Chapter-3
Audit of Transactions

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Audit of Transactions

Important audit findings emerging from test check of transactions made by the State Government companies and Statutory corporations have been included in this chapter.

Government companies

Punjab State Power Corporation Limited

3.1 Avoidable payment of inspection charges to the Employees' Provident Fund Organisation

Wrong interpretation of the provisions of the EPF and Misc Provisions Act, 1952 and subsequent non compliance to the instructions of the Company resulted in avoidable payment of inspection charges amounting to ₹ 1.06 crore.

Audit noticed that the Company was paying inspection charges at the rate of 0.18 *per cent* of the salary of regular employees to Employees' Provident Fund Organisation (EPFO) every month whereas such inspection charges were not required to be paid by those establishments which had obtained exemption in accordance with Section 17 of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (Act). Since the Act itself was not applicable in respect of regular employees of the Company, such inspection charges were not payable to the EPFO. On being pointed out (September 2010) by Audit, the Company issued (July 2011) instructions that the inspection charges were not to be paid to the EPFO on salary of regular employees of the Company.

25 divisional offices of the six Distribution Circles, as detailed in ***Annexure-9***, paid ₹ 80.87 lakh to the EPFO as inspection charges. Further, 19 divisional offices continued to pay these inspection charges even after issue of instructions (July 2011) to stop payment thereof and during August 2011 to February 2013, paid ₹ 24.76 lakh to the EPFO on this account.

Thus, payment of inspection charges without ensuring the applicability of the Act to the Company in the first instance and subsequent non compliance to the instructions by the field units resulted in avoidable payment of inspection charges amounting to ₹ 1.06 crore.

The matter was reported to the Government (June 2013), their reply was awaited (November 2013).

3.2 Extra expenditure on the procurement of energy meters

Non conducting of tamper test of sample meters adhering to prescribed procedure and in accordance with tender specifications in the first instance resulted in avoidable expenditure of ₹ 1.45 crore.

The Punjab State Power Corporation Limited (Company) invited (December 2011) tenders for the procurement of 8 lakh single phase energy meters. The Technical bids of all the 13 participating firms were opened on 7 March 2012 and their sample meters were tested (20-28 March 2012) in ME. Lab, Ludhiana by the Sample Testing Committee (STC), constituted with the approval of Director (Distribution). Meters of eight firms[1] were found conforming to tender specifications including the tamper test[2]. Price bids of seven eligible firms[3] were opened on 21 May 2012 and M/s Avon Meters Private Limited, Derabassi was found to be the lowest (L_1 Firm) at Free on Rail (FOR) destination price of ₹ 559.22 per meter.

The Company found that the tamper test of meters was not conducted in the manner prescribed in tender conditions and decided to go in for re-test of sample meters. The concerned firms were intimated (7 June 2012) which was objected to by the L_1 firm and threatened with litigation. The issue was referred (June 2012) to the Whole Time Directors (WTDs) of the Company who decided (July 2012) to go for re-tendering.

Tenders for the above mentioned 8 lakh energy meters were reinvited (July 2012). Technical bids of all the 12 participating firms were opened on 27 August 2012. Price bids of only seven firms[4] whose sample meters were found conforming to tender specifications including the tamper test, opened on 27 September 2012 and M/s. Avon Meters Private Limited, Derabassi, reemerged as L_1 bidder at FOR destination price of ₹ 597.09 per meter. After negotiations, Avon Meters Private Limited offered a discount of ₹ 6 per meter in the basic price and the FOR destination price was reduced to ₹ 589.93 per meter. Finally, CE (Metering) placed (12 October 2012) three purchase orders on three firms: Avon Meters Private Limited, Derabassi (5 lakh meters); Flash Electronics (India) Private Limited, Faridabad (2 lakh meters) and Mahashakti Energy Limited, Bathinda (1 lakh meters) for the procurement of 8 lakh meters at L_1 rate of ₹ 589.93 per meter.

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1 Avon Meters Private Limited, Derabassi; Capital Power Systems Limited, Noida; Flash Electronics (India) Private Limited, Faridabad; Mahashakti Energy Limited, Bathinda; Allied Engineering Works, Delhi; Genus Power Infrastructures, Jaipur, L&T Limited, Chandigarh and Genus Innovation Limited, Jaipur.

2 Tamper test is a test conducted to check that meter is capable of recording correct energy within the permissible limits of error.

3 On the basis of works appraisal, one firm, Genus Innovation Limited, Jaipur was rejected.

4 Allied Engineering Works Private Limited, Delhi; Avon Meters Private Limited, Derabassi; Capital Power Systems Limited, Noida; Flash Electronics (India) Private Limited, Faridabad; HPL Electric & Power Private Limited, New Delhi; Himachal Energy Private Limited, Shavela, Solan and Mahashakti Energy Limited, Bathinda.

Audit observed that non conducting of tamper test of sample meters in accordance with tender technical specifications in the first instance led to re-tendering and resulted in extra expenditure of ₹ 30.71 (₹ 589.93 - ₹ 559.22) per meter and caused avoidable expenditure of ₹ 1.45 crore (after excluding impact of changes in VAT rates) based on actual supply of 5.20 lakh energy meters till 29.05.2013.

The Management stated (April/September 2013) that the WTDs had taken appropriate decision for re-tendering to avoid any litigation and increase in prices after re-tendering was due to procurement of energy meters of technically superior quality as compared to previous tenders. The reply of the Management is not justified as non conducting of tamper test of sample meters in accordance with tender technical specifications led to the decision to retender and purchase at higher rates. There was no substantial change in technical specifications of two tender enquiries whereby it can be concluded that energy meters procured after re-tendering were of technically superior quality.

