

## CHAPTER - III

### 3. Review relating to Statutory Corporation

### 3. Review on the Working of Madhya Pradesh Warehousing & Logistics Corporation

#### Executive Summary

##### *Introduction*

*The Madhya Pradesh Warehousing and Logistics Corporation (Corporation) was formed on 31 March 2003. The main functions of Corporation included creation of infrastructure for storage of agricultural products, fertilizers, salt, gunny bales etc., undertaking clearance of goods from the godowns and provide disinfestations services to farmers, private parties etc. The Corporation is the nodal agency to provide warehousing facility to the Madhya Pradesh State Civil Supplies Corporation Limited for storage of food grains procured under Decentralised Procurement (DCP) scheme.*

*As on 31 March 2013, the Corporation has 2,887 godowns having total storage capacity of 54.73 lakh MT at 275 centres spread all over the State against the total storage capacity of 97.50 lakh MT available in the State. The review of the working of the Corporation revealed following shortcomings*

##### *Planning*

*Memorandum of understandings (MoU) with the Government of Madhya Pradesh (GoMP) for the years 2008-09 to 2012-13, intended to plan well in advance the activities to be carried out in the forthcoming years, were signed at the end of the relevant financial years, as such, the purpose of entering into MoUs was not achieved.*

*The requirement of land was not included in MoUs with GoMP sufficiently in advance. As a result, the Corporation could not construct godowns at Chhindwada, Khandwa, and Sehore due to non-availability of land.*

*The Corporation has not prepared any long term plan to increase its share in storage capacity. The Corporation increased its storage capacity from 11.41 lakh MT in 2008-09 to 14.81 lakh MT in 2012-13 but its share in total storage capacity of the State had marginally decreased from 15.83 per cent in 2008-09 to 15.18 per cent in 2012-13.*

##### *Construction of godowns*

*Against the target of storage capacity of 31,70,790 MT during the period 2008-09 to 2012-13, the Corporation despite availability of funds, could construct total storage capacity of 6,53,350 MT.*

*Failure of the Corporation to execute agreements within the validity period of tenders resulted in award of works in subsequent tenders at the higher cost by ₹ 1.28 crore.*

*Due to delay in completion of works of convertible CAPs and pre-engineering godowns, the Corporation could claim storage charges at the rate of ₹ 24 only applicable for CAP instead of ₹ 49 applicable for godown which resulted in loss of potential revenue of ₹ 8.86 crore.*

### **Utilisation of godowns**

*In respect of own godowns and joint venture godowns its utilisation during 2008-09 to 2012-13 was less than the overall targets of utilisation. The Corporation stored foodgrain in JV godowns under four branches despite availability of surplus storage capacity in own/hired godowns, thereby incurred loss of revenue of ₹25.69 lakh.*

### **Storage of foodgrain**

*Loss on account of non-achievement of specified storage gain and damaged stock was worked out to ₹91.50 crore as on 31 March 2013 but the Corporation did not analyse reasons thereof and take remedial action for that.*

*The Corporation decided to use new kind of multi layered cross laminated film Covered At Plinth (CAP) covers at large scale without any field trial. The Corporation incurred extra expenditure of ₹2.72 crore due to purchase of the new kind of CAP covers at higher cost. The Corporation incurred avoidable expenditure of ₹44 lakh due to purchase of heavier polythene covers for CAP compared to the standards set by Food Corporation of India.*

### **Financial/Budgetary management**

*Actual executed quantities in respect of 11 works exceeded the estimated quantities and payment for such excess quantities valued at ₹4.57 crore were made to contractor without approval of competent authority. In respect of 10 works, extra items of works values at ₹3.79 crore were executed without approval of the competent authority.*

### **Human Resource Management**

*There was shortage of staff in all the groups in the Corporation against sanctioned strength.*

### **Monitoring and Internal Control Mechanism**

*Meetings of Executive Committee to review the functions of the Corporation was not held as per the prescribed frequency. Computer systems valued at ₹5.34 crore could not be utilised by the Corporation since its installation in March 2008 up to September 2013 due to not getting resolved the problems in software. No monitoring system was developed by the Corporation to ensure timely renewal of lease deed for land.*

## **Introduction**

**3.1** The Madhya Pradesh Warehousing and Logistics Corporation (Corporation) was formed on 31 March 2003 as per Madhya Pradesh State Government's order<sup>1</sup> dated 26 March 2003.

The main function of Corporation, *inter alia*, included creation of infrastructure through construction and hiring godowns/ entering joint venture agreements with private godown owners for storage of agricultural products, pulses, oil seeds, spices, fertilizers, salt, gunny bales, undertaking clearance of goods from the godowns and provide disinfestations services to farmers, private parties *etc.* The

<sup>1</sup> The erstwhile Madhya Pradesh State Warehousing Corporation which stopped its activities on 31 March 2003, was established in 1958 under the Agricultural Produce (Development and Warehousing) Corporations Act, 1956, replaced by the Warehousing Corporations Act, 1962.

Corporation also acts as an agent of the Central Warehousing Corporation (CWC) and State Government for notified purposes<sup>2</sup>. The Corporation is the nodal agency to provide warehousing facility to the Madhya Pradesh State Civil Supplies Corporation Limited (MPSCSC) for storage of food grains procured under Decentralised Procurement (DCP) scheme.

Against the total storage capacity of 97.50<sup>3</sup> lakh MT available in the State as on 31 March 2013, the Corporation with 2,887<sup>4</sup> godowns provides storage capacity of 54.74<sup>5</sup> lakh MT at 275 centres spread all over the State.

### Organisational setup

**3.2** The Management of the Corporation is vested with the Board of Directors (BoD) comprising of 11 directors (including a Chairman and a Managing Director) five Directors are nominated by CWC including one appointed in consultation with State Bank of India and at least one from non official group and five directors nominated by State Government. Managing Director is appointed by GoMP in consultation with the directors and under intimation to CWC. The Board is headed by a Chairman and the day-to-day affairs are managed by Managing Director assisted by a Secretary, General Manager (Personnel), General Manager (Accounts), General Manager (Commercial), Chief Engineer, Scientific Storage Officer and General Manager (Recovery). The Corporation has eight<sup>6</sup> Regional Offices headed by Regional Managers and warehouses at 275 centres throughout the State headed by Branch Managers. The Organisational chart is as per *Annexure-3.1*.

### Audit objectives

**3.3** The Review was conducted with a view to ascertain whether:

- Planning for acquisition of land and construction of godowns was made in accordance with the Memorandum of Understanding entered with the State Government and storage requirement of the State.
- Constructions of godowns were undertaken economically and efficiently.
- Storage capacity was optimally utilized.
- Financial management/ budgetary management was efficient and effective; and
- Adequate monitoring and internal control system were in place.

<sup>2</sup> The Corporation act as an agent of the CWC and the State Government for the purpose of purchase, sales, storage and distribution of agriculture produce, seeds, manure, fertilizers, agricultural implements and notified commodities.

