC system.

Thus the Company continued to outsource the O&M work despite recruiting 14 PAs II and 257 JEs. Had O&M of DFGC been carried out departmentally the Company could have saved ₹ 1.08 crore[22] over period of four years (February 2009 to January 2013) because O&M of DFGC departmentally would have cost ₹ 28.84 lakh[23] per annum only as compared to ₹ 55.79 lakh[24] per annum incurred on outsourcing. This extra expenditure would increase further because Company had not initiated (July 2013) any action to train its staff for O&M of DFGC as the same is a continuous nature work.

The Management stated (December 2012) that to carry out O&M of DFGC departmentally for three shifts, four JEs and four PAs II are required. However, due to shortage of staff, the required manpower could not be spared for training and consequently O&M of DFGC is being carried out through outsourcing.

The reply is not acceptable because though the Company had made a provision in the agreement for training of staff for O&M of DFGC but had actually not drawn up any action plan to do so under the pretext of shortage of manpower and consequently did not train either the existing or the newly recruited PAs II and JEs for O&M of DFGC which led to avoidable expenditure of ₹ 1.08 crore.

The Company may take immediate steps to carry out O&M of DFGC departmentally to avoid further losses.

We reported (May 2013) the matter to the Government, their reply is awaited (September 2013).

[22] (₹ 55.79 lakh – ₹ 28.84 lakh) x 4 years

[23] (₹ 33043 being salary of one JE per month x 4 JEs x 12 months) + (₹ 27048 being salary of one Plant Attendant Gr Ik 4 Plant Attendant Gr II x 12 months)

[24] ₹ 22318102 / 4 years

Chhattisgarh State Power Holding Company Limited

3.9 Avoidable payment of penal interest

Avoidable payment of penal interest of ₹ 45.46 lakh due to non/ short payment of advance income tax

As per Section 208 of the Income Tax Act, 1961 (Act), advance tax is payable during a financial year, in every case, where the amount of such tax payable by the assessee during the year is rupees ten thousand or more. Section 234B of the Act stipulates that where in any financial year, an assessee who is liable to pay advance tax under Section 208 failed to pay such tax or where the advance tax paid by such assessee is less than 90 *per cent* of the assessed tax, the assessee shall be liable to pay simple interest at the rate of one *per cent* for every month from the first day of April on the amount by which the advance tax paid fell short of the assessed tax. Further, Section 234C of the Act provides that if an assessee fails to pay advance tax or the advance tax paid is less than 15 *per cent*, 45 *per cent*, 75 *per cent* and 100 *per cent* of the tax due till 15 June, 15 September, 15 December and 15 March respectively, the assessee shall be liable to pay simple interest at the rate of one *per cent* per month on the amount of the shortfall.

The Government of Chhattisgarh had notified (March 2010) the 'Chhattisgarh State Electricity Board Transfer Scheme Rules, 2010' (Transfer Scheme) effective from 1 January 2009 for transfer of properties, undertakings, interests, rights, obligations, liabilities, personnel and proceedings from Chhattisgarh State Electricity Board (CSEB) to its five[25] successor companies. As per the Transfer Scheme, the main objective of Chhattisgarh State Power Holding Company Limited (Company) was to undertake the coordination activities between the other four successor companies for smooth functioning.

We observed that during the financial year 2010-11, the Company earned income of ₹ 17.63 crore including interest income of ₹ 17.52 crore. However, the Company failed to pay advance tax on the above income within the stipulated period as per the provision of Section 208 of the Act and paid income tax on 29 September 2011 at the time of filing income tax return for the year 2010-11. As the interest income was an assured income for the Company and the Company was also aware of the same, it should have paid advance tax in accordance with the provision of the Act. Due to non-payment of advance tax, the Company

[25] Chhattisgarh State Power Generation Company Limited, Chhattisgarh State Power Transmission Company Limited, Chhattisgarh State Power Distribution Company Limited, Chhattisgarh State Power Trading Company Limited and Chhattisgarh State Power Holding Company Limited

had paid (29 September 2011) ₹ 39.91 lakh[26] towards penal interest. Further, due to short payment of advance tax for the year 2011-12, the Company had to pay (September 2012) penal interest of ₹ 5.55 lakh under Section 234C.

Thus, failure of the Company to pay advance tax for the years 2010-11 and 2011-12 in accordance with the provision of the Act resulted in avoidable payment of penal interest of ₹ 45.46 lakh.

The Management stated (June 2013) that the Company had taken proactive step to optimise the tax liability by converting the interest bearing loan given to the subsidiary companies as interest free loan. By doing this, it had saved income tax of ₹ 2.11 crore and ₹ 4.88 crore for the years 2010-11 and 2011-12 respectively. The Management also stated that because of its effective persuasion it could receive refund of income tax of ₹ 251.41 crore including ₹ 21.54 crore towards interest pertaining to the period of erstwhile CSEB from Income Tax Department. The Management further stated that payment of penal interest of ₹ 45.46 lakh was very small as compared to ₹ 21.54 crore received as interest from Income Tax Department.

The reply of the Management was not relevant and not acceptable because in their reply, the Management has given details of its efforts in tax optimization and obtaining refunds from Income Tax Department. These activities are legitimate duties of the Management and it does not in any way explain or condone the avoidable payment of penal interest on income tax dues which is a material amount. Neither these activities could have hampered timely payment of income tax.

The Company should devise a system for timely payment of advance tax in accordance with the provisions of the Act.

We reported (May 2013) the matter to the Government, their reply is awaited (September 2013).

GENERAL

3.10 Follow up action on Audit Reports

3.10.1 Audit Reports of the Comptroller and Auditor General of India represent the culmination of the process of audit scrutiny starting with initial inspection of accounts and records maintained in various offices and departments of the Government. It is, therefore, necessary that they elicit appropriate and timely response from the Executive.

Audit Reports for the years 2008-09 to 2011-12 were placed in the State Legislature in March 2010, March 2011, April 2012 and March 2013 respectively. Out of 17 paras/ Reviews involving 11 PSUs under seven departments featured in the Audit Reports (Civil & Commercial) for the year 2008-09 and Audit Report (PSUs) for the year 2011-12, no replies in respect of 11 paras have been received from the Government by 30 September 2013 as indicated in following table:

[26] Under Section 234B - ₹ 21.67 lakh and Section 234C - ₹ 18.24 lakh of the Act.

Year of Audit Report	Total Paragraphs/ Reviews in Audit Report	No. of Departments involved	No. of Paragraphs for which replies were not received
2008-09	6	6	2
2011-12	11	5	9
Total	**17**		**11**

Department wise analysis is given in ***Annexure - 3.7***.

Compliance with the Reports of Committee on Public Undertakings (COPU)

3.10.2 In the Audit Reports (Civil & Commercial) and Audit Report (PSUs) for the years 2001-02 to 2011-12, 66 paragraphs and seven Reviews were included. Out of these, 46 paragraphs and five Reviews had been discussed by COPU upto 30 September 2013. COPU had made recommendations in respect of six paragraphs of Audit Reports for the years 2001-02 to 2009-10. No recommendations have been made on the Reviews so far.

As per the working rules of the COPU, the concerned departments are required to submit Action Taken Notes (ATNs) to COPU on their recommendations within three months. Upto 30 September 2013, only one ATN for the years 2001-02 to 2009-10 was received.

Response to Inspection Reports, Draft Paragraphs and Reviews

3.10.3 Audit observations noticed during audit and not settled on the spot were communicated to the heads of PSUs through Inspection Reports (IRs). The heads of PSUs are required to furnish replies to the IR within a period of four weeks of its receipt. IRs issued upto March 2013 pertaining to 13 PSUs disclosed that 580 paragraphs related to 198 IRs remained outstanding at the end of September 2013. Department-wise break-up of IRs and audit observations outstanding as on 30 September 2013 are given in ***Annexure - 3.8***.