The matter was reported to the Government (June 2013) their reply was awaited (November 2013).

3.3 Working of pole manufacturing workshops

Failure of the Company to evolve ways and means for optimum utilisation of installed capacity of its workshops, non recovery of penalty from the contractor and non availing of CENVAT credit resulted in financial loss of ₹ 3.83 crore.

For meeting its demand of Pre-stressed Cement Concrete (PCC) poles, Punjab State Power Corporation Limited[5] (Company) established a workshop each at Mohali (October 1981), Muktsar (January 1985) and Sarna (October 2005) for manufacture of Pre-stressed Cement Concrete (PCC) poles. The extra requirement beyond own production capacity was met by purchases from the market through tendering by Chief Engineer (Material Management).

Performance of workshops was assessed in the Report of the Comptroller and Auditor General of India (Commercial), Government of Punjab for the year ending 31 March 2005. While discussing this report, Committee on Public Undertakings expressed (November 2010) its concern at the short production and purchases made from the open market and directed the Company to utilise its resources optimally. During 2010-13, the Company against the assessed requirement of 8.72 lakh 9 meter PCC poles (2010-11: 2.85 lakh, 2011-12: 3.14 lakh and 2012-13: 2.73 lakh), manufactured 4.09 lakh poles in its workshops and purchased 2.91 lakh poles from the market. Audit assessed the performance of pole manufacturing workshops for this period i.e. April 2010

[5] Erstwhile Punjab State Electricity Board

to March 2013 during March to June 2013. The audit observations are discussed in succeeding paragraphs:

3.3.1 Production performance and cost of manufacture of poles vis-à-vis market price

The job of manufacturing of poles was being done on contract basis under the supervision of workshop staff of the Company. Basic infrastructure and material like cement and steel was provided by the Company. Labour and other material like sand and bajri was arranged by the Contractor. The table below indicates the installed capacity, targets of production, actual production, cost of production vis-à-vis market price per pole during 2010-13:

Table 3.1

Year	Installed capacity[1]	Production targets	Actual production	Shortfall in actual production to				Actual cost per pole	Market price[7] Per pole
				Installed capacity		Production targets			
	No. of poles	No. of poles	No. of poles	No. of poles	*Per cent*	No. of poles	*Per cent*	₹	₹
Mohali Workshop									
2010-11	81,840	69,600	39,334	42,506	52	30,266	43	1,755.41	1,729.00
2011-12	81,840	69,600	54,698	27,142	33	14,902	21	1,730.83	1,913.00
2012-13	81,840	69,600	31,368	50,472	62	38,232	55	1,994.20	1,953.00
Muktsar Workshop									
2010-11	62,040	49,950	51,376	10,664	17	-	-	1,789.18	1,729.00
2011-12	62,040	53,500	63,472	-	-	-	-	1,865.93	1,913.00
2012-13	62,040	51,440	57,080	4,960	8	-	-	1,988.32	1,953.00
Sarna Workshop									
2010-11	52,200	44,400	33,440	18,760	36	10,960	25	1,826.04	1,729.00
2011-12	52,200	44,400	34,672	17,528	34	9,728	22	1,965.00	1,913.00
2012-13	52,200	44,400	43,556	8,644	17	844	2	1,943.65	1,953.00
Total			**4,08,996**	**1,80,676**					

Scrutiny of the above table showed that:

- Installed capacity of workshops was not used optimally and remained underutilised in respect of all the workshops during all the three years (except 2011-12 in case of Muktsar). Management stated (October 2013) that by considering weekly off days (52 days) and holidays in accordance with Negotiable Instrument Act (3 days), the actual production equal to installed capacity could not be achieved. Reply is not justified as installed capacity has been fixed on the basis of 335 working days to meet out the contingency on account of holidays in accordance with Negotiable Instrument Act, rain, storm etc. Further, the work was conducted through contractor who was free to employ any number of labourers to arrange weekly offs on rotational basis.

[6] Installed capacity is based on 335 working days per annum fixed by the Chief Engineer (Civil Design & Construction).

[7] Market Price per pole is as per Management Information Reports.

- Production targets were fixed less than the installed capacity. In case of Mohali and Sarna workshops, even production targets fixed by management itself were not achieved. The reasons for shortage of production were shortage of labour, rain and storm etc. wherever recorded. In most of cases, reasons for shortage of production were not recorded.

- Actual cost per pole was more than the market price per pole in most of the cases. However, it would be seen that whenever the production increased, actual cost per pole tend to decrease. Apparently, actual cost per pole was higher mainly due to under absorption of fixed cost due to under utilisation of installed capacity.