<sup>3</sup> It includes storage capacity of the Coporation:14.81 lakh MT, MarkFed:7.07 lakh MT, CWC:4.76 lakh MT, FCI: 3.64 lakh MT, other institutional godowns:14.09 lakh MT and private parties:53.13 lakh MT

<sup>4</sup> Own: 1028, Hired: 432 and under Joint Venture: 1427.

<sup>5</sup> Own: 14.81 lakh MT, Hired: 6.24 lakh MT and under Joint Venture: 33.68 lakh MT.

<sup>6</sup> Bhopal, Narmadapuram (August 2012), Indore, Jabalpur, Ujjain, Sagar, Rewa and Gwalior.

### **Audit criteria**

**3.4** The sources of Audit Criteria were:

- Memorandum of Understanding (MoU) signed every year by the Corporation with the State Government;
- Guidelines, instructions, directions issued by GoMP/FCI/ Board of Directors and Subcommittee of the Board for purchase of land and construction and utilisation of godowns;
- Guidelines for construction and utilisation of godowns under Rural Infrastructure Development Funds (RIDF) issued by NABARD;
- Provisions of Warehousing Corporation Act, 1962;
- Provisions of Warehousing (Development & Regulation) Act 2007, Rules & Regulations and guidelines of Warehousing Development and Regulatory Authority; and
- Memorandum and Articles of Association, Delegation of Powers, MP Public Works Department Manuals, Recruitment and Manpower Policy/norms, Accounts Manual, Technical Manual and CPWD Manual (adopted by the Corporation).

### **Scope and methodology of audit**

**3.5** The working of the Madhya Pradesh Warehousing & Logistics Corporation was last reviewed and reported in the Report of the Comptroller and Auditor General of India (Commercial)-Government of Madhya Pradesh for the year ended 31 March 2007. The Committee on Public Undertakings (COPU) discussed the Review in November 2010 and their recommendations are awaited (November 2013).

The present Review was conducted during May to August 2013. Fourteen branches<sup>7</sup> out of 275 branches and six Regional offices<sup>8</sup> out of eight Regional offices and Headquarters office were randomly selected for detailed examination.

An entry conference was held with the Additional Chief Secretary of the Department and Managing Director on 1 May 2013 to apprise them of the audit objectives, scope and methodology of audit.

The Methodology adopted to attain the audit objectives with reference to the audit criteria are examination of Minutes of meetings of Board of Directors, Subcommittee Reports, records relating to construction of godowns, agreements for hiring of godowns, joint venture and other schemes.

The Corporation and department furnished replies to the draft review in December 2013 and January 2014 respectively. The Exit Conference to discuss audit

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<sup>7</sup>Vidisha, Nasrullaganj, Ashta, Sewda, Gohad, Sheopur, Indore, Badwah, chhindwada, Narsingpur, Babai, Piparia, Banda and Bina.

<sup>8</sup>Bhopal, Gwalior, Hoshangabad, Jabalpur, Sagar and Indore.

findings was held on 03 January 2014. The views expressed by the Government and Corporation have been suitably incorporated in the review.

### **Audit findings**

The audit findings are discussed in the succeeding paragraphs.

### **Planning**

#### *Memorandum of understanding with GoMP*

**Annual MoU with GoMP were signed at the end of the relevant financial year.**

**3.6** Every PSU in the state is required to enter into Memorandum of Understanding (MoU) with GoMP every year, detailing the activities proposed to be undertaken in the ensuing year. Thus, the MoU is required to be signed by the PSUs before the commencement of the relevant year. MoU entered into by the Corporation with GoMP includes projections of construction/ arrangement for storage capacity during the year, projected cash/fund flow, road map for utilisation of storage capacity, turnover etc. We, however, noticed that MoU with the GoMP for the years 2008-09, 2009-10, 2010-11, 2011-12 and 2012-13 were signed on 25 February 2009, 15 February 2010, 25 February 2011, 24 December 2011 and 1 January 2013 respectively i.e. at the end of the relevant financial year as against the requirement of signing it before the commencement of the year. The purpose of entering into MoU was thus not achieved.

The Government stated (January 2014) that in the beginning of the financial year, the Corporation prepared draft MoU which was revised as mutually decided with the State Government. The reply confirms that the MoUs were not finalised before start of the year.

#### *Availability of land for construction works*

**3.7** In the MoU entered with the State Government, the Corporation specifies the number of godowns and storage capacity it intends to complete during the year. Thus action for obtaining land from the Government should be planned sufficiently in advance to ensure that the targets set in the MoU are realized.

We noticed that the construction work of godowns planned at Chhindwada, Khandwa, and Sehore in 2009-10, could not be undertaken by the Corporation so far (August 2013) as land had not been made available by the Government. Thus, the targets set in the MoU, though signed towards the close of the year was unrealistic and therefore did not meet the requirements of the Government in providing storage facilities according to its procurement plans.

#### *Augmentation of storage capacity*

**3.8** The State Government ascertains the quantity of foodgrain likely to be procured under Decentralised Procurement (DCP) during a year and intimates the same to the Corporation for arranging storage capacity to store foodgrain. To meet the requirement of storage capacity, the Corporation enters into MoU with the Government for augmentation of own storage capacity by creating own godowns/

Covered at Plinth (CAP<sup>9</sup>). Besides, it hires godown and enters into Joint Venture (JV) agreement with the private parties also.

The Corporation had not prepared any log term plan to augment its storage capacity.

The Corporation did not have any long term plan to augment its share in storage capacity to fulfil requirement of the State and the capacity planning is restricted to the MoU entered into with the Government annually. The Corporation had own storage capacity of 11.41 lakh MT in 2008-09 which increased to 14.81 lakh MT in 2012-13 but its share in total storage capacity of the State had decreased from 15.83 per cent in 2008-09 to 15.18 per cent in 2012-13. Out of the total increase of State capacity by 25.42 lakh MT (97.50 lakh MT-72.08 lakh MT) during 2008-09 to 2012-13, capacity of 19.62 lakh MT (53.13 lakh MT – 33.51 lakh MT) was added by private parties (80 per cent of total capacity addition) and the Corporation added a capacity of only 3.40 MT. During this period, audit observed that the production of foodgrains (cereal and pulses) increased from 2.29 Million Tonnes in 2008-09 to 3.92 Million Tonnes in 2012-13.

The Government stated (January 2014) that to meet the requirement of storage of food grain procured under DCP, the Corporation hires or enters into Joint Venture agreement with private and institutional godowns. The fact remains that the capacity growth of the Corporation was slower than that of the private parties.

### Construction of godowns

The corporation owns two kinds of Godowns i.e. traditional godowns<sup>10</sup> and pre-engineering godowns<sup>11</sup>. Besides these godowns, the Corporation in case of shortage of storage space, uses Covered at Plinths<sup>12</sup> (CAPs) to store food grain procured by MP State Civil Supplies Corporation (MPSCSC) under DCP.

#### *Augmentation of storage capacity through construction of godowns*

**3.9** During the period 2008-09 to 2012-13, the Corporation constructed 19 traditional godowns (67,850 MT), nine<sup>13</sup> pre-engineering godowns (36,900 MT), seven<sup>14</sup> convertible CAPs<sup>15</sup> (1,43,200 MT) and 22 temporary cemented CAPs (4,05,400 MT) only against the target of total 259 construction works for storage capacity of 31,70,790 MT despite availability of funds. The Corporation did not analyse reasons for the slow progress.