Similarly, draft paragraphs and Reviews on the working of PSUs are forwarded to the Principal Secretary/ Secretary of the administrative department concerned and the Principal Secretary, Finance demi-officially, seeking confirmation of facts and figures and their comments thereon within a period of six weeks. Out of nine draft paragraphs and one Review forwarded to the various departments during May 2013 to July 2013, the Government had replied to three draft paragraphs so far (September 2013). Replies to six draft paragraphs and one Review have not been received as detailed in ***Annexure - 3.9.***

We recommend that the Government should ensure that (a) a procedure exists for taking action against the officials who failed to send replies to Inspection Reports/Draft Paragraphs/ Reviews and Action Taken Notes on the recommendation of COPU as per the prescribed time schedule, (b) action is taken to recover loss/outstanding advances/overpayments in a time bound manner and (c) the system of responding to audit observations is revamped.

Raipur
The

(PURNA CHANDRA MAJHI)
Accountant General (Audit), Chhattisgarh

Countersigned

New Delhi
The

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

Annexure -1.1

Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2013 in respect of Government companies and Statutory corporation

(Referred to in paragraph 1.7)

(Figures in column 5(a) to 6(d) a

ector & Name of the company	Name of the Department	Month and year of incorpo-ration	Paid-up capital[$]				Loans outstanding at the close of 2012-13				Debt equity ratio for 2012-13 (Previous year)
			State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total	
2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7
overnment Companies											
RE & ALLIED											
sgarh Rajya Beej Evam Krishi Vikas Limited	Agriculture	08.10.2004	0.50	-	-	0.50	-	-	-	-	-
sgarh Rajya Van Vikas Nigam d	Forest	22.05.2001	25.73	0.92	-	26.65	-	-	-	-	-
al			**26.23**	**0.92**	**-**	**27.15**	**-**	**-**	**-**	**-**	**-**
sgarh Nishakt Jan Vitt Avam Vikas	Social Welfare	19.07.2004	5.00	-	0.00[1]	5.00	-	-	13.49	13.49	2.70:1 (2.29:1)
al			**5.00**	**-**	**0.00**	**5.00**	**-**	**-**	13.49	13.49	2.70:1 (2.29:1)
TURE											
sgarh Infrastructure Development ation Limited	Finance	26.02.2001	4.20	-	-	4.20	-	-	-	-	-
sgarh State Industrial Development ation Limited	Commerce & Industries	16.11.1981	1.60	-	-	1.60	22.96	-	-	22.96	14.35:1 (14.35:1)
al			**5.80**	**-**	**-**	**5.80**	**22.96**	**-**	**-**	**22.96**	**3.96:1 (3.96:1)**
sgarh Mineral Development ation Limited	Geology & Mining	07.06.2001	1.00	-	-	1.00	-	-	-	-	-
ICPL Coal Limited	Geology & Mining	11.04.2008	-	-	37.00	37.00	-	-	-	-	-
sgarh Sondiha Coal Company d	Geology & Mining	30.12.2008	-	-	33.36	33.36	-	-	-	-	-
CL AEL Parsa Collieries Limited	Geology & Mining	06.12.2010	-	-	0.10	0.10	-	-	-	-	-
al			**1.00**	**-**	**70.46**	**71.46**	**-**	**-**	**-**	**-**	**-**

nt is ₹ 8000

tor & Name of the company	Name of the Department	Month and year of incorporation	Paid-up capital[$]				Loans outstanding at the close of 2012-13				Debt equity ratio for 2012-13 (previous year)
			State Govern-ment	*Central Govern-ment*	*Others*	*Total*	*State Govern-ment*	*Central Govern-ment*	*Others*	*Total*	
2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7
sgarh State Power Distribution ny Limited	Energy	19.05.2003	-	-	2326.37	2326.37	140.08	145.55	405.39	691.02	0.30:1 (0.20:1)
sgarh State Power Generation ny Limited	Energy	19.05.2003	-	-	2265.73	2265.73	117.37	-	818.20	935.57	0.41:1 (5.74:1)
sgarh State Power Holding ny Limited	Energy	30.12.2008	6931.81	-	-	6931.81	-	-	-	-	-
sgarh State Power Trading ny Limited	Energy	30.12.2008	-	-	0.05	0.05	-	-	-	-	-
sgarh State Power ission Company Limited	Energy	19.05.2003	-	-	810.76	810.76	36.58	-	1110.13	1146.71	1.41:1 (1.24:1)
al			**6931.81**	**-**	**5402.91**	**12334.72**	**294.03**	**145.55**	**2333.72**	**2773.30**	**0. 22:1 (0.91:1)**
sgarh State Beverages ation Limited	Commercial Tax	7.11.2001	0.15	-	-	0.15	-	-	-	-	-
sgarh State Civil Supplies ation Limited	Food, Civil Supplies & Consumer Protection	13.03.2001	0.90	-	0.00[2]	0.90	-	-	295.84	295.84	328.71:1 (328.71:1)
sgarh Medical Services ation Limited	Health	7.10.2010	3.00	-	-	3.00	-	-	-	-	-
sgarh Police Housing ation Limited	Home	14.12.2011	1.00	-	-	1.00	-	-	-	-	-
al			**5.05**	**-**	**0.00**	**5.05**	**-**	**-**	**295.84**	**295.84**	**58.58:1 (116.02:1)**
ctor wise working ompanies)			**6974.89**	**0.92**	**5473.37**	**12449.18**	**316.99**	**145.55**	**2643.05**	**3105.59**	**0.25:1 (0.94:1)**

nt is ₹ 7000

tor & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital[$]				Loans outstanding at the close of 2012-13				Debt equity ratio for 2012-13 (Previous year)
			State Govern-ment	Central Government	Others	Total	State Govern-ment	Central Govern-ment	Others	Total	
2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7
atutory corporation											
isgarh State Warehousing ation	Food, Civil Supplies & Consumer Protection	02.05.2002	2.02	-	2.02	4.04	42.84	-	7.96	50.80	12.57:1 (12.01:1)
ing Statutory Corporation)			**2.02**	**-**	**2.02**	**4.04**	**42.84**	**-**	**7.96**	**50.80**	**12.57:1 (12.01:1)**
+ B)			**6976.91**	**0.92**	**5475.39**	**12453.22**	**359.83**	**145.55**	**2651.01**	**3156.39**	**0.25:1 (0.94:1)**

a furnished by Government companies/Statutory corporation).

l includes Share Application Money.

Annexure - 1.2

Summarised financial results of Government companies and Statutory corporation for the latest year for which accounts were finalised

(Referred to in paragraph 1.15)

(Figures in column 5 (a) to (11) a

& Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comment#	Paid up Capital^	Accumulated Profit (+)/ Loss (-)	Capital employed@	Return on capital employed$
			Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss						
2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11
vernment Companies												
E & ALLIED												
arh Rajya Beej ishi Vikas Nigam	2008-09	2013-14	7.47	-	0.40	7.07	213.52	Under finalisation	0.50	14.39	15.94	7.07
arh Rajya Van gam Limited	2012-13	2013-14	27.85	-	0.04	27.81	46.32	Under finalisation	26.65	117.38	155.01	27.81
1			**35.32**	**-**	**0.44**	**34.88**	**259.84**	**-**	**27.15**	**131.77**	**170.95**	**34.88**
arh Nishakt Jan n Vikas Nigam	2007-08	2010-11	0.64	0.04	0.01	0.59	0.64	Non-review	5.00	0.96	10.06	0.63
1			**0.64**	**0.04**	**0.01**	**0.59**	**0.64**		**5.00**	**0.96**	**10.06**	**0.63**
TURE												
arh Infrastructure nent Corporation	2007-08	2013-14	0.11	-	0.02	0.09	0.31	(-) 0.01	4.20	(-) 0.76	3.44	0.09
arh State Development on Limited	2005-06	2010-11	10.30	2.84	0.20	7.26	66.68	(-) 2.09	1.60	(-) 35.61	31.83	10.10
1			**10.41**	**2.84**	**0.22**	**7.35**	**66.99**	**(-)2.10**	**5.80**	**(-) 36.37**	**35.27**	**10.19**
arh Mineral nent Corporation	2008-09	2012-13	1.68	-	0.08	1.60	9.92	9.43	1.00	(-)0.86	33.35	1.60
CPL Coal Limited	2012-13	2013-14	-	-	-	-	-	-	37.00	(-) 1.32	10.47	-
arh Sondiha Coal Limited	2011-12	2012-13	(-) 0.04	-	-	(-) 0.04	-	Non-review	1.00	(-) 0.07	(-) 3.16	(-) 0.04

& Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comment#	Paid up Capital^	Accumulated Profit (+)/ Loss (-)	Capital employed@	Return on capital employed$
			Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss						
2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11
AEL Parsa Limited	2012-13	2013-14	(-) 0.02	-	-	(-) 0.02	-	Non-review	0.10	(-) 0.03	0.28	(-) 0.02
1			**1.62**	**-**	**0.08**	**1.54**	**9.92**	**9.43**	**39.10**	**(-)2.28**	**40.94**	**1.54**
arh State Power on Company	2011-12	2013-14	(-) 1799.26	82.86	130.15	(-) 2012.27	4860.21	(-) 16.43	2076.37	(-) 2888.64	638.76	(-) 1929.41
arh State Power n Company	2012-13	2013-14	375.58	169.38	189.89	16.31	2319.91	Under finalisation	2265.73	(-) 389.19	8693.73	185.69
arh State Power Company Limited	2011-12	2013-14	13.18	0.06	0.47	12.65	18.44	-	6031.81	23.97	303.64	12.71
arh State Power Company Limited	2011-12	2013-14	(-) 0.30	-	-	(-) 0.30	2.25	Under finalisation	0.05	2.40	2.30	(-)0.30
arh State Power sion Company	2011-12	2013-14	259.75	61.50	96.87	101.38	629.68	Under finalisation	810.76	73.61	2003.84	162.88
1			**(-) 1151.05**	**313.80**	**417.38**	**(-) 1882.23**	**7830.49**	**(-) 16.43**	**11184.72**	**(-) 3177.85**	**11642.27**	**(-) 1568.43**
arh State s Corporation	2011-12	2013-14	10.92	-	0.23	10.69	609.62	(-) 0.28	0.15	26.47	26.46	10.69
arh State Civil Corporation	2010-11	2012-13	(-) 0.19	78.05	0.64	(-) 78.88	2932.01	128.46	0.90	(-) 190.00	317.14	(-) 0.83
arh Medical Corporation	2011-12	2013-14	0.03	-	-	0.03	0.27	Under finalisation	1.00	0.03	9.78	0.03
arh Police Corporation	$$	-	-	-	-	-	-	-	-	-	-	-
1			**10.76**	**78.05**	**0.87**	**(-) 68.16**	**3541.90**	**128.18**	**2.05**	**(-) 163.50**	**353.38**	**9.89**
ctor wise working s)			**(-) 1092.30**	**394.73**	**419.00**	**(-) 1906.03**	**11709.78**	**119.08**	**11263.82**	**(-) 3247.27**	**12252.87**	**(-) 1511.30**

& Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comment#	Paid up Capital^	Accumulated Profit (+)/ Loss (-)	Capital employed@	Return on capital employed$
			Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss						
2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6	7	8	9	10	11
tutory Corporation												
arh State sing Corporation	2011-12	2012-13	33.64	0.73	3.86	29.05	66.26	(-) 0.81	1.00	111.01	164.49	29.78
ory			**33.64**	**0.73**	**3.86**	**29.05**	**66.26**	**(-) 0.81**	**1.00**	**111.01**	**164.49**	**29.78**
+ B)			**(-) 1058.66**	**395.46**	**422.86**	**(-) 1876.98**	**11776.04**	**118.27**	**11264.82**	**(-) 3136.26**	**12417.36**	**(-) 1481.52**

ompiled from the audited annual accounts of the PSUs)

o non-working Government company/Statutory corporation in the State of Chhattisgarh.

counts comment includes the net impact of qualifications of statutory auditors and comments of CAG and is denoted by (+) increase in profit/decrease in loss (-) decrea
crease in loss

loyed represents net fixed assets (including capital work- in-progress) plus working capital except in case of finance companies/corporation where the capital employed
as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposit and borrowing (including refinance)

pital employed has been worked out by adding profit and interest charged to profit and loss account

ny has not submitted accounts so far.

ital includes share application money pending allotment.

Annexure - 1.3

Statement showing equity/loans received, grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2013

(Referred to in paragraph 1.10)

(Figures in column 3 (a) to 6 (d) are ₹

& Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year*				Guarantees received during the year and commitment at the end of the year**		Waiver of dues during the yea		
	Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived
	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)
g Government Companies											
RE & ALLIED											
garh Rajya Beej Evam Krishi igam Limited	-	-	5.86	-	-	5.86	-	-	-	-	-
garh Rajya Van Vikas Nigam	-	-	-	(1.00)	-	(1.00)	-	-	-	-	-
tal			**5.86**	**(1.00)**	**-**	**5.86 (1.00)**	**-**	**-**	**-**	**-**	**-**
garh Nishakt Jan Vitt Avam igam	-	-	-	0.10 (0.40)	-	0.10 (0.40)	-	8.31	-	-	-
tal	**-**	**-**	**-**	**0.10 (0.40)**	**-**	**0.10 (0.40)**	**-**	**8.31**	**-**	**-**	**-**
TURE											
garh Infrastructure ment Corporation Limited	-	-	-	(0.30)	-	(0.30)	-	-	-	-	-
garh State Industrial ment Corporation Limited	-	-	5.85	48.37	-	54.22	-	-	-	-	-
tal	**-**	**-**	**5.85**	**48.37 (0.30)**	**-**	**54.22 (0.30)**	**-**	**-**	**-**	**-**	**-**
garh Mineral Development tion Limited	-	-	-	-	-	-	-	-	-	-	-
tal	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

& Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year*				Guarantees received during the year and commitment at the end of the year**		Waiver of dues during the yea		
	Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived
	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)
garh State Power Distribution y Limited	-	108.82	-	351.12 (179.75)	-	351.12 (179.75)	500.00	500.00	-	-	-
garh State Power Generation y Limited	-	-	-	-	0.86	0.86	-	429.30	-	-	-
garh State Power Holding y Limited	900.00	-	-	-	-	-	-	-	-	-	-
tal	**900.00**	**108.82**	**-**	**351.12 (179.75)**	**0.86**	**351.98 (179.75)**	**500.00**	**929.30**	**-**	**-**	**-**
garh State Civil Supplies tion Limited	-	500.00	2610.30	741.05	-	3351.35	-	-	-	-	-
garh Medical Services tion Limited	1.00	-	-	-	-	-	-	-	-	-	-
garh Police Housing tion Limited	1.00	-	-	-	-	-	-	-	-	-	-
tal	**2.00**	**500.00**	**2610.30**	**741.05**	**-**	**3351.35**	**-**	**-**	**-**	**-**	**-**
ector wise working Govt.	**902.00**	**608.82**	**2622.01**	**1140.64 (181.45)**	**0.86**	**3763.51 (181.45)**	**500.00**	**937.61**	**-**	**-**	**-**
Statutory Corporation											
sgarh State Warehousing ation	1.52	42.84	-	-	-	-	-	-	-	-	-
utory Corporation)	**1.52**	**42.84**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
(A + B)	**903.52**	**651.66**	**2622.01**	**1140.64 (181.45)**	**0.86**	**3763.51 (181.45)**	**500.00**	**937.61**	**-**	**-**	**-**

a furnished by Government companies/Statutory corporation.)