An analysis of fixed cost absorbed on the basis of actual production vis-à-vis targets fixed and total installed capacity during last six years is given in ***Annexure-10***. Scrutiny of the **Annexure** showed that had the Company achieved the targets, fixed cost per pole could have been reduced by ₹ 0.11 to ₹ 123.16 per pole in case of full utilisation of the installed capacity, it could have been reduced by ₹ 6.64 to ₹ 138.27 per pole. The Company had never made such type of cost benefit analysis. It did not consider the desirability to evolve ways and means for optimum utilisation of installed capacity of its workshops and resorted to purchase of PCC poles from the market. The Company purchased 2.91 lakh poles from the market during 2010-13. Above table revealed that in case of full utilisation of the installed capacity, 1.81 lakh poles could have been manufactured in its own workshops. Due to the purchase of these poles from the market, the Company had to incur extra expenditure of ₹ 3.58 crore.[8]

3.3.2 Non recovery of penalty

As per terms and conditions of the contracts, for shortage of production, the contractors were liable to pay a penalty of an amount equal to one and half per cent of the estimated cost of the whole work for every week subject to a maximum of five per cent of the estimated or actual cost of work whichever was higher. In case of Mohali and Sarna workshops, production was less than the targets fixed. Penalties of ₹ 21.92 lakh were imposed on the contractors and only an amount of ₹ 9.90 lakh was recovered. As regards less recovery the Company replied that less production was due to non availability of sand/ bajri consequent to ban on mining of approved quarries by Punjab and Haryana High Court. The Company reply is not justified because in Muktsar the contractor had achieved the full targets.

[8] Worked out on the basis of difference between market price per pole and the variable expenditure to manufacture such pole

3.3.3 Non maintenance of proper records of consumption of materials

The Company approved (November 2007) the norms for consumption of various materials for manufacture of poles. Consumption of raw materials was being accounted for in the stock registers on normative basis and not on actual consumption basis. As per Material Accounting Manual of the Company, physical verification of stocks was required to be conducted at least once in a year. Audit, however, noticed that physical verification of stock was not conducted at regular intervals. Physical verification was conducted only in respect of Pilot Workshops at Sarna and Mohali during 2011-12.

Due to non maintenance of records on actual consumption basis coupled with non conducting of physical verification at regular intervals, proper utilisation and non-pilferation of material could not be ensured.

3.3.4 Non availing of CENVAT credit on production of poles

As per the provisions of Central Excise Act, 1944, Pole manufacturing workshops were eligible to take credit of excise duty (CENVAT Credit) paid on the raw materials like cement and steel procured from outside. To avail CENVAT credit of excise duty paid, original excise duty documents along with certificates that requisite excise duty had been paid to the excise department were necessary.

During December 2010 to April 2013, the Pilot Workshops lifted 216.896 MT GMS wire valuing ₹ 1.16 crore (Mohali: 57.480 MT, Muktsar: 101.902 MT and Sarna: 57.514 MT) from various Central Stores of the Company. Audit noticed that documents regarding payment of excise duty at the time of procurement of GMS wire were not provided to the workshop authorities. The workshops, therefore, could not avail CENVAT credit of excise duty of ₹ 12.53 lakh. Management replied (October 2013) that huge stock of wire procured by CE/MM was lying in Central Store which was diverted to workshops. Reply is not acceptable as documents should have been arranged in the name of workshops to get the CENVAT credit.

Failure of the Company to evolve ways and means for optimum utilisation of installed capacity of its workshops and resorting to purchase of PCC poles from the market, non recovery of penalty from the contractor and non availing of CENVAT credit resulted in financial loss of ₹ 3.83 crore.

Audit recommends that the Company should evolve ways and means to achieve optimal utilisation of the installed capacity of its pole manufacturing workshops.

The matter was reported to the Government (July 2013), their reply was awaited (November 2013).

3.4 Non realisation of subsidy on account of waiver of electricity bills

Non compliance with provisions of the Electricity Act, 2003 in waiver of electricity bills of domestic supply consumers of 367 flood affected villages of four districts resulted in non realisation of subsidy of ₹ 9.32 crore coupled with loss of interest amounting to ₹ 1.86 crore.

Punjab State Power Corporation Limited (Company), taking notice of the announcement made by the Chief Minister, waived electricity bills for two months i.e. August 2011 and September 2011 amounting to ₹ 9.32 crore[9] (excluding electricity duty) of 1.23 lakh domestic supply (DS) consumers of flood affected villages of the districts of Mukatsar, Fazilka, Tarn-Taran and Amritsar. The Company addressed (December 2011) the State Government for giving in writing to Punjab State Electricity Regulatory Commission (PSERC) for providing and granting subsidy to the Company on account of waiver of electricity bills of flood affected villages under Section 108 of the Electricity Act, 2003. But, despite repeated reminders, the Company failed to elicit requisite subsidy and written concurrence of the State Government in this regard even after lapse of more than one year.

Audit observed (October 2012) that the action of the Company to waive the electricity bills without obtaining formal/ written directions of the State Government and also without approval of PSERC was not compliant with provisions of the Act. This resulted in non realisation of ₹ 9.32 crore on account of subsidy due to waiver of the electricity bills coupled with loss of interest amounting to ₹ 1.86 crore[10].

The Management while admitting the facts stated (January 2013) that matter of reimbursement has been taken up with the State Government and their decision was awaited.

Audit recommends that in order to safeguard its financial interest, the Company should not take decisions like waiver of electricity bills without obtaining formal/written directions of the State Government. The State Government may also consider to reimburse the amount to the Company.

The matter was reported to the Government (March 2013), their reply was awaited (November 2013).

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[9] Details supplied by the Company.

[10] Worked out at the rate of 10 *percent* per annum for two years

3.5 Loss of revenue due to excessive energy losses on independent feeders

Inaction on the part of divisional authorities of PSPCL to check excessive energy losses in respect of independent feeders resulted in revenue loss of ₹ 6.18 crore.