<sup>9</sup> CAP is a platform upto 30 cm to 45 cm made of sandbags (Kaccha CAP) or cemented (Pucca CAP) used for storing foodgrain for short period of one season.

<sup>10</sup> Godown constructed in open and on column/ beam foundation which has wall constructed upto the truss level all around and then sheets are fixed to form the roof above the truss level.

<sup>11</sup> Godown constructed on column/ beam foundation. A 10 feet masonry wall constructed above the plinth level godown (phase-I). Then remaining work (roof) is constructed by tightening it with already factory built steel column and trusses/ rafters (phase-II)

<sup>12</sup> There are two types of CAPs; Temporary CAPs and Convertible CAPs. Temporary CAP includes Kaccha CAP (made of sandbags) and Pucca CAP (cemented) whereas convertible CAPs are Plinth having pillars, which can later on be converted into Godown, used for storage.

<sup>13</sup> All nine godowns constructed up to 10 feet height only (with no roof) and were used as CAPs; therefore, this figure is treated as work-in-progress.

<sup>14</sup> Sehore (20000 MT), Sultanpur (16000 MT), Sultanpur (34000 MT), Sultanpur (20000 MT), Pawarkheda (10000 MT), Seoni (25000 MT) and Pawarkheda-B (20000 MT).

<sup>15</sup> Plinth having pillars, which can later on be converted into Godown, used for storage.

During 2008-09 to 2012-13, due to non-achievement of targeted construction work, the Corporation had:

- Constructed temporary CAPs made of sandbags (Kaccha CAP) at 116 places with storage capacity 13.57 lakh MT resulting in extra burden to the State Exchequer as cost of construction was borne by the Government.
- Met the storage requirements of the Government by hiring capacities<sup>16</sup> from private parties and through joint venture arrangements
- Due to non-completion of convertible CAPs into traditional godown and Pre-engineering godown, the Corporation was deprived of potential revenue as discussed in para 3.12.

Shortcomings noticed in construction of different types of godowns are discussed in succeeding paragraphs.

***Non-finalisation of tenders for construction of godown within validity period***

**3.10** As per clause 4.7 of the standard tender document, after finalisation of tender, the Corporation is required to enter into an agreement with the contractor within 120 days of the opening of bid. If it is not done, bidder can refuse to accept the work.

**Failure to execute agreement within validity period resulted in extra cost of ₹1.28 crore.**

We observed during test check of records that during November 2010 to January 2011, the Corporation called for tenders for construction of five godowns<sup>17</sup> but failed to enter into agreement with the lowest bidders within the validity period. Reasons for non finalisation of tenders within the validity period were not found in records made available to Audit. On reinvitation of tender in September 2012, the rates received by the Corporation for those works were higher by ₹ 1.28 crore and contracts were entered at the higher rates. Thus, failure of the Corporation to execute agreements within the validity period resulted in extra cost of ₹ 1.28 crore.

The Government stated (January 2014) that due to engagement of technical staff and utilisation of fund in construction of CAPs, it was decided to construct godowns later on.

The reply is not tenable as the Corporation is aware that the technical staff would be engaged in DCP related construction/warehousing activities during the period between December/January and May and therefore invitation of tenders should have been timed to ensure that work can be awarded within validity period. Further, the Corporation did not face any shortage of funds as it had sufficient funds invested in deposits.

<sup>16</sup> Storage capacity hired by the Corporation ranged from 2.45 lakh MT to 6.24 lakh MT during 2008-09 to 2012-13.

<sup>17</sup> Rajgarh (1000 MT), Gohad (4800 MT), Morena (3600MT), Ratlam (3600MT) and Mandsaur (3600 MT).

### ***Delays in construction of convertible CAP***

**3.11** During 2008-09 to 2012-13, the Corporation adopted the concept of constructing convertible CAP in two phases. In the first phase, plinth and foundation with pillars are constructed which can be used as CAP for storage in forthcoming procurement season. In second phase, walls are erected and roof is covered on the CAPs so constructed in first phase to form a complete traditional godown. Though the Corporation planned for augmentation of 31,70,790 MT storage capacity during 2008-09 to 2012-13, no specific target was fixed for conversion of CAPs to traditional godowns.

We noticed that work order for construction of first phase of seven convertible CAPs was issued during May 2010 to January 2012 for completion within a period of three months. The works were however completed during June 2011 to December 2012 with delays ranging between seven months and 29 months beyond the scheduled completion period. Tenders for conversion of six of these CAPs into traditional godowns were finalised during October 2012 to May 2013. Works under the second phase were scheduled for completion within six months from the date of award. All the works were in progress (December 2013). Thus, there were delays of one month to eight months in construction of convertible CAPs in second phase also. As a consequence, the Corporation had to forgo the additional storage charges as discussed in following paragraph.

In respect of one CAP, viz. Sehere involving a capacity of 20000 MT, tenders for undertaking second phase work has not been finalised so far (December 2013).

### **Delays in construction of pre-engineering godown**

**3.12** The construction of pre-engineering godowns was taken up (May 2009) with a view to complete works in short time and keep maintenance cost less. The construction of pre-engineering godown consists of two parts. Separate contracts for construction of plinth, foundation and wall up to 10 feet height (Part I) and for construction of roof by fixing factory built steel or fabricated structure above 10 feet height (Part II) are awarded by the Corporation. The Corporation planned (May 2009) for construction of 14 pre-engineering godowns during 2008-09 to 2012-13.

We noticed that work orders were issued during October 2009 to June 2010 for construction of Part I of 14 pre-engineering godowns, of which, work of nine<sup>18</sup> pre-engineering godowns were completed during August 2010 to April 2012. There were delays of three months to 25 months against schedule period of three months in construction of these nine godowns. While work in respect one godown due for completion in October 2010 was in progress, construction of remaining four godowns could not be taken up due to non availability of land (December 2013).

Construction of Part II in respect of three godowns scheduled to be completed by June 2013 were still in progress and in respect of three godowns tenders were yet to be finalised. In the remaining four godowns, the process for invitation of tender for Part II has not commenced (December 2013). Thus, the Corporation has not

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<sup>18</sup>At Sanawad (3600 MT), Sihora Road (1800 MT), Katni (5400 MT), Balaghat (5400 MT), Singroli (5400 MT), Seoni (5400 MT), Berchha (3600 MT), Maksi (3600MT) and Karond (4000 MT).



been able to complete construction of even a single pre-engineering godown during the five year period covered under audit and as a result, the anticipated creation of 65,200 MT capacity through pre-engineering godowns remained unachieved.

Delay in completion of construction of godown resulted in deprived of potential revenue of ₹ 8.86 crore.