Figures in bracket under column 4 (a) to 4 (d) indicate grants

Figures indicate total guarantees outstanding at the end of the year

Annexure - 1.4

Statement showing investments made by State Government in PSUs whose accounts are in arrears

(Referred to in paragraph 1.24)

(Figures in Column 4 and 6 to 9 ar

Name of the PSUs	Year upto which accounts finalised	Paid up capital as per latest finalised accounts	Investment made by State Government during the year accounts are in arrears				
			Year	Equity	Loans	Grants	
2	3	4	5	6	7	8	
mpanies/ Corporation							
ent companies							
ttisgarh Nishakt Jan Vitt Avam Vikas Nigam	2007-08	5.00	2008-09	-	-	0.47	
			2009-10	-	-	0.47	
			2010-11	-	-	0.10	
			2011-12	-	-	0.47	
			2012-13			0.40	
ttisgarh Infrastructure Development Corporation Limited	2007-08	4.20	2008-09	-	-	0.25	
			2009-10	-	-	0.30	
			2010-11	-	-	0.30	
			2011-12	-	-	0.30	
			2012-13			0.30	
ttisgarh State Industrial Development Corporation Limited	2005-06	1.60	2006-07	-	5.00	-	
			2007-08	-	5.00	-	
			2008-09	-	1.95	-	
			2009-10	-	-	-	
			2010-11	-	0.01	-	
			2011-12	-	-	-	
			2012-13	-	-	-	

(Figures in Column 4 and 6 to 9 ar

Name of the PSUs	Year upto which accounts finalised	Paid up capital as per latest finalised accounts	Investment made by State Government during the year accounts are in arrears				
			Year	Equity	Loans	Grants	
2	3	4	5	6	7	8	
attisgarh Mineral Development Corporation Limited	2008-09	1.00	2009-10	-	-	58.52	
			2010-11	-	-	24.00	
			2011-12	-	-	55.00	
			2012-13	-	-	-	
attisgarh State Power Distribution Company Limited	2011-12	2076.37	2012-13	-	108.82	179.75	
attisgarh State Power Holding Company Limited	2011-12	6031.81	2012-13	900	-	-	
attisgarh Medical Services Corporation Limited	2011-12	1.00	2012-13	1.00	-	-	
attisgarh State Civil Supplies Corporation Limited	2010-11	0.90	2011-12	-	500.00	-	
			2012-13	-	500.00	-	
attisgarh Police Housing Corporation Limited	First Accounts not yet finalised		2012-13	1.00	-	-	
attisgarh State Warehousing Corporation	2011-12	1.00	2012-13	1.52	-	-	
Total				**903.52**	**1120.78**	**320.63**	

ata furnished by Government companies/Statutory corporation)

Annexure - 1.5

Statement showing financial position of Chhattisgarh State Warehousing Corporation

(Referred to in paragraph 1.15)

(₹ in crore)

A. Liabilities	2009-10	2010-11	2011-12
Paid up capital	1.00	1.00	1.00
Advances against Capital	-	-	-
Reserves and Surplus♥	100.48	122.27	151.28
Borrowings :			
Government	-	-	
Others	1.94	8.64	12.21
Trade dues and current liabilities	74.11	96.37	87.74
Total A	**177.53**	**228.28**	**252.23**
B. Assets			
Gross Block	56.91	73.56	96.92
Less Depreciation	25.79	28.10	31.96
Net fixed assets	31.12	45.46	64.96
Capital work in progress	2.37	10.58	6.84
Current assets, loans and advances	144.04	172.24	180.43
Total B	**177.53**	**228.28**	**252.23**
Capital employed*	**103.42**	**131.91**	**164.49**

(Source: Data compiled from the audited annual accounts of corporation)

* **Capital employed represents net fixed assets (including Capital expenditure/ Capital Work-in-progress) plus working capital.**

♥ Including General reserve, Capital reserve and Self Indemnity fund.

Annexure - 1.6

Statement showing working results of Chhattisgarh State Warehousing Corporation

(Referred to in paragraph 1.15)

(₹ in crore)

SN	Particulars	2009-10	2010-11	2011-12
1	**Income**			
	(a) Warehousing charges	46.58	46.53	56.56
	(b) Other Income	5.81	7.47	9.70
	Total (a + b)	**52.39**	**54.00**	**66.26**
2	**Expenses**			
	(a) Establishment charges	8.97	16.04	19.31
	(b) Other expenses	10.25	10.68	13.66
	Total (a + b)	**19.22**	**26.72**	**32.97**
3	Profit(+)/Loss(-) before tax (1-2)	33.17	27.28	33.29
4	Other appropriations	32.97	27.08	33.09
5	Amount available for dividend (3-4)	0.20	0.20	0.20
6	Dividend for the year	0.20	0.20	0.20
7	Total return on capital employed[ϒ]	21.85	21.99	29.78
8	Percentage of return on capital employed	21.06	16.67	18.10

(Source: Data compiled from the audited annual accounts of corporation)

[ϒ] This does not include prior period adjustment

Annexure - 2.1

Details of Central and State Schemes of PDS

(Referred to in paragraph 2.1)

Sl. No.	Name of the Scheme	Scheme details
Central Schemes		
1.	Below Poverty Line Scheme (BPL)	This scheme is for distribution of foodgrains under Targeted Public Distribution System (TPDS) introduced by GoI in 1997 and subsequent PDS control order issued in 2001 and 2004. Under this scheme, 35 kilogram (kgs) of foodgrains (rice and wheat together) per month is provided to the Below Poverty Line (BPL) families at subsidised rate of ₹ 5.65 per kg (rice) and ₹ 4.15 per kg (wheat) by GoI. The beneficiaries can lift the rice and wheat as per their choice subject to a maximum of 35 kgs.
2.	Antyodaya Anna Yojna (AAY)	The scheme specifically caters to the needs of the poorest of poor people living in urban and rural areas, who are unable to buy essential commodities even at a relatively lower price. GoI had introduced Antyodaya Anna Yojana (AAY) in December 2000 to ensure food security to poorest of the poor among BPL families through provision of 35 kgs of foodgrains (rice and wheat together) per month at ₹ 3 per kg (rice) and ₹ 2 per kg (wheat). The beneficiaries can lift the rice and wheat as per their choice subject to a maximum of 35 kgs.
3.	Annapurna Scheme (APY)	The objective of this scheme is to provide food security to senior destitute citizens who are above the age of 65 years and who are not included under the National old age pension scheme. In Chhattisgarh it was introduced in October 2001. The beneficiaries receive 10 kgs of rice every month free of cost.
4.	Above Poverty Line Scheme (APL)	This scheme was introduced by GoI in 1997 to provide foodgrains to the Above Poverty Line (APL) families. Under this scheme 15 kgs of foodgrains (rice and wheat) per month for each family are given at subsidised rates (rice at the rate of ₹ 9.30 per kg and wheat at the rate of ₹ 7.50 per kg).
5.	Mid Day Meal Scheme (MDM)	Mid-Day Meal Scheme under National Programme of Nutritional Support to students of Primary Education was launched (August 1995) with a view to enhance enrolment, attendance and retention of school children and simultaneous improvement in the nutritional levels among them. For implementation of the scheme, free allotment of rice at the rate of 100 gms per child per school per day is made to schools as per the allotment of School Education Department of the State.
6.	Poorak Poshan Aahar Scheme (PPA)	Poorak Poshan Aahar scheme is a centrally sponsored scheme. In this scheme food is provided to pregnant lactating women and children between six months and six years of age to improve the nutritional status among them through Aanganwadi Centres at free of cost. The Company claims from GoI the cost of foodgrains supplied in this scheme and the GoI reimburses the same.
7.	Other Welfare Scheme (OWS)	Under the Other Welfare Scheme (OWS), foodgrains are supplied to hostels and ashrams for Scheduled Caste (SC) and Scheduled Tribe (ST) students at the rate of 15 kgs per student per month. These hostels and ashrams are operated by SC/ST Welfare Department of GoCG.
State Scheme		
1.	Mukhyamantri Khadyanna Sahayata Yojna (MKSY)	GoCG had introduced Mukhyamantri Khadyanna Sahayata Yojna (MKSY) in April 2007. In this scheme foodgrains are distributed to those BPL families whose names were available in the survey of 1991 and 1997 but did not exist in the list of beneficiaries prepared based on the survey made by the GoCG in the years 2002 and 2007. Objective of the scheme is to distribute commodities of PDS to poor families left out from the TPDS. Under this scheme, GoCG distributes rice at ₹ 2 per kg to BPL families and ₹ 1 per kg to Antyodaya families.