The instructions issued (March 1987) by the erstwhile Punjab State Electricity Board {now Punjab State Power Corporation Limited (PSPCL)} require that in case of independent feeders[11], the energy consumption recorded by a meter installed at the consumer's premises should be compared by the sub divisional officers/divisional officers with the energy consumption shown by the metering equipment installed at the feeding Substation. The energy consumption recorded by the two meters should reasonably compare except for losses in the feeder. In case wide variation in consumption pattern is observed then the reasons for wide variations should be examined and remedial measures taken to avoid revenue losses on account of excessive energy losses. 11 KV independent feeders to individual consumers come under the category of "transformation to intermediate voltage level transmission system and step down to sub-transmission voltage level". Punjab State Electricity Regulatory Commission had not prescribed norms for line losses in respect of independent feeders. However, according to recommendations of Central Electricity Authority and various research institutes like "The Energy and Resources Institute (formerly known as Tata Energy Research Institute)", line losses under this category normally range between 1.5 and 3.0 *per cent*. In the neighbouring State of Haryana, Haryana Electricity Regulatory Commission (Duty to supply electricity on request, Power to recover expenditure incurred in providing supply & Power to require security) Regulations, 2005 do not provide[12] for any line losses in respect of independent feeders to individual consumers.

During the scrutiny of records of eight divisions for the period of April 2010 to March 2013, it was noticed that in case of 39 out of 60 independent feeders to individual consumers of four operation divisions[13] as detailed in ***Annexure-11***, line losses i.e. the variations between energy consumption recorded by a meter installed at the consumer's premises and meter installed at the feeding Substation ranged between 3.03 and 18.48 *per cent* i.e. even much above the maximum limit of three *per cent*.

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11 "Independent Feeder" means a feeder emanating from a Substation, for supply of electricity to a single consumer, or, a group of consumers having similar process on the same or contiguous premises.

12 In case of a consumer, who on his own, requests for supply of electricity through independent feeder, will be billed as per the joint meter reading, by consumer and the licensee, of the meter placed at the Substation from where the independent feeder is emanating. Installation of metering arrangements at the consumer end would be optional.

13 Focal Point (Special) Operation Division, Ludhiana, Operation Divisions of Goraya, Lalru and Mohali

Audit observed that in spite of wide variation in the consumption pattern of independent energy feeders, the divisional authorities had neither analysed the reasons thereof nor taken any remedial measures to arrest excessive energy losses. Inaction on the part of divisional authorities of PSPCL to check excessive energy losses, resulted in revenue loss of ₹ 6.18 crore (calculated after allowing maximum permissible limit of line losses of 3 *per cent*) in respect of independent feeders.

Audit recommends that the Company should take remedial measures to arrest excessive energy losses on independent feeders and should also approach the State Electricity Regulatory Commission to frame norms in this regard.

The matter was reported to the Government and the Company (April 2013), their replies were awaited (November 2013).

3.6 Blockade of Funds

Purchase of rails in advance with the borrowed funds from REC without proper planning and co-ordination resulted in blockade of funds of ₹ 7.13 crore coupled with consequential loss of interest of ₹ 1.30 crore.

The railway track constructed during 1980-81 from Roopnagar to Guru Gobind Singh Super Thermal Plant (GGSSTP) was required to be renewed as it had outlived its life. Rural Electrification Corporation (REC) sanctioned (October 2009) a loan of ₹ 15.16 crore representing 90 *percent* of the expenditure to be incurred on the replacement at the rate of interest of 11.50 *percent* per annum. A Purchase Order (PO) was placed (October 2010), on M/s Steel Authority of India Limited (SAIL) for supply of 1,129 MT of Grade 880 prime quality rails at a total cost of ₹ 7.27 crore and the entire payment was made on 21 December 2010. M/s SAIL supplied 1,106.23 MT (January 2011) of rails amounting to ₹ 7.13 crore and refunded (21 February 2011) ₹ 13.49 lakh for the non supply of remaining quantity of rails.

Meanwhile, the Company initiated (December 2010) the work of inviting the tenders for the execution of Complete Track Renewal (CTR) work. The work order for CTR was finalised (September 2012) at a total cost of ₹ 7.24 crore (₹ 5.93 crore for supply of material and ₹ 1.31 crore for civil work) with a completion time of 12 months.

The Company procured (February 2011) the rails amounting to ₹ 7.13 crore much before the finalisation of the contract for the execution of CTR work which remained unutilised for a period of 19[14] months. Thus, this improper planning in the procurement of rails being not in tandem with execution of CTR work resulted into the blockade of funds of ₹ 7.13 crore coupled with

[14] From 14 February 2011 (receipt of material in stores of PSPCL) to 18 September 2012 (allotment of work)

consequential loss of interest of ₹ 1.30 crore (worked out at the rate of 11.50 *percent* per annum for 19 months).

The Management stated (October 2013) that there was no ill planning as parallel action was initiated for finalisation of contract for the execution of CTR work alongwith procurement action of rails. Only the compelling circumstances led to the unwanted delay and there was no financial loss to the Company. Reply is not acceptable as the procurement of rails being not in tandem with execution of CTR work resulted in blockade of funds.

The matter was reported to the Government (July 2013), their reply was awaited (November 2013).

Punjab State Warehousing Corporation, Punjab State Civil Supplies Corporation Limited and Punjab State Grains Procurement Corporation Limited

3.7 Loss due to allotment of paddy in violation of Custom Milling Policy

Allotment and storing of paddy with the miller by the procurement agencies in multiple violations of Custom Milling Policy caused financial loss of ₹ 59.10 crore.