The rate of storage charges effective during 2011-12 and 2012-13 were ₹ 24 and ₹ 49 per MT per month for CAP and godowns respectively. We noticed that due to non-completion of works of second phase of convertible CAPs and Part II work of pre-engineering godowns, the Corporation could claim storage charges applicable for CAP instead of that applicable for godowns. As a result, the Corporation was deprived of potential revenue of ₹ 8.86 crore during the period 2011-12 and 2012-13 (*Annexure-3.2*).

The Government stated (January 2014) that it had been using the incomplete convertible CAPs/pre-engineering godowns as CAPs for storage. It further stated that action for conversion of convertible CAPs into godown had been initiated. The reply is however silent about the delays in completion of works.

#### ***Short/non-imposition of penalty for delay in completion of work***

**3.13** The Corporation awards construction works of godowns and CAPs to the contractors through tendering process. As per the agreement, the contractors need to adhere to the prescribed time schedule for completion of work. The terms and conditions of agreements provide for imposition of penalty at the rate of 1/16 of contract value per week of delay subject to maximum of six *per cent* in respect of works costing above ₹ 25 lakh.

Short levy of penalty of ₹ 1.23 crore for delay in completion of works.

During test check of records of 41 of the 57 construction works of godowns and CAPs completed during 2008-09 to 2012-13, we observed that there were delays ranging from one month to 21 months in completion of 24 works. Penalty at prescribed rate was either not imposed or short imposed by the Corporation in respect of these works costing above ₹ 25.00 lakh resulting in short levy of penalty of ₹ 1.23 crore as detailed in *Annexure 3.3*.

The contractors mainly attributed reasons for delays to heavy rain, heavy transportation at site, shortage of water, disturbance due to high tension line etc. These reasons were accepted by the Corporation and accordingly lesser penalty was imposed. The action of the Corporation in accepting these reasons for delays is not justified as these were deemed to be in notice of the contractors at the time of submitting tender, who should have taken into account while accepting the schedule date of completion. As a result of delays in construction of godowns and consequential hiring of godowns, the Corporation lost potential revenue of ₹ 21.15 crore.

The Government stated (January 2014) that construction period in respect of works was extended as the reasons requiring extension were beyond the control of the contractors and penalty of ₹ 29.76 lakh was imposed considering the extent of delay attributable to the contractor.

The reply is not tenable as contract clearly stated that the contractor would be responsible for any delay in execution and therefore penalty for the entire delay was leviable.

### **3.14 Construction works of Covered at Plinths**

During 2008-09 to 2012-13, the Corporation constructed seven convertible CAPs and 116 temporary CAPs with storage capacity of 15 lakh MT through the contractors. Expenditure incurred in respect of temporary CAPs is reimbursed by the State Government to the Corporation.

Following irregularities were noticed during test check of records of selected 19 cases<sup>19</sup> relating to construction activities in respect of convertible and temporary CAPs (cemented).

- As per the General Note 6.7 and 17.1 of SOR of Building Construction, payment for construction of Plain Cement Concrete<sup>20</sup> (PCC M-10) and Reinforcement Cement Concrete<sup>21</sup> (RCC M-20) should only be made after obtaining satisfactory Quality Report. Further, in case of construction work valued above ₹ 25.00 lakh, a testing lab at construction site has to be established by the Contractor. Quality Report in respect of eight works was not produced as required. Thus, quality of CC/RCC works was not assured in respect of these eight works (**Annexure 3.4**). Further, required testing lab was also not established in these works by the Corporation.
- Approved drawings & designs, approved estimates, site order books (consumed cement, concrete etc.), test reports in respect of cement, sand and bricks consumed and cement consumption register in eight works were not being maintained by the Corporation. In absence of these records, quality/specification of work could not be assured.

The Government stated (January 2014) that the material used in construction works were tested in the Government Institutions and in certain cases the contractors also established testing labs on the site. Further, site order book, Material consumption Register and Cement Register were maintained on site. The reply is not tenable as no evidence was produced to us regarding establishment of testing lab and maintenance of material consumption register at site in respect of works test checked in audit.

As per para 2.11.6 of CPWD Specifications, Site Engineers should maintain field level book for recording level of surface. The Corporation, however, had not maintained the field level book in respect of leveling operations and earth works of convertible CAP, temporary CAP. In the absence of field level book, the quantity of material used in the execution cannot be accurately ascertained by the Corporation.

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<sup>19</sup> 12 temporary Pucca CAPs and 7 convertible CAPs

<sup>20</sup> In M-10, cement, sand and metal are used in ratio of 1:3:6 on volumetric basis.

<sup>21</sup> In M-20 concrete, cement, sand and metal are used in the ratio of 1:1.5:3.

Use of expensive items in place of cheaper items resulted in excess expenditure of ₹ 1.78 crore.

- In construction of temporary CAPs<sup>22</sup>, moorum/copra<sup>23</sup> was being used in foundation filling by the Corporation. However, in construction of five convertible and temporary CAPs<sup>24</sup>, the Corporation used crusher stone dust<sup>25</sup> for foundation filling instead of moorum/ copra. As the crusher stone dust was costlier (₹ 530 per cu m) than the moorum/ copra (₹ 337 per cu m), use of crusher stone dust in foundation work resulted in extra expenditure of ₹ 1.04 crore.

Further, in construction of 17 convertible and temporary CAPs<sup>26</sup> the Corporation used costlier concrete (M-10)<sup>27</sup> for flooring work instead of cheaper concrete (M-7.5)<sup>28</sup> as per relevant IS code 607 of 1971 used by FCI and Central Warehousing Corporation (CWC). Thus, use of expensive items in place of cheaper items resulted in excess expenditure of ₹ 74.15 lakh.

The Government stated (January 2014) that as per IS 456:2000, minimum standard for concrete is M-10. The reply is not acceptable as M-7.5 concrete was being used by FCI and CWC. Further, IS: 456 is a general specification whereas IS: 607 is specifically for construction of warehouses.

**3.15** The Corporation applied (February 2012) for loan from NABARD through the State Government<sup>29</sup> for construction of nine traditional godowns<sup>30</sup>, 11 convertible CAPs and conversion of three convertible CAPs into Godowns for creating total storage capacity of 4,70,800 MT involving expenditure of ₹ 99.90 crore with scheduled completion in March 2013. The loan of ₹ 94.90 crore was approved on 20 March 2012 by NABARD and remaining amount of ₹ 5 crore was to be contributed by the State Government. NABARD sanctioned loan to the State Government who further passed on the amount of loan to the Corporation through Departmental Budget. The instalment of loan was to be released by NABARD after incurring expenditure as a reimbursement.

Due to slow progress, out of 23 works only eight were completed against scheduled completion time.

During scrutiny of relevant records we noticed that out of 23 works, only eight construction works were completed. Remaining 15 works were incomplete as on June 2013. Of these, seven works were completed above 50 per cent and eight

<sup>22</sup> In construction of 34000 MT and 20000 MT temporary CAPs at Sultanpur.

<sup>23</sup> Item no. 2.27 of MPPWD SOR 2009 for supplying and filling in plinth with hard muram/hard copre under floors including, watering, ramming consolidating and dressing complete.