Annexure-2.2
Statement showing details of excess procurement of rice
(Referred to in paragraph 2.10)

Name of the District	Year	Quarter	Opening balance (in MT)	Procurement including transfer purchase (in MT)	Transfer purchase during the year (in MT)	Quarterly availability of stock (in MT)	Distribution (in MT)	Closing balance (in MT)	Transportation charges paid (in ₹)
Janjgir	2008-09	I	95082.41	31210.83	2548.01	126293.24	21446.44	104846.80	443354
		II	104846.81	1587.60		106434.41	28553.16	77881.25	
		III	77881.25	17669.72		95550.97	27133.56	68417.41	
		IV	68417.41	67995.76		136413.17	24992.84	111420.33	
	2009-10	I	111420.33	2351.14	5047.34	113771.47	23698.66	90072.81	876975
		II	90072.81	9009.59		99082.40	22067.41	77014.99	
		III	77014.99	12497.90		89512.89	22358.66	67154.23	
		IV	67154.23	59902.54		127056.77	22672.94	104383.83	
	2011-12	I	112469.92	24131.64	3049.9	136601.56	19697.18	116904.38	684703
		II	116904.38	5862.01		122766.39	25518.66	97247.73	
		III	97247.73	20626.53		117874.26	23924.66	93949.60	
		IV	93949.60	35146.32		129095.92	25127.13	103968.79	
Rajnandgaon	2008-09	I	48403.83	9505.08	4131.7	57908.91	25154.99	32753.92	1698863
		II	32753.92	4131.21		36885.13	22334.69	14550.44	
		III	14550.44	38290.72		52841.16	23307.27	29533.89	
		IV	29533.89	49585.36		79119.25	22274.26	56844.99	
	2009-10	I	56844.99	1001.58	1885.18	57846.57	26202.08	31644.49	1033361
		II	31644.49	77.15		31721.64	18710.30	13011.34	
		III	13011.34	35556.97		48568.31	19278.09	29290.22	
		IV	29290.22	27331.28		56621.50	19854.11	36767.39	
	2012-13	I	39050.58	19318.75	12838.40	58369.33	18665.06	39704.27	7713947
		II	39704.27	2734.89		42439.16	22108.80	20330.36	
		III	20330.36	12297.88		32628.24	20031.45	12596.79	
		IV	12596.79	39197.21		51794.00	20590.60	31203.40	
Total									**12451203**

(Source: Figures compiled from the data provided by the Company)

Annexure – 2.3

Statement showing details of non delivery of foodgrains by transporters

(Referred to in paragraph 2.17)

Year	Period	Name of the District	Name of the Transporter	Name of commodity	Quantity (in qtl)	Value of commodity (Rate per qtl)	Total value of commodity (₹ in lakh)	Amount available for recovery/ recovered (₹ in lakh)
007-08 & 2008-09	01.04.2007 to 30.06.2008	Mahasamund	M/s Chandresh Thakkar	Rice Raw Common	1749.50	1494.32	26.14	2.65
				Rice Raw Grade 'A'	500.00	1547.60	7.74	
				Total (A)			**33.88**	**2.65**
007-08 & 2008-09	01.04.2007 to 30.06.2008	Mahasamund	M/s Atul Bagga	Rice Raw Common	7363.16	1494.32	110.03	9.98
				Rice Raw Grade 'A'	4381.30	1547.60	67.80	
				Total (B)			**177.83**	**9.98**
2009-10	17.02.2010 to 09.03.2010	Raigarh	M/s Sajan Kumar Sharma	Rice	3605.89	2087.00	75.25	0
				Wheat	646.25	1500.00	9.69	
				Sugar	89.60	2500.00	2.24	
				Salt	141.76	500.00	0.71	
				H&T Charges			0.52	
				Total (C)			**88.41**	**0**
Total (A+B+C)							**300.12**	**12.63**

e: Figures compiled from the data provided by the Company)

Annexure – 2.4

Statement showing year-wise allotment and distribution of rice and wheat under various schemes of PDS

(Referred to in paragraph 2.21)

(Quantity in MTs)

Name of the Scheme	Allotment	Distribution	Difference	Percentage of distribution to allotment
1	2	3	4= (2-3)	3/2*100
2008-09				
APL	117901.00	30747.00	87154.00	26.08
BPL	485688.00	495481.53	-9793.53	102.02
AAY	301944.00	301944.00	0.00	100.00
APY	3200.04	3090.00	110.04	96.56
OWS	24000.00	0.00	24000.00	0.00
MDM	79344.49	81525.83	-2181.34	102.75
PPA	101824.00	104341.33	-2517.33	102.47
MKSY	660749.52	690559.49	-29809.97	104.51
2009-10				
APL	304320.00	223575.47	80744.53	73.47
BPL	485752.00	485312.20	439.80	99.91
AAY	297921.44	297122.62	798.82	99.73
APY	2779.51	2737.09	42.42	98.47
OWS	27641.51	24913.64	2727.87	90.13
MDM	91602.95	82843.55	8759.40	90.44
PPA	103867.00	76138.70	27728.30	73.30
MKSY	466537.66	447757.94	18779.72	95.97
OMS	4939.17	2888.18	2050.99	58.48
2010-11				
APL	404700.31	360145.35	44554.96	88.99
BPL	574954.73	573108.55	1846.18	99.68
AAY	290311.87	287883.80	2428.07	99.16
APY	2453.77	2370.66	83.11	96.61
OWS	30179.24	28337.55	1841.69	93.90
MDM	93105.02	85458.96	7646.06	91.79

PPA	52369.00	50813.12	1555.88	97.03
MKSY	76130.73	73158.8	2971.93	96.10
TPDS	238063.03	132559.90	105503.13	55.68
2011-12*				
APL	599789.95	447890.94	151899.01	74.67
BPL	761055.14	727620.01	33435.13	95.61
AAY	293415.59	293415.59	0.00	100.00
APY	2188.71	2190.28	-1.57	100.07
OWS	38631.16	38221.21	409.95	98.94
MDM	105643.89	92208.36	13435.53	87.28
PPA	61411.02	58280.10	3130.92	94.90
MKSY	0.00	30882.22	-30882.22	
TPDS	23320.48	23320.48	0	100
2012-13*				
APL	456480.00	278372.15	178107.85	60.98
BPL	893916.16	897996.45	-4080.29	100.46
AAY	371997.24	364633.93	7363.31	98.02
APY	3200.04	2543.65	656.39	79.49
OWS	43368.00	32798.96	10569.04	75.63
MDM	99889.40	80570.34	19319.06	80.66
PPA	82408.42	83131.93	-723.51	100.88
MKSY	8644.62	8744.74	-100.12	101.16

* Provisional figures provided by the Company

(Source: Figures compiled from the records of the Company)

Annexure – 2.5

Statement showing economic cost and amount of subsidy claimed on diverted stock

(Referred to in paragraph 2.22)