State procuring agencies procure paddy from mandis for Central Pool on behalf of Food Corporation of India (FCI) and get it milled from the allotted millers according to Custom Milling Policy (CMP) of the concerned year for onward delivery of rice to FCI.

2.16 lakh MT of paddy was stored with miller at various premises as detailed below during Kharif Marketing season (KMS) 2009-10:

Table 3.2

Name of procurement agency	Local paddy against allotment of milling capacity MT	Paddy transferred from other districts on cash security basis MT	Total paddy stored with the miller MT
MARKFED[15]	23,266	28,189	51,455
PSWC	9,931[16]	35,223	45,154
PUNSUP	18,424[17]	42,801	61,225
PUNGRAIN	Nil	57,716	57,716
Total	**51,621**	**1,63,929**	**2,15,550**

15 Not under our audit jurisdiction

16 Miller complex: 728 MT. Tehsil complex: 6,281 MT and Ranwan complex: 2.922 MT

17 Miller complex: 2,353 MT, Tehsil complex: 8.716 MT, Ranwan complex: 4,261 MT and Satwant complex: 3,094 MT

The paddy stored with the miller was required to be milled by 31 March 2010 which was subsequently extended upto 15 July 2011. The miller failed to mill the entire paddy by the stipulated date. A large quantity of 17,686 MT of local paddy (PSWC: 1,615 MT and PUNSUP: 16,071 MT) and 38,281 MT of paddy transferred from other districts (PSWC: 18,148 MT, PUNSUP: 9,711 MT and PUNGRAIN: 10,422 MT) was lying unmilled even after expiry of extended date of 15 July 2011.

Scrutiny of the record showed that:

(i) PSWC stored 9,931 MT of local paddy with the miller without any agreement as well as without any cash security, whereas CMP for KMS 2009-10 provided that in any case no paddy was to be stored with the miller till the execution of the agreement.

(ii) PUNSUP stored 16,324 MT (18,424-2,100), over and above the permissible quantity of 2,100 MT against the allotted milling capacity without obtaining any cash security from the miller.

(iii) Both, PSWC and PUNSUP also failed to obtain any receipts from the miller in token of paddy stored in joint custody with the miller.

(iv) Though, 1,63,929 MT surplus paddy of other districts was stored with the miller against cash security of ₹ 7.82 crore deposited with PUNGRAIN (nodal agency in this regard) but it was without any agreement as required in CMP.

(v) Physical verifications of paddy stocks were not being conducted as the companies jointly stated that the miller has never permitted the agencies to conduct physical verification. Release orders for milling of paddy were not being released. Hence milling operations were not being monitored properly.

(vi) When the District administration Fatehgarh Sahib directed (August 2010) that paddy of PSWC, PUNSUP and MARKFED stored at the Ranwan Complex, be shifted to some other place, the procuring agencies did not initiate any action to shift the paddy on the plea that the paddy had been allocated to the miller and it was for the miller to shift the paddy. The District Administration removed (December 2010) the paddy with JCB machines causing extensive damage. The damaged paddy was disposed off through auction process in April/May 2012 and the PSWC and PUNSUP suffered a loss of ₹ 24.76 crore in the process in addition to loss of ₹ 6.13 crore on account of shortage found at the time of auction, as detailed in ***Annexure-12,*** besides loss of interest of ₹ 8.89 crore[18]. PUNGRAIN has initiated

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[18] Unmilled paddy of 45,545 MT (PSWC: 1,615 MT of local paddy and 18,148 MT of paddy transferred from other districts and PUNSUP: 16,071 MT of local paddy and 9,711

arbitration proceedings to recover loss of ₹ 19.32 crore from the miller.

(vii) The cash security was required to be refunded after completion of milling. However, PUNGRAIN, released (March-June 2010) cash security of ₹ 7.82 crore without ascertaining the status of milling and even without taking consent of concerned procuring agencies.

Audit observed that multiple violations of Custom Milling Policy- caused financial loss of ₹ 59.10 crore[19]. Further, releasing of cash security of ₹ 7.82 crore by PUNGRAIN in violations of CMP deprived the procuring companies of even the opportunity of partial recoupment of loss.

In their reply, PUNSUP and PSWC stated (June 2013/July 2013) that the matter regarding the execution of contracts, issuing of receipts in token of storing of paddy in joint custody and depositing of cash security for local paddy allotted over and above the permissible limits was taken up with higher authorities of F&SD but no corrective action was initiated against the miller to safeguard the financial interest of the procuring companies. The reply of the two agencies was not acceptable as multiple violations of CMP by them and non securing of their own interests gave the miller a chance to inflict a loss so much so that they could not even prove the entrustment of paddy stocks to the miller. PSWC further stated that recovery suit of due amount recoverable from the miller has been filed. PUNSUP stated that a revised claim is being prepared for filing before the Sole Arbitrator. Further developments were awaited (November 2013).

The matter was reported to the Government and PUNGRAIN (May 2013), their replies were awaited (November 2013).

Punjab State Warehousing Corporation, Punjab Agro Foodgrains Corporation Limited, Punjab State Grains Procurement Corporation Limited and Punjab State Civil Supplies Corporation Limited

3.8 (a) Remittances of sale proceeds to cash credit accounts

Delay in remittance of sale proceeds of foodgrains to cash credit accounts caused avoidable loss of interest of ₹ 4.66 crore.