<sup>24</sup> 20000 MT & 10000 MT Convertible CAPs at Pawarkheda, 20000 MT temporary cemented CAP at Umardha, 25000 MT temporary cemented CAP at Macherakala and 10000 MT temporary cemented CAP at Kesla.

<sup>25</sup> Item no. 2.26 of PWD, SOR-2009 for supplying and filling in plinth with crusher stone dust not exceeding 20 cm in depth and dressing complete.

<sup>26</sup> Eight convertible CAPs at Umardha (15000 MT) , Devatia (20000), Pawarkheda (10000), Sehore (20000), Bamhori (20000), Sultanpur (10000)- not completed upto November 2013), Pawarkheda-A (20000) and Sultanpur (16000) and nine temporary cemented CAPs at Kesla-A (10000 MT), Kheda (20000 MT), Ichchawar-B(10000), Ichchawar-A (10000) , Mandla (20000), Anuppur (20000), Kesla-B (10000), Macherakala (15000) and Barkheda (27000).

<sup>27</sup> M-10 = (1 cement: 3 sand : 6 gravel)

<sup>28</sup> M-7.5 = (1 cement: 5 sand: 10 gravel)

<sup>29</sup> State Government is the guarantor in the case.

<sup>30</sup> Including six godowns under Private Entrepreneur Godown Scheme by FCI.

works were completed less than 50 per cent only after lapse of 15 months from the date of sanction of the loan by NABARD. Thus, due to delay in completion of works, storage capacity additions of 3,37,300 MT could not be achieved as per the terms of NABARD assistance.

### Utilisation of godowns

#### Storage capacity utilisation of godowns under various categories

**3.16** The Corporation in MoU sets a target for utilisation of its various kinds of Storage Capacity on the basis of procurement target under DCP intimated by the State Government.

The targeted average capacity utilisation as per MoUs and actual average utilisation of godowns available with the Corporation including capacity available under own, hired and Joint Venture is given in the Table No.3.1.

**Table-3.1**

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
	<b>No. of Branches of the Corporation</b>	237	256	258	271	275
<b>A</b>	<b>No. of own Godowns</b>	<b>985</b>	<b>993</b>	<b>1015</b>	<b>1018</b>	<b>1028</b>
1	Average capacity available (in lakh MT)	11.41	11.67	11.87	13.11	14.81
2	Average capacity utilised (in lakh MT)	7.88	8.35	9.00	10.20	11.64
3	Percentage utilisation of own capacity	69	72	76	78	79
<b>B</b>	<b>No. of hired Godowns</b>	<b>320</b>	<b>338</b>	<b>424</b>	<b>526</b>	<b>432</b>
1	Average Storage capacity hired during the year (in lakh MT)	2.56	2.45	5.03	6.12	6.24
2	Average capacity of hired godowns utilised during the year (in lakh MT)	2.26	1.99	4.24	5.31	5.41
3	Percentage of utilisation of hired Godown	88	81	84	87	87
<b>C</b>	<b>No. of Joint Venture Godowns</b>	<b>-</b>	<b>334</b>	<b>638</b>	<b>1013</b>	<b>1427</b>
1	Average capacity available in joint venture (in lakh MT)	-	6.39	12.60	17.30	33.68
2	Average capacity utilised (in lakh MT)	-	4.71	10.45	13.31	28.66
3	Percentage utilisation of Joint Venture capacity	-	74	83	77	85
	<b>For all three types of storage capacity (own/hire/Jv)</b>					
	Average capacity (in lakh MT)	13.97	20.51	29.50	36.53	54.73
	Average occupancy <sup>31</sup> (in lakh MT)	11.81	16.88	25.35	29.66	46.31
	Percentage of occupancy to capacity	85	82	86	81	85
	Targeted Capacity Utilisation as per MoU (in Percentage)	85	87	85	87	87

Source: Data furnished (figures as available on 31<sup>st</sup> march of respective financial year) by Management (it does not include the Capacity of CAPs therefore, the data does not match with that of capacity shown in Printed Annual Report) and Periodic Capacity Utilisation Statement.

From the above table, it can be seen that the Corporation achieved the targeted overall capacity utilisation during 2008-09 and 2010-11 due to higher utilisation of hired godowns and there was marginal shortfall in utilisation of targeted

<sup>31</sup> Its included Reserve Capacity also ( 2008-09:1.67 lakh MT , 2009-10:1.83 lakh MT , 2010-11: 1.66 lakh MT , 2011-12: 0.84 lakh MT and 2012-13: 0.60 lakh MT ).

capacity during 2009-10, 2011-12 and 2012-13. However, in respect of own godowns and joint venture godowns the utilisation in all the years was less than the overall targets for the Corporation as per MoU.

In scrutiny of records relating to capacity utilisation of own godowns at 237 to 275 branches of the Corporation during 2008-09 to 2012-13, following shortcomings were noticed:

**The Corporation never achieved utilisation target in respect of own godowns and JV godowns.**

- Seventeen to 25 branches utilised storage capacity below 50 per cent and 71 to 100 branches utilised storage capacity below 70 per cent during the years 2008-09 to 2012-13.
- Own godowns at two branches<sup>32</sup> were never utilised due to its abandonment but the capacity of the godowns at those branches was not excluded from the total available capacity.
- We further noticed that as a result of less utilisation of storage capacity of owned/hired godowns compared to that of godowns of JV partners, the Corporation lost revenue as discussed in succeeding paragraph

The Government stated (January 2014) that it acted as a nodal agency for storing foodgrain procured in DCP. Therefore, it was required to keep vacant space in warehouses for storing foodgrain. The reply is not convincing as there was a scope of better utilisation of own godowns as the actual utilisation was less than the targeted utilisation in all the five years and thereby the Corporation could have saved expenditure on hiring private godowns.

#### ***Loss due to storage in hired/JV godown instead of own godowns***

**3.17** As per Corporation policy while storing foodgrain priority should be given to own godowns, then hired godowns and lastly to JVs. At the time of delivery of foodgrain priority should be reverse of above.

In case of hired godowns, hire charges are payable to owner whether the hired godowns are utilised for storage or not. In the case of Joint Venture (JV) godowns, storage charges received are shared with the JV partners in the agreed ratio on actual storage basis only. Therefore, the Corporation should make efforts to store foodgrain in own or hired godowns first.

We noticed in scrutiny of records that in respect of godowns under four<sup>33</sup> branches, the Corporation stored foodgrain in JV godowns despite availability of surplus storage capacity ranging from 77 MT to 7101 MT in own and hired godowns. Had storage capacity in own and hired godowns been utilised, the Corporation could have saved ₹ 25.69 lakh of revenue loss.

The Government stated (January 2014) that to ensure vacant space availability in next procurement season, the Corporation issued foodgrain from own godowns. The reply is not tenable as it did not follow its own policy of delivery of foodgrains and storage of foodgrains in JV godowns despite availability of space in its own godowns entailed the loss.

<sup>32</sup> At Ghatbillod and Kathibada branches under Indore Region of the Corporation.

<sup>33</sup> Pandurana, Chhindwada, Sewda and Gadarwara.