Year	Scheme	Allotted qty (MT)	Diverted qty (MT)	Economic cost per MT (₹)	Total economic cost of diverted qty (₹ in crore)	Subsidy claimed from GoI (₹ in crore)
A. Wheat						
2009-10	APL/BPL/AAY	52180.00	48863.13	14246.10	69.61	No subsidy
2010-11	APL/BPL/AAY	48006.00	18799.61	14943.50	28.09	No subsidy
	Additional allotment of APL	30432.00	30432.00	14943.50	45.48	No subsidy
	Additional/adhoc allotment of BPL	4636.00	4636.00	14943.50	6.93	No subsidy
	APL	18064.00	11747.90	14943.50	17.55	No subsidy
	BPL	4636.00	4636.00	14943.50	6.93	No subsidy
2011-12	BPL	9272.00	9272.00	15952.50	14.79	No subsidy
	Additional/adhoc allotment of APL	75000.00	27768.90	15952.50	44.30	No subsidy
	Additional/adhoc allotment of APL	50000.00	4158.00	15952.50	6.63	No subsidy
2012-13	Additional allotment of APL	48000.00	1052.67	1798.96	0.19	No subsidy
	Additional/ adhoc allotment for BPL	8508.00	8503.73	1798.96	1.53	No subsidy
	Additional/ adhoc allotment for BPL	22723.00	21299.66	1798.96	3.83	No subsidy
Total A		**371457.00**	**191169.60**		**245.86**	**-**
B. Rice						
2009-10	APL/BPL/ AAY	36040.00	36040.00	20097.20	72.43	18.59
2010-11	Additional/ adhoc allotment for BPL	67256.00	67256.00	20038.30	134.77	75.55
	APL	36983.00	11734.40	20038.30	23.51	29.35
	BPL	67256.00	67256.00	20038.30	134.77	77.82
2011-12	BPL	134512.00	133981.10	22189.20	297.29	0.00
	Additional/ adhoc allotment for APL	51800.00	31402.56	22189.20	69.68	0.00

2012-13	APL Additional	104160.00	12687.17	25231.00	32.01	48.74
	Additional/ adhoc allotment for BPL	123444.00	122341.17	25231.00	308.68	203.17
	Additional/ adhoc allotment for BPL	121061.00	120375.01	25231.00	303.72	203.01
	Additional/ adhoc allotment for BPL	140000.00	139789.94	25231.00	352.70	242.89
Total B		**882512.00**	**742863.35**		**1729.57**	**899.12**
Total A+B					**1975.43**	**899.12**

(Source: Figures compiled from the data provided by the Company)

Annexure – 2.6
Financial position of the Chhattisgarh State Civil Supplies Corporation Limited
(Referred to in paragraph 2.25)

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12 (Provisional)
Liabilities				
Paid up capital	0.90	0.90	0.90	0.90
Reserve and Surplus	7.55	7.55	4.55	3.16
Secured Loans	350.77	1134.08	502.02	295.84
Current liabilities & Provisions	2299.63	1992.74	1650.49	2571.22
Unsecured Loans	1.00	1.00	1.00	1.00
Total	**2659.85**	**3136.27**	**2158.96**	**2872.12**
Assets				
Gross Block	5.42	5.49	6.51	6.92
Less: Depreciation	3.50	4.05	4.38	5.02
Net Fixed Assets	1.92	1.44	2.13	1.90
Deferred Tax Assets	1.23	1.23	1.32	1.32
Current Assets, Loans and Advances				
Inventories	1646.50	1348.17	1173.91	1697.95
Sundry Debtors	3.13	3.13	3.13	3.13
Cash and Bank balances	80.89	183.73	93.02	31.33
Other Current Assets	761.44	1014.20	627.72	804.51
Loans & Advances	83.50	473.25	67.73	94.93
Total	**2578.61**	**3025.15**	**1968.96**	**2635.07**
Profit & Loss A/c	81.24	111.12	190.00	237.05
Total	2659.85	3136.27	2158.96	2872.12
Capital Employed[1]	277.75	1031.18	317.15	(-) 58.73
Net Worth[2]	8.45	8.45	5.45	4.06

(Source: Figures compiled from Annual Accounts of the Company)
Note: Figures of 2011-12 are provisional as accounts were not finalised and figures for 2012-13 not available.

[1] Capital Employed: Net Fixed Assets + Deferred Tax Assets + Current Assets, Loan & Advances – Current Liabilities.
[2] Net Worth: Paid up Capital + Reserves & Surplus.

Annexure – 2.7
Working results of the Chhattisgarh State Civil Supplies Corporation Limited
(Referred to in paragraph 2.25)

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12
Income				
Sales	721.30	701.81	963.06	1013.77
Other operating income (Subsidy from GOI/State Govt.)	1941.29	2163.11	1930.38	2061.14
Other Misc. income[3]	37.35	35.11	38.57	42.65
Increase/(Decrease) in stock	380.98	(298.34)	(174.26)	524.04
Total	**3080.92**	**2601.69**	**2757.74**	**3641.60**
Expenditure				
Purchases	2874.95	2395.09	2598.06	3411.49
Procurement expenses	60.94	59.99	61.72	56.46
Selling Expenses	76.28	83.71	76.98	85.28
Administrative and other expenses	13.24	13.85	19.82	23.21
Total	**3025.41**	**2552.64**	**2756.58**	**3576.44**
Profit (Loss) from operations before interest, financial charges and depreciation	55.51	49.05	1.16	65.10
Financial expenses	90.94	73.82	78.05	112.08
Depreciation	0.65	0.54	0.65	0.69
Profit/(Loss) before prior period adjustments and provision for tax	(36.08)	(25.31)	(77.53)	(47.61)
Prior Period Adjustment (Net) and Provision for tax	(5.15)	(4.57)	(1.55)	0.56
Net Profit/(Loss) for the year	(41.23)	(29.88)	(79.08)	47.05

(Source: Figures compiled from Annual Accounts of the Company)
Note: Figures of 2011-12 are provisional as accounts were not finalised and figures for 2012-13 not available.

[3] Other miscellaneous income includes sale of tender forms, interest received, shortage recovered, incidentals, commission, profit on sale of fixed assets etc.

Annexure – 2.8

Statement showing subsidy claimed and received from GoI

(Referred to in paragraph 2.28)

(₹ in crore)

Year	Procurement of DCP Rice	Subsidy amount (95 *per cent*)	Amount received	Short remittance	Claims towards five *per cent* subsidy	Total claim outstanding
2002-03	295.92	281.12	248.54	32.58	14.80	47.38
2003-04	349.92	332.42	290.38	42.04	17.50	59.54
2004-05	428.33	406.91	366.24	40.67	21.42	62.09
2005-06	513.77	488.08	481.89	6.19	25.69	31.88
2006-07	554.40	526.68	494.98	31.70	27.72	59.42
2007-08	768.48	730.06	698.96	31.10	38.42	69.52
2008-09	992.40	942.78	923.17	19.61	49.62	69.23
2009-10	1317.94	1252.04	1234.32	17.72	65.90	83.62
2010-11	1695.91	1611.11	1604.12	6.99	84.80	91.79
2011-12	1796.57	1706.74	1751.20	-44.46	89.83	45.37
2012-13	2555.36	2427.59	2414.27	13.32	127.77	141.09
Total	**11269.00**	**10705.53**	**10508.07**	**197.46**	**563.47**	**760.93**

(Source: Figures compiled from the data provided by the Company)

Annexure – 2.9
Statement showing details of amount outstanding from FPS
(Referred to in paragraph 2.29)