The State Government procures foodgrains (wheat and paddy) for the Central Pool through its five procuring agencies[20]. For procurement of these

MT of paddy transferred from other districts) x ₹ 12,243.80 (Rate of paddy per MT as per Custom Milling Policy) x 17 Months (November 2010 to March 2012) x 11.25 per cent (rate of interest as per CMP)

[19] ₹ 24.76 crore + ₹ 6.13 crore + ₹ 8.89 crore + ₹ 19.32 crore

[20] Punjab Agro Foodgrains Corporation Limited (PAFCL), Punjab State Grains Procurement Corporation Limited (PUNGRAIN), Punjab State Civil Supplies Corporation Limited (PUNSUP), Punjab State Warehousing Corporation (PSWC) and Punjab State Cooperative Supply and Marketing Federation Limited (Markfed).

foodgrains, the State Government, with the authorisation from the Reserve Bank of India and consent of Government of India, avails cash credit limits (CCL) from the State Bank of India (SBI). The State Government further allocates CCL so sanctioned to all the procuring agencies on the basis of procurement targets fixed by it. Procuring agencies avail CCL on the basis of actual procurement of foodgrains. SBI releases the CCL to the procuring agencies against hypothecation of foodgrain stocks and guarantee given by the State Government. Crop wise new CCL account is opened with the SBI by each agency which is operative up to the end of procurement season. All expenses on account of procurement and storage of foodgrains during the season are met from this account and the sale proceeds of the same received from the Food Corporation of India (FCI) are credited into the respective crop CCL account.

FCI credits all payments on account of dispatches of foodgrains (wheat and rice) in current accounts of respective District Manger(s) of procuring agencies, who after maintaining the required minimum balance in the current accounts transfer the balance to CCL accounts.

Test check of bank statements of CCL accounts of six district offices[21] for the period April 2010 to March 2013 of all the four[22] procuring agencies, showed that there was a delay ranging between 1 and 39 days[23] in transfer of sale proceeds of ₹ 0.48 lakh to ₹ 74.62 crore[24] to the respective CCL accounts, causing avoidable loss of interest of ₹ 4.66 crore.

It was noticed that PUNGRAIN had initiated action to check avoidable loss of interest and opened single crop collection current account (crop wise) and requested (June 2011) the General Manager, FCI, Punjab to direct its district offices to credit the amount of sale proceeds against the delivery of foodgrains in the respective crop collection current account. It also issued (June 2011) standing instructions to the SBI to transfer/credit these sale proceeds to the respective CCL accounts after maintaining the required minimum balances in the respective crop collection current accounts. Audit, however, observed that this system was not implemented fully by its field offices.

While accepting the contention of audit, PAFCL and PUNSUP have stated (August 2013) that now the district offices have been directed to ask FCI to remit the funds directly in the current account opened in SBI at head offices.

The matter was reported to the Government and Punjab State Warehousing Corporation (August 2013), their replies were awaited (November 2013).

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[21] Amritsar, Sangrur, Ferozpur, Ludhiana, Patiala and Bhatinda

[22] Markfed is not under our audit jurisdiction

[23] PAFCL 1 to 16 days, PUNGRAIN 1 to 39 days, PSWC 1 to 13 days and PUNSUP 1 to 12 days

[24] PAFCL ₹ 1.01 lakh to ₹ 22.16 crore, PUNGRAIN ₹ 0.48 lakh to ₹ 74.62 crore, PSWC ₹ 0.80 lakh to ₹ 22.34 crore and PUNSUP ₹ 5.04 lakh to ₹ 23.50 crore

3.8 (b) Loss of interest due to delays in claiming of incidentals

Delay in recovery of incidental charges of ₹ 159.20 crore and non recovery of bonus and incidental charges of ₹ 18.73 crore resulted in loss of interest of ₹ 6.30 crore.

The district offices of the procuring agencies were required to prepare and raise the sale bills and claim the reimbursement of full cost of wheat i.e. minimum support price (MSP), bonus and other incidental charges[25] from the FCI within one day from receipt of the dispatch documents of delivery of wheat to them from the field officers.

During scrutiny of records of four procurement agencies[26] we observed that these district offices did not claim the full amount of MSP, bonus and incidentals charges in the sale bills lodged with FCI. In respect of crop year 2010-11, 2011-12 and 2012-13, the district offices failed to claim incidental charges in the sale bills lodged with FCI for 12.25 lakh MT of wheat delivered. District offices raised the supplementary claims of ₹ 171.29 crore for the same after delays ranging between 1 and 1,037 days[27], out of which ₹ 159.20 crore[28] had been received. The delay in claiming of incidentals resulted in consequential loss of interest of ₹ 4.81 crore (PAFCL ₹ 0.31 crore, PUNGRAIN ₹ 1.77 crore, PUNSUP ₹ 1.08 crore and PSWC ₹ 1.65 crore) as detailed in ***Annexure-13***. Remaining payment of ₹ 12.09 crore against the above supplementary bills has not been received till March 2013, resulting in further loss of interest of ₹ 25.36 lakh.

Further, district office Patiala of PSWC and district office Ludhiana of PAFCL failed to raise the supplementary bills of bonus and wheat incidentals amounting ₹ 6.64 crore[29] till March 2013, resulting in loss of interest of ₹ 1.24 crore[30].

Delay in claiming bonus and incidental charges resulted in late recovery of incidental charges of ₹ 159.20 crore and non recovery of bonus and incidental

[25] Statutory charges (Market fee, Rural Development Cess, Infrastructure Development Cess, Value Added Tax), Dami/ Arthiya commission, Mandi Labour Charges, Transportation and handling charges, custody and Maintenance charges, interest charges, Cost of gunny bags etc.