## Storage of foodgrain

**Non-achievement of prescribed storage gain and loss due to damage of stock resulted in withheld of ₹10.92 crore by MPSCSC.**

### *Storage gain and storage loss due to damage of foodgrain*

**3.18** The Corporation stores foodgrains procured by different agencies under DCP Scheme in its warehouses. Further, as per the instructions issued (October 2003) by Ministry of Consumer Affairs, Food and Public Distribution, Government of India, storage gain in wheat due to absorption of moisture is required to be passed on by the Corporation to the agency procuring wheat at the rate of one *per cent* and 0.70 *per cent* of quantity stored for covered godowns and open godowns/CAPs respectively if handed over to the procuring agency after 30 June every year. Further as per the Madhya Pradesh Agricultural Warehouse Act, 1947, Chapter III, Clause 9, the Corporation shall take such care of the produce stored in their warehouse as a man of ordinary prudence would take of his own produce under similar circumstances.

It was observed that in test checked eight Regional Offices, against the normative storage gain of one *per cent* for covered godowns, shortfall in storage gain ranged between 0.01 *per cent* to 1.00 *per cent*. Similarly, against the normative storage gain of 0.70 *per cent* for open godowns/ CAPs, shortfall in storage gains ranged from 0.01 *per cent* to 0.70 *per cent* during the period 2008-09 to 2012-13 as detailed in the *Annexure 3.5*. The loss on account of non achievement of storage gain amounted to ₹ 57.58 crore<sup>34</sup>, during the review period. The Corporation did not analyse reasons for non achievement of storage gain.

Similarly, it was noticed that during the review period foodgrain worth ₹ 33.92 crore was damaged due to water logging, inadequate storage arrangement and non-fumigation in time.

The MPSCSC had withheld payment of ₹ 10.92 crore on account of loss of storage gain and damaged stock, out of the amount payable to the Corporation during 2008-09 to 2012-13.

The Government stated (January 2014) that as per decision arrived in a meeting between the parties, MPSCSC should not have withheld amounts from storage charges bills against non-achievement of desired gain or storage loss due to damage of stock.

The reply however does not give reasons for non achievement of storage gains and damage of stock. Besides, both the entities are under the control of same administrative department i.e. Food, Civil Supplies and Consumer Protection, GoMP and therefore should have resolved the issue of payment after investigating reasons for shortfall in desired storage gain and damage of foodgrains.

### *Adoption of new pattern of storage of stacks*

**3.19** In view of growing problem of storing foodgrain due to increasing production, Food Corporation of India (FCI) came up with an experiment to store 181 MT of foodgrain in a stack instead of 150 MT. Finding favourable results,

<sup>34</sup> Loss = Quantity of shortfall in desired storage gain \* applicable rate of foodgrains

FCI instructed (21 April 2010) all its regional offices to adopt the storage in 181 MT stack.

**Imprudent decision to adopt new CAP covers resulted in loss of ₹ 4.22 crore.**

We however noticed that the Corporation did not follow this concept of utilising storage space though FCI had issued instructions in April 2010 for use of 181 MT stack in their regional offices. It indicates lack of coordination between the two public sector enterprises closely related in discharging their functions.

The Government stated (January 2014) that the Corporation came to know about the new concept in February 2012 only. The reply is not tenable as the Corporation even after becoming aware of the new concept in February 2012, continues to stack only up to 150 MT instead of 181 MT and thus incurs unnecessary expenditure annually on construction of temporary CAPs.

#### *Adoption of new kind of CAP covers*

**3.20** Up to 2011-12, the Corporation was using Low Density Polythene (LDPE) – Black polythene<sup>35</sup> as a CAP cover. Based on feedback from MARKFED, the Corporation planned to use 9,000 Multi layered cross laminated film CAP covers<sup>36</sup> against total requirement of 13,000 CAP covers. The Corporation placed order (April 2012) on firm M/s Supreme Industries Limited (Supreme) for supply of 5,000 Multi layered cross laminated film CAP covers at the rate of ₹ 9,791 per CAP cover and 4,000 CAP covers to Madhya Pradesh State Cooperative Marketing Federation (MARKFED) at the rate ₹ 10,151.70 per CAP cover.

In this connection, we observed as under:

1. The Corporation had already got rates (March 2012) from Supreme before awarding order (April 2012) to MARKFED. Therefore, there was no justification for awarding order at higher rate to MARKFED which also procured these CAP covers from the same firm resulting in extra cost of ₹ 14.43 lakh.
2. During 2012-13, 4550 numbers of CAP covers valued at ₹ 4.45 crore got damaged due to storm and rain. The Corporation had not maintained separate records for each supplier and as a result, could not identify number of CAP covers damaged with respect to each supplier. The Corporation withheld ₹ 2.95 crore from the payment of Supreme, while full payment was made to MARKFED. Further, damage to CAP covers also resulted in damage to foodgrains worth ₹ 3.88 crore as seen from records.
3. As per the purchase agreement, these CAP covers had one year guarantee. The Corporation did not initiate any action for getting the damaged covers replaced and instead got them repaired by the firm.

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<sup>35</sup> Size-32'X21'X17'

<sup>36</sup> Size-32'X21'X18'

4. The size of the CAP covers purchased by the Corporation was bigger than the standard size required for storage and this resulted in extra expenditure of ₹ 36.20 lakh<sup>37</sup>.
5. The Corporation incurred extra cost of ₹ 2.21 crore on purchase of multi layered CAP covers, when compared with the cost of LDPE covers.

Thus, due to the decision of large scale use of multi layered CAP covers, without any field trials in the first year, the Corporation had to bear a loss of ₹ 3.88 crore due to damage of foodgrains besides excess expenditure of ₹ 2.72 crore on purchase of the CAP covers.

The Government stated (January 2014) that the Corporation used Multi-Layered Cross Laminated Covers at the instruction of the State Government and it was more durable than LDPE. The Management further stated that due to its light weight (32 kg) the Corporation bought oversized covers to cover beneath the base. The reply is not acceptable as the Corporation used the new Multi-Layered Cross Laminated Covers at majority of places without examining suitability of its use, besides purchase at higher rate.

#### ***Procurement of LDPE black polythene for CAPs***

**3.21** As per the standards prescribed by Food Corporation of India (FCI), the weight of each LDPE black polythene cap cover should be 52 kg. The Corporation purchased LDPE covers each of 48 kg during 2008-09 to 2010-11 through Madhya Pradesh Laghu Udyog Nigam Limited (MPLUN). However, during 2011-12 and 2012-13, it purchased LDPE black polythene CAP covers of standard size<sup>38</sup> but of heavier weight viz. 55 kg. The details of purchase of the LDPE black polythene cap covers during 2011-12 & 2012-13 are given in the Table 3.2.

**Table-3.2**

Sl. No.	Year	Quantity of purchased LDPE (in Numbers)	Average rate (₹ per unit)	Excess expenditure <sup>39</sup> (Amount in ₹)
1	2011-12	5500	7627	2288100
2	2012-13	5510	7027	2111933
	<b>Total</b>	<b>11010</b>		<b>4400033</b>

The rates of polythene are proportional to its weight per unit. Therefore, due to purchase of heavier polythene compared to the standards set by FCI, the Corporation incurred avoidable expenditure of ₹ 44 lakh as detailed in the Table 3.2 above.