S.N.	Name of the District	Amount outstanding from	Amount outstanding as on 31 March 2013 (in ₹)	Delay in No. of months (as on 31.03.2013)
1	Raipur	Mar-10	412095.00	37
		Feb-11	340974.00	25
		Jul-11	24955.00	20
		Mar-12	25354.00	12
2	Mahasamund	Mar-08	5500.00	61
		Apr-08	40891.00	60
		May-08	28180.00	59
		Jun-08	30985.00	58
		Jul-08	31900.00	57
3	Rajnandgaon	Mar-09	29237.00	49
		Apr-09	32368.00	48
4	Kabirdham	Jul-08	37651.00	57
5	Bilaspur	Apr-08	136800.00	60
		Mar-10	59479.00	37
		Jan-08	54832.00	63
		Mar-08	38311.00	61
6	Raigarh	Oct-07	117783.00	66
		Feb-11	8683.00	25
		Jan-12	4906.00	14
		Jul-10	39000.00	32
		Dec-11	5600.00	15
		Dec-11	13768.00	15
		Jan-12	12858.00	14
		Jan-12	4390.00	14
7	Jashpur	Nov-10	590555.00	28
		Dec-11	102569.00	15
		Oct-08	534960.00	54
		Dec-11	119633.00	15
		Mar-09	266530.00	49

8	Surguja	Mar-08	3606775.87	61
		Mar-09	4689624.31	49
		Mar-10	146687.50	37
		Mar-11	2313360.79	24
		Mar-12	28749.65	12
9	Koriya	Mar-09	40948.00	49
10	Janjgir	Mar-10	27527.00	37
		Oct-07	57750.00	66
		Oct-11	52872.00	17
		Oct-11	41000.00	17
		Nov-11	21385.00	16
		Jan-12	63684.00	14
		Jan-12	12009.00	14
		Mar-12	37784.00	12
		Feb-12	12840.00	13
		Feb-12	44220.00	13
		Dec-10	15659.00	27
		Jan-11	15659.00	26
		Jan-11	4463.00	26
		Dec-08	10000.00	52
		Dec-08	47520.00	52
		Dec-08	10000.00	52
		Dec-08	580.00	52
		Dec-08	20960.00	52
11	Korba	Jul-08	320213.00	57
Total			**14793017.72**	

(Source: Figures compiled from the data provided by the Company)

Annexure – 2.10
Statement showing details of Manpower Position
(Referred to in paragraph 2.30)

Designation	2008-09			2009-10			2010-11			2011-12			2012-13		
	S	A	Ex/Sh(-)	S	A	Ex/Sh(-)	S	A	Ex/Sh(-)	S	A	Ex/Sh(-)	S	A	Ex/Sh(-)
Managing Director	1	1		1	1		1	1		1	1		1	1	
General Manager	4	3	-1	4	4		4	3	-1	4	1	-3	4	1	-3
Company Secretary	1	1		1	1		1	1		1	1		1	1	
Senior Accounts Officer	1		-1	1	0	-1	1	0	-1	1	0	-1	1	1	
Manager	4	3	-1	4	3	-1	4	3	-1	4	3	-1	4	4	
Manager MIS	1		-1	1	0	-1	1	0	-1	1	0	-1	1	0	-1
Accounts Officer	2	2		2	2		2	2		4	2	-2	4	3	-1
Deputy Manager/ District Manager	22	9	-13	22	9	-13	22	9	-13	24	14	-10	24	12	-12
Deputy Manager (QC)										1	0	-1	1	0	-1
Deputy Business Manager	1	1		1	1		1	1		1	0	-1	1	0	-1
Deputy Accounts Officer	8	7	-1	8	7	-1	8	7	-1	10	8	-2	10	7	-3
Computer Programmer	1	5	4	1	5	4	1	5	4	4	9	5	4	5	1
Assistant Business Manager	1	0	-1	1	0	-1	1	0	-1	1	0	-1	1	0	-1
Assistant Manager	30	25	-5	30	25	-5	30	25	-5	34	28	-6	44	50	6
Assistant Manager (Technical)	3	0	-3	3	0	-3	3	0	-3	5	2	-3	5	2	-3
Cost Accountant													1	1	
Coordination Officer													1	1	
Assistant Accounts Officer	30	10	-20	30	9	-21	30	10	-20	30	7	-23	30	13	-17
Assistant Computer Programmer	2	1	-1	2	1	-1	2	1	-1	8	4	-4	8	10	2
Accountant	18	18		18	18		18	18		22	17	-5	22	22	
Samvida Assistant Accountant													15	6	-9
Senior Assistant	42	28	-14	42	28	-14	42	28	-14	47	34	-13	47	38	-9
Senior Technical Assistant										2	0	-2	2	0	-2
Stenographer	5	3	-2	5	3	-2	5	3	-2	7	3	-4	7	6	-1
Assistant	74	58	-16	74	58	-16	74	58	-16	86	70	-16	86	64	-22
Technical Assistant										4	0	-4	4	0	-4
Steno typist	21	11	-10	21	11	-10	21	11	-10	21	20	-1	21	14	-7
Junior Assistant	150	124	-26	150	124	-26	150	194	44	167	144	-23	167	198	31
Junior Technical Assistant	71	67	-4	71	60	-11	71	75	4	90	85	-5	120	103	-17
Data Entry Operator										20	23	3	50	41	-9
Driver (LMV)	8	9	1	8	9	1	8	9	1	16	9	-7	16	8	-8

Driver (HMV)	50	63	13	50	61	11	50	63	13	52	56	4	52	54	2
Inward/Outward Assistant	2	2		2	2		2	2		2	2		2	2	
Peon	80	90	10	80	96	16	80	90	10	80	98	18	80	103	23
Tulavati	50	71	21	50	71	21	50	71	21	76	72	-4	76	76	
Ardali	4	4		4	4		4	4		4	4		4	4	
Sweeper	1	1		1	1		1	1		1	1		1	1	
Total	**688**	**617**	**-71**	**688**	**614**	**-74**	**688**	**695**	**7**	**831**	**718**	**-113**	**918**	**852**	**-66**

S- Sanctioned; A- Actual; Ex- Excess, Sh- Shortage

(Source: Figures compiled from the data provided by the Company)

Annexure - 3.1

Statement showing details of seeds purchased during the years 2011-12 and 2012-13

(Referred to in paragraph 3.1)

(Amount in ₹)

District	2011-12	2012-13	Total
Ambikapur	52575421	44297348	96872769
Raigarh	17829645	6156598	23986243
Dantewada	9643296	17236982	26880278
Janjgir	4121442	7563148	11684590
Kabirdham	7074346	2106966	9181312
Rajnandgaon	10891503	3950929	14842432
Koriya	5820419	1417600	7238019
Jashpur	11959262	7585378	19544640
Raipur	19211747	7560916	26772663
Durg	7309283	4615632	11924915
Kanker	6111844	7020103	13131947
Dhamtari	5221105	6950964	12172069
Bastar	9589522	9967301	19556823
Mahasamund	4366616	6755683	11122299
Korba	7084496	4360479	11444975
Bilaspur	37267705	118988710	156256415
Total	**216077651**	**256534737**	**472612389**

(Source: Data compiled from the information furnished by the Company)

Annexure - 3.2

Statement showing details of potato seeds purchased during the years 2011-12 and 2012-13

(Referred to in paragraph 3.1)

(Amount in ₹)

Sl. No.	District	2011-12	2012-13	Total
1	Ambikapur	28971663	33369875	62341538
2	Raigarh	590000	3406200	3996200
3	Dantewada	4486625	1650000	6136625
4	Janjgir	2025000	861000	2886000
5	Kabirdham	2137500	483750	2621250
6	Rajnandgaon	1928500	586250	2514750
7	Koriya	3825000	850000	4675000
8	Jashpur	6133750	5403100	11536850
9	Raipur	3200000	2795000	5995000
10	Durg	1791925	2175000	3966925
11	Kanker	2287500	0	2287500
12	Dhamtari	3232500	750000	3982500
13	Bastar	1897500	1500000	3397500
14	Mahasamund	2192500	750000	2942500
15	Korba	2172500	2317650	4490150
16	Bilaspur	3807500	9998750	13806250
Total		**70679963**	**66896575**	**137576538**

(Source: Data compiled from the information furnished by the Company)

Annexure - 3.3

Statement showing details of coriander seeds purchased during the years 2011-12 and 2012-13

(Referred to in paragraph 3.1)

(Amount in ₹)