[26] Punjab State Warehousing Corporation (PSWC), Punjab Agro Foodgrains Corporation Limited (PAFCL), Punjab State Grains Procurement Corporation Limited (PUNGRAIN), and Punjab State Civil Supplies Corporation Limited (PUNSUP)

[27] Calculated from the 16th of the month in respect of sale bills lodged during 1st to 15th of the month and from 1st of the succeeding month in respect of sale bills lodged during 16th to the last day of the month.

[28] PAFCL ₹ 17.40 crore, PUNGRAIN ₹ 53.18 crore, PUNSUP ₹ 45.01 crore, PSWC ₹43.61 crore

[29] PSWC: bonus ₹ 1.58 crore and incidentals ₹ 3.20 crore and PAFCL: bonus ₹ 1.86 crore

[30] PSWC: ₹ 0.92 crore and PAFCL: ₹ 0.32 crore

charges of ₹ 18.73 crore (₹ 12.09 crore + ₹ 6.64 crore) and consequential loss of interest of ₹ 6.30 crore[31] (₹ 5.06 crore + ₹ 1.24 crore).

PAFCL stated (August 2013) that final rates of incidentals are yet to be finalised by the GOI and revised bills would be raised on the receipt of final rates from GOI. Further, complete bills were not raised as per the directions (verbal) of FCI. The reply was not acceptable as the Company was required to claim the bonus and incidental charges in the sale bills lodged with FCI after delivery of wheat to avoid loss of interest as payment against cash credit is made only after the reimbursement is received from the FCI. Further, there were no written instructions/ directions from the FCI regarding raising of partial bills.

The matter was reported to the Government and to other three procurement agencies (April 2013), their replies were awaited. (November 2013).

3.9 Procurement and distribution of gunny bags

Failure of the Company to introduce an effective monitoring system for the procurement of gunny bales and non evolving a crop year wise time bound programme for reconciliation of advance payments resulted in financial loss of ₹ 29.15 crore.

The Director, Food, Civil Supplies and Consumer Affairs, Punjab, (DFSC) places the consolidated indent on behalf of all the five[32] State foodgrain procuring agencies with the Director General of Supplies and Disposals, Kolkata, (DGS&D) for the supply of gunny bales, after receipt of advance payment from the procuring agencies (arranged on cash credit limit from banks). DFSC, while placing the indent on DGS&D, intimate the monthly schedule of supply of gunny bales along with the name of rail heads where the gunny bales are required by the procurement agencies. DGS&D, Kolkata places the supply order on the rate contract firms who deliver the gunny bales directly to the District Managers (DMs) of the concerned agencies at the rail heads intimated to them in advance.

Scrutiny of records of five[33] district offices of the four[34] procurement agencies showed the following irregularities:

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[31] Interest calculated at the cash credit rates. for the crop year 2010-11 at the rate of 11.25 *per cent*. for crop year 2011-12 at the rate of 11.60 *per cent* and for crop year 2012-13 at the rate of 12.70 *per cent*.

[32] Punjab State Civil Supplies Corporation Limited, Punjab State Warehousing Corporation, Punjab State Grains Procurement Corporation Limited, Punjab Agro Foodgrains Corporation Limited and Punjab State Cooperative Supply and Marketing Federation Limited (MARKFED)

[33] Ludhiana, Patiala, Ferozepur, Jalandhar and Sangrur

Deficient system for reconciliation of advance payments released for procurement of gunny bales

3.9.1 The DFSC/Procuring agencies did not evolve any crop year wise time bound system (i.e June-July for Rabi Season and December –January for Kharif season) for timely reconciliation of advances given for procurement of gunny bales and actual gunny bales received alongwith bills thereof. The crop year wise and procuring agency wise funds placed with the DGS&D and funds adjusted on the basis of bills received for gunny bales received and unadjusted balance lying with the DGS&D is tabulated in the ***Annexure 14.*** Scrutiny of ***Annexure*** showed that on the basis of indented quantity, amount of ₹ 954.27 crore and ₹ 3,106.78 crore were released as advance payment by the procuring agencies for Rabi and Kharif season 2010-11 to 2012-13 to the DGS&D Kolkata. Against these advances, bills amounting to ₹ 786.52 crore and ₹ 1,795.57 crore were adjusted for supply of gunny bales. Resultantly, amount of ₹ 167.75 crore (2010-11: ₹ 18.40 crore, 2011-12: ₹ 45.47 crore and 2012-13: ₹ 103.88 crore) for Rabi season and ₹ 1,311.21 crore (2010-11: ₹ 359.85 crore, 2011-12: ₹ 110.68 crore and 2012-13: ₹840.68 crore) for Kharif season remained unreconciled (as on 31 March 2013) due to non receipt of bills from DGS&D.

From December 2010 to January 2013, DFSC adjusted/ received refund of ₹ 335.61 crore[35] only from DGS&D Kolkatta in respect of four procuring agencies for crop years 2010-11, 2011-12 and 2012-13 without any basis and without identification of procuring agency to which it pertains. Out of the above refund, ₹ 8.25 crore was not distributed amongst the procuring agencies. DGS&D Kolkatta intimated (June 2012), that ₹ 27.34 crore was excess refunded which was yet to be adjusted. Delay in receipt of refunds from DGS&D resulted in loss of interest of ₹ 19.15 crore[36] to the procuring agencies. On being pointed out (May 2013) in Audit, the DFSC, Punjab directed (July 2013) all the procuring agencies to reconcile the figures with the DGS&D, Kolkata at their own level.