The Government stated (January 2014) that the overweight covers were supplied by the rate contract supplier of MPLUN. The reply is not tenable as the Corporation did not indicate standard weight of LDPE cover while placing order

<sup>37</sup> ML CAP cover size= 2\*18 (32+21)+(32\*21)=2580 cubic feet  
 LDPE cover size= 2\*17(32+21)+(32\*21)= 2474 cubic feet  
 Excess size= 2580-2474= 106 cubic feet  
 Excess payment =106\*(9791/2580)\*9000 CAP covers= ₹ 36.20 lakh

<sup>38</sup> Size: 32"x 21"x17".

<sup>39</sup> (Average rate/55)\*3kg \*Purchased quantity.



on MPLUN, resulting in procurement of heavier LDPE cover and avoidable extra expenditure.

### Financial/ budgetary management

**3.22** The financial position and working results of the Corporation for the last five years are given in *Annexure-3.6* and *Annexure-3.7 respectively*. The total income of the Corporation rose from ₹ 48.97 crore in financial year 2008-09 to ₹ 220.82 crore in financial year 2012-13. Profit before tax and after depreciation and land premium increased from ₹ 8.37 crore as on 31 March 2009 to ₹ 72.39 crore as on 31 March 2013. A review of financial position and working results for the years 2008-09 to 2012-13 shows following:

- Capital employed by the Corporation increased from ₹ 109.03 crore as on 31 March 2009 to ₹ 295.37 crore as on 31 March 2013. Income per rupee of capital employed ranged from ₹ 0.45 to ₹ 0.89 during the years 2008-09 to 2012-13.
- Expenditure of the Corporation to the total income decreased from 73 *per cent* during 2008-09 to 63 *per cent* during 2012-13.
- Income per metric tonne of storage increased from ₹ 350.54 during the year 2008-09 to ₹ 403.47 during 2012-13.

Issues relating to financial controls have been discussed in succeeding paragraphs:

- As per paragraphs 2.130 and 2.131 of MP Works Department Manual, a revised estimate must be submitted to the Competent Authority when the expenditure is likely to exceed the amount of the sanctioned estimate by more than 10 *per cent*. It further provides that any development of scheme found necessary while a work is in progress must be covered by a supplementary estimate and submitted to the sanctioning authority.

Payment for excess quantities and excess items made to contractor without approval of competent authority.

We noticed that actual executed quantities in respect of 11 works<sup>40</sup> exceeded the 10 *per cent* of the estimated quantities and payment for such excess quantities valued at ₹ 4.57 crore were made to contractor without approval of competent authority (*Annexure 3.4*).

We further noticed that in respect of 10 works<sup>41</sup>, extra items of works valued at ₹ 3.79 crore were executed without approval of the competent authority (*Annexure 3.4*).

The Government stated (January 2014) that since extra items executed as per site requirement and did not exceed 10 *per cent* of the estimated quantity, revised sanction was not required. The reply is not tenable as extra quantity cannot be executed without approval of the competent authority.

### Human resource management

**3.23** The sanctioned strength and the actual strength as on 01 April 2008 and 31 March 2013 is given in Table No.3.3.

<sup>40</sup> Seven convertible CAPs and four temporary pucca CAPs

<sup>41</sup> Three convertible CAPs and seven temporary pucca CAPs

**Table – 3.3**

Sr. No.	Category	As on 01.04.2008			As on 31.03.2013		
		Sanctioned Strength	Actual strength	Excess (+) /Shortage (-)	Sanctioned Strength	Actual strength	Excess (+) /Shortage (-)
1.	Group-I <sup>42</sup>	13	2	(-11)	13	3	(-10)
2.	Group-II <sup>43</sup>	35	13	(-22)	35	22	(-13)
3.	Group-III <sup>44</sup>	698	581	(-117)	693	566	(-127)
<b>Total</b>		<b>746</b>	<b>596</b>	<b>(-150)</b>	<b>741</b>	<b>591</b>	<b>(-150)</b>

Source: Information furnished by the management of the Corporation.

From the above, it may be seen that there was shortage of staff in all groups in the Corporation against sanctioned strength. It was observed that despite increase in activities of the corporation there was no significant change in sanctioned strength. Shortages as on 31 March 2013 in Group-I and Group-II cadre were 10 (77 per cent) and 13 (37 per cent) respectively, which indicates that important management control was lacking.

We further observed that:

- As per the guidelines for staffing pattern adopted (July 1986) by the Corporation, every branch/warehouse centre having storage capacity more than 10000 MT should be headed by a Sr. Assistant Manager/Superintendent/Manager. During 2012-13, 131 branches of the Corporation had storage capacity more than 10000 MT (75 branches had storage capacity more than 25000 MT) but only 3 branches were headed by Sr. Assistant Manager/Superintendent/ Manager. Remaining 128 branches were headed by Junior Superintendent, Joint Managers etc.
- Out of 101100 MT of wheat pertaining to MPSCSC stored in Piparia branch in 2010-11<sup>45</sup>, 51452.092 MT of wheat valued at ₹ 16.72 crore was damaged due to non-fumigation of stock owing to shortage of technical staff at the branches.

**Non-fumigation of wheat stock owing to shortage of staff resulted in damage of stock valuing ₹ 16.72 crore.**

### Monitoring and Internal Control Mechanism

**3.24** The Corporation has an internal audit wing consisting of only four staff which is not commensurate with the size, nature of activities and number of branch offices in the Corporation. We further noticed that Internal Audit staff was also engaged in preparation of accounts. The annual internal audit of the Corporation was being conducted by a firm of Chartered Accountants. Brief of Internal Audit Report/ physical verification reports were not being submitted to the Board of Directors of the Corporation for scrutiny and decision making.

<sup>42</sup>Secretary, Chief Engineer, General Manager (Accounts), General Manager (Commercial),General Manager (Personnel), General Manager (Audit), General Manager (Technical), Executive Engineer, Deputy General Manager (Accounts),Deputy General Manager (Technical), Deputy General Manager (General).

<sup>43</sup> Zonal Engineer, Assistant General Manager (Accounts), Assistant General Manager (Technical), Assistant General Manager (General), Manager (Technical), Manager (Law),Manager (Accounts),Manager (General),Manager (Information Technology).

<sup>44</sup> Joint Manager (Technical), Joint Manager (General), Joint Manager (Law), Joint Manager (Accounts), Junior Engineer, Stenographer, Steno-typist, Tracer, Internal Auditor, Senior Quality Control Assistant, Junior Quality Control Assistant, Assistant Accountant, Senior Assistant, Assistant, Junior Assistant (Accounts), Junior Assistant (General), Drivers.

<sup>45</sup> Open storage:11400 MT and closed storage: 93000 MT.