Sl. No.	District	2011-12	2012-13	Total
1	Kanker	79200	180000	259200
2	Jashpur	0	0	0
3	Bastar	0	0	0
4	Narayanpur	0	0	0
5	Rajnandgaon	0	0	0
6	Dhamtari	240120	180000	420120
7	Korea	540000	0	540000
8	Raipur	732600	180000	912600
9	Durg	0	0	0
10	Kabeerdham	0	0	0
11	Mahasamund	0	0	0
12	Janjgir-Champa	0	0	0
13	Dantewada	0	0	0
14	Bijapur	0	0	0
15	Ambikapur	594000	180000	774000
16	Raigarh	360000	180000	540000
17	Korba	350000	180000	530000
18	Bilaspur	540000	270000	810000
Total		**3435920**	**1350000**	**4785920**

(Source: Data compiled from the information furnished by the Company)

Annexure – 3.4

Statement showing loss of interest due to retention of huge balance in saving accounts

(Referred to in paragraph 3.3)

Month	Minimum balance during the month (₹)	Applicable rate of interest on saving accounts (%)	Applicable average rate of interest on auto sweep (%)	Difference in rate of interest (%)	Loss of interest (₹)
Apr-09	13378388				
May-09	13397438				
Jun-09	443077				
Jul-09	1003427				
Aug-09	94953				
Sep-09	124594				
Oct-09	283277				
Nov-09	11115				
Dec-09	13223382				
Jan-10	13784711				
Feb-10	13137716				
Mar-10	16198165				
2009-10 (Average)	**7090020.25**	**4**	**6.8**	**2.8**	**198521**
Apr-10	16139209				
May-10	16014902				
Jun-10	10256583				
Jul-10	4463642				
Aug-10	4562944				
Sep-10	4757547				
Oct-10	5129814				
Nov-10	4893738				
Dec-10	1046674				
Jan-11	1294557				
Feb-11	2208882				
Mar-11	102723				
2010-11 (Average)	**5905934.583**	**4**	**7.6**	**3.6**	**212614**
Apr-11	25202304				
May-11	10833025				
Jun-11	9806915				
Jul-11	9918989				
Aug-11	10284411				
Sep-11	10340535				
Oct-11	10891768				
Nov-11	17793051				
Dec-11	9760853				
Jan-12	10051107				
Feb-12	11844598				
Mar-12	14695044				

2011-12 (Average)	**12618550**	**4**	**9.25**	**5.25**	**662474**
Apr-12	14732324				
May-12	16491487				
Jun-12	17557185				
Jul-12	32475930				
Aug-12	15579064				
Sep-12	15871652				
Oct-12	17070272				
Nov-12	10456194				
Dec-12	10423203				
Jan-13	11632129				
Feb-13	10285842				
Mar-13	12702091				
2012-13 (Average)	**15439781.08**	**4**	**9.25**	**5.25**	**810589**
Total					**1884197**

(Source: Data compiled from the information furnished by the Company)

Annexure – 3.5

Statement showing details of loans sanctioned and disbursed during the last four year ending 31 March 2013

(Referred to in paragraph 3.4.4)

Year	No. of applications received	No. of applications not sanctioned due to deficiencies/ in process	Loan sanctioned and disbursed to beneficiaries	
			No. of cases	Loan Amount (₹ in lakh)
2009-10	195	111	84	74.25
2010-11	132	18	114	117.69
2011-12	252	129	123	372.35
2012-13	295	159	136	301.25
Total	**874**	**417**	**457**	**865.54**

(Source: Data compiled from the information furnished by the Company)

Annexure – 3.6
Statement showing Excise Duty payable on godown breakages
(Referred to in paragraph 3.5)

Year	Godown breakages							
	Raipur Godown				Bilaspur Godown			
	Spirit		Malt		Spirit		Malt	
	Qty (Proof Litre)	Duty payable (₹)	Qty (Bulk Litre)	Duty payable (₹)	Qty (Proof Litre)	Duty payable (₹)	Qty (Bulk Litre)	Duty payable (₹)
1	2	3	4	5	6	7	8	9
2007-08	23721	2134890	11262.1	180193.6	26960.54	2426448	88665.63	1418650.08
2008-09	98241.2	8841708	117951.7	1887227	36198.64	3257878	57423.53	918776.48
2009-10	9185.21	826668.9	9052.349	181047	39006.18	3510556	78276.70	1565534
2010-11	1300.84	117075.6	1987.727	39754.54	19839.09	1785518	29561.62	591232.40
2011-12	Nil	0	Nil	0	Nil	0	Nil	0
2012-13	Nil	0	Nil	0	Nil	0	Nil	0
Total	**132448.25**	**11920342.5**	**140253.9**	**2288222**	**122004.4**	**10980400**	**253927.5**	**4494193**
Total duty payable[1] (3+5+7+9) (₹)								**29683157.83**

(Source: Data compiled from the information furnished by the Company)

[1] The excise duty in respect of spirit varies depending upon the prices of IMFL per case. The actual excise duty during the period ranged between ₹ 70 and ₹ 110 per Proof Litre. For calculating the duty payable, Audit has considered the average rate of ₹ 90 per Proof Litre. Similarly, the duty in respect of malt calculated at the rate of ₹ 16 per Bulk Litre for the years 2007-08 and 2008-09 and at the rate of ₹ 20 per Bulk Litre for the years 2009-10 and 2010-11.

Annexure - 3.7

Statement showing paragraphs/ Reviews for which replies were not received*

(Referred to in paragraph 3.10.1)

Sl. No.	Name of Department	2008-09		2011-12	
		No. of paras in Audit Report	No. of paras for which reply not received	No. of paras in Audit Report	No. of paras for which reply not received
1.	Energy	4**	2	6	5
2.	Commerce & Industries	3**	2	-	-
3.	Agriculture	-	-	1	-
4.	Forest	1	-	-	-
5.	Food & Civil Supplies	2**	2	2	2
6.	Geology & Mining	2**	2	1	1
7.	Commercial Tax	1**	1	1	1
Total		**13**	**-**	**11**	**9**

* Replies for the Audit Reports for the years 2009-10 and 2010-11 have been received from the State Government.

** Two paragraphs viz paragraph number 4.3.4 involving four Departments (Energy, Food Civil Supplies and Consumer Protection, Commerce & Industries and Geology & Mining) and paragraph number 4.3.5 involving five Departments (Energy, Food Civil Supplies & Consumer Protection, Commerce & Industries, Geology & Mining and Commercial Tax) on old IRs/Paras issued upto 2003-04 were developed and printed in Audit Report 2008-09, reply to which is awaited. Actual number of draft paragraphs/Review printed in Audit Report 2008-09 was six.

Annexure - 3.8
Statement showing department wise outstanding Inspection Reports (IRs)
(Referred to in paragraph 3.10.3)

Sl. No.	Name of Department	No. of PSUs	No. of outstanding IRs	No. of outstanding paragraphs	Year from which paragraphs outstanding
1.	Energy	4	169	485	2006-07
2.	Forest	1	2	9	2011-12
3.	Geology & Mining	1	5	13	2008-09
4.	Commerce and Industries	1	5	27	2007-08
5.	Commercial Tax	1	3	8	2010-11
6.	Finance	1	2	3	2008-09
7.	Food & Civil Supplies	2	9	30	2007-08
8.	Social Welfare	1	1	1	2011-12
9.	Agriculture	1	2	4	2010-11
Total		**13**	**198**	**580**	

Annexure - 3.9

Statement showing department wise draft paragraphs/Review, replies to which were awaited

(Referred to in paragraph 3.10.3)

Sl. No.	Name of Department	No. of draft paragraphs	No. of Review	Period of issue
1.	Energy	3	-	May 2013
2.	Food & Civil Supplies	-	1	July 2013
3.	Commerce & Industries	1	-	June 2013
4.	Social Welfare	2	-	June 2013
	Total	**6**	**1**	