### ***Meetings of Executive Committee***

**3.25** Under Regulation 3(1) of the Madhya Pradesh State Warehousing Corporation Regulations and Section 42 of Warehousing Corporation Act, 1962, meeting of Executive Committee (EC) was required to be convened once in a month to review the functioning of the Corporation. Such meeting were not conducted by the Corporation since its establishment in 1958 till 2007. The issue was reported in the Audit Report (Commercial) 1999-2000, Government of Madhya Pradesh. Management in the meeting of the COPU assured (September 2004) to hold meetings of Executive Committee as per the Regulation.

We however noticed that only six meetings were conducted during 2008-09 to 2011-12 whereas no meeting was held in 2012-13 despite assurance given to COPU. Thus, monitoring system in the Corporation was weak.

### ***Lack of Monitoring Mechanism***

**3.26** Under Integrated Information System for Foodgrain Management (IISFM) project, the Food Corporation of India (FCI) provided in February and March 2008 Computer Systems (Hardware and Software) valued at ₹ 5.34 crore through National Informatics Centre for installation at 179 Branches/ Regional offices of the Corporation to enable them to give day to day closing position of stock at Warehousing Centres. As per agreement (October 2007) between FCI and the Corporation, it was the responsibility of the Corporation to get it resolved from National Informatics Centre (NIC) in case of any problem in software /hardware.

We noticed that the Computer Systems provided by the FCI could never be utilised due to some technical problems in the software relating to data entry. No concrete action was taken by the Management to resolve the problem in software either through NIC or any other private party. Thus, due to failure of the Management, the computer systems valued at ₹ 5.34 crore could not be utilised for intended purpose since its installation in March 2008. Thus, the objective of monitoring over the stock position could also not be fulfilled.

The Government stated (January 2014) that the official works were done on these computers and after arranging proper training to the Data Entry Operators data entry had been started at 138 locations out of 179 locations from September 2013.

The reply is not convincing as the Computer systems were meant to be utilised for IISFM which could not be started up to September 2013 due to delay in resolution of software problem despite receipt of Hardware & Software in March 2008.

### ***Non monitoring of achievement of desired moisture gain***

**3.27** The Ministry of Consumer Affairs, Food and Public Distribution, Government of India issued (October 2003) instructions to pass on storage gain in wheat due to absorption of moisture at the rate of one *per cent* and 0.70 *per cent* of quantity stored for covered godowns and open godowns/CAPs respectively to the procuring agency if handed over to them after 30 June every year. Though the storage gain was much less than the said norm during the years 2008-09 to 2012-13, the Corporation did not analyse reasons for non achievement of required storage gain due to absorption of moisture.

**Non-resolution of software problem of computer system valuing ₹ 5.34 crore resulted in non utilization of source for intended purpose.**

### ***Monitoring for renewal of land on lease***

**3.28** The Corporation acquires land from the State Government. The Corporation needs to execute lease deed in respect of land received and also requires renewal of lease deed on expiry of lease terms. No monitoring system was developed by the Corporation to ensure timely renewal of lease deed for land. In this regard, we further observed following lapses:

- As on March 2008, lease deeds at 19 locations had expired and were pending for renewal. During 2008-09 to 2012-13, lease deed for land at 48 more locations became due for renewal. But the Corporation did not initiate action for renewal of lease for land at those locations.
- At 102 locations of four Regional Offices<sup>46</sup> out of the eight Regional Offices, lease deed was not executed. In two cases<sup>47</sup>, land was in possession for more than 50 years. Whereas information in respect of remaining four regional offices was not made available to audit.

### ***Registration of the Corporation***

**3.29** Section 3 of the Warehousing (Development & Regulation) Act, 2007 stipulates that no person shall commence or carry out the warehousing business unless he has obtained a registration certificate in respect of concerned warehouse or warehouses granted by the Warehousing Development And Regulatory Authority. It further states that a person carrying on business immediately before the commencement of the Act (October 2007) shall be allowed to carry on such business, in case he had made an application for registration within 30 days from the date of such commencement.

We, however, found that the Corporation had so far not applied for registration under the Act for carrying out the warehousing business.

### ***Hiring of a godown***

**3. 30** The Branch Manager, Tendukheda hired (February 2010) a private godown, which had already stored CHANA DAL without obtaining required permission of the concerned Regional Manager.

We found that the Regional Manager failed to take notice of the fact of hiring of private godown without his approval in the reports of physical verification conducted in March 2010 and June 2010. This indicates lack of control and supervision by the Regional Manager. Incidentally, damage and shortage of stock in the said godown was noticed besides irregular issue of warehousing receipts by Branch Manager for grains which were already stored in the godown at the time of hiring.

The Government stated (January 2014) that the Corporation had adequate and effective system of inspection and supervision but sometimes such incident occurred due to carelessness of employees, for which disciplinary action was

**Lack of control and supervision by Regional Manger led to irregular hiring of godown.**

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<sup>46</sup> Jabalpur ,Sagar , Ujjain and Rewa.

<sup>47</sup> Satna (Gosala) and Ujjain.

initiated against concerned employees. The reply is not convincing to the extent that the Regional Manager failed to take notice of hiring of the godowns in discharging his supervisory functions.

### **Conclusion**

The Corporation has not prepared any long term plan to increase its share in storage capacity. MoUs with the State Government were signed at the end of the relevant financial years which included requirement of land but not entering into MOUs sufficiently in advance causing bottlenecks in construction of godowns. It increased its own storage capacity but its share in total storage capacity of the State had marginally decreased.

There were huge shortfall in construction of godowns against the target of creating additional storage capacity despite availability of funds, the Corporation had to award work of construction of godowns at higher cost due to non-finalisation of tender within validity period, delay in completion of works of convertible CAPs and pre-engineering godowns, resulted in loss of potential revenue.

Utilisation in respect of own godowns and JV godowns was less than the overall targets of utilisation. Food grain were stored in JV godowns despite availability of surplus storage capacity in own/ hired godowns causing loss of revenue to the Corporation. It did not analyse reasons for non-achievement of specified storage gain and damage of stock and take remedial action for that. New kind of CAP covers was purchased at higher rates at large scale without any field trials and purchase of heavier polythene cover for CAPs resulted in extra cost.

Execution of extra items and payment to contractor for quantities exceeding the estimated quantities of works were without approval of competent authority. There was shortage of staff in all the groups in the Corporation against the sanctioned strength.

Internal Audit Wing was not commensurate with the size, nature of activities and number of branch offices in the Corporation, Meetings of Executive Committee to review the functions of the Corporation, were not held as per the prescribed frequency, computer systems could not be utilised for monitoring due to not getting resolved the problems in software. No monitoring system was developed by the Corporation to ensure timely renewal of lease deed for land.

### **Recommendations**

The Corporation should consider to:

- Enter into MoUs with the State Government in advance to effectively plan and implement construction of godowns;
- Identify and resolve the problems in construction of godowns so as to augment its storage capacity in time bound manner;
- Increase utilisation of own/ hired godowns to avoid loss of revenue;
- Analyse reasons for non-achievement of specified storage gain and damage of stock and take remedial action for that; and
- Strengthen system of monitoring and internal control by ensuring regular meeting of Executive Committee and strengthening Internal Audit Wing.