Thus, failure of the DFSC/procuring agencies for evolving any time bound system for reconciliation of funds with the DGS&D Kolkata has not only resulted in loss of interest of ₹ 19.15 crore but also non reconciliation of funds of ₹1,170.69 crore[37] of the procuring agencies.

[34] Punjab State Cooperative Supply and Marketing Federation Limited is not under our Audit jurisdiction.

[35] ₹ 100 crore (December 2010- January 2011 adjusted), ₹ 227.36 crore (28 May 2012), ₹ 8.25 crore (July 2013)

[36] ₹ 3.75 crore on ₹ 100.00 crore from August 2010 to November 2010, ₹ 14.78 crore on ₹ 200.02 crore and ₹ 0 .62 crore on ₹ 8.25 crore

[37] ₹ 1,311.97 crore + ₹ 167.75 crore - (₹ 100.00 crore + ₹ 227.36 crore - ₹ 27.34 crore + ₹ 8.25 crore).

Non settlement of claims of gunny bags

3.9.2 As per the standing instructions of the procuring agencies, the field offices, on receipt of gunny bales were required to carry out inspection of the gunny bales at their end and necessary claims regarding short/damaged gunny bales were to be lodged by the procuring agencies with the DGS&D Kolkatta under intimation to the Director (Quality and Assurance), Kolkata. Damaged gunny bales/bags against which the complaint was made, were not to be consumed and retained for joint inspection.

The pending claims (i.e damaged gunny bales, wharfage/demurrage etc.) for ₹ 50.35 crore as detailed in ***Annexure 15*** in respect of crop year 2003-04 to 2011-12 of the four procuring agencies were submitted (January/February 2013) to the DGS&D Kolkata. Joint inspection involving claims of ₹ 3.07 crore pertaining to the period (KMS 2003-04 to KMS 2011-12) was carried out (April 2005 to November 2011) and for remaining claims of ₹ 47.28 crore even joint inspection was not carried out.

Non pursuance of standing instructions and lack of internal control to enforce timely submission of gunny bales claims to DGS&D, Kolkatta resulted in non settlement of claims of ₹ 50.35 crore.

Irrecoverable loss due to disposal of new damaged gunny bags

3.9.3 To minimise chances of wrong rejection of bales, the DGS&D directed (June 2006/April 2008) all the indenters/consignees to store rejected/ damaged gunny bales at consignees' premises at suppliers' risk and the consignees were to charge ground rent if the rejected stores were not removed within the specified period of 30 days. The DFSC decided (March 2010) that in case of failure to lift the damaged gunny bags by the suppliers, the gunny bags were to be disposed off through open auction at the risk and cost of the supplier, provided the inspection/ rejection of the damaged gunny bales was done as per the guidelines. PUNGRAIN constituted (March 2010) a committee for the disposal of damaged gunny bales through open auction. Similarly, PUNSUP also decided (March 2011) to auction the new damaged gunny bags lying at its various centers.

Audit noticed that out of four procuring agencies, only two procuring agencies i.e PUNGRAIN and PUNSUP after giving a notice to DGS&D and suppliers, auctioned 25.76 lakh new damaged gunny bags valuing ₹ 10.07 crore lying in five[38] district offices during July 2010 to February 2012, and realised ₹ 0.60 crore, at rates ranging between ₹ 2.15 to ₹ 3.87 per bag despite having no clause in the supply order for disposal of damaged gunny bags at the risk and cost of the suppliers. This has resulted into irrecoverable loss of ₹ 9.47 crore[39] in case of two procuring agencies.

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[38] Ludhiana, Patiala, Ferozepur, Jalandhar and Sangrur

[39] Punsup: ₹ 8.63 crore and Pungrain: ₹ 0.84 crore

Lack of monitoring of bills of gunny bales

3.9.4 Records of PAFCL showed that bill (September 2009) of 780 gunny bales valuing ₹1.26 crore supplied by M/s Hasting Jute Mills was received against which neither the railway receipts nor the gunny bales were received. PAFCL took one year to ascertain that these gunny bales were actually received by the district office Patiala of the PUNGRAIN and took up (September 2010) the case with the DFSC for crediting the amount with interest to its account but no response for its adjustment was received. On being pointed out (September 2011) in Audit, the PAFCL got adjusted (May 2013) the amount of ₹ 1.26 crore by book adjustment after a delay of 45 months.

While accepting the audit contention PAFCL stated (September 2013) that if the bills had been received in time, the adjustment would have been done. Reply was not convincing as it was mainly due to lack of monitoring of the procurement process.

Thus, due to lack of proper monitoring system of procurement of gunny bales and non pursuance regularly by the PAFCL resulted in delay in adjustment of ₹ 1.26 crore and consequential loss of interest of ₹ 0.53 crore.

DFSC stated (October 2013) that the staff of procuring agencies is now reconciling their accounts and due amount will be distributed as per their share. It was also stated that now strict instructions have been issued to procuring agencies to reconcile their accounts after close of every crop year.

Audit recommends that in order to safeguard their financial interests, the Procuring agencies should introduce an effective monitoring system and evolve a crop year wise time bound programme for reconciliation of advance payments released for the procurement of gunny bales.

The matter was reported to the concerned procuring agencies and the Government (September 2013), their replies were awaited (November 2013).

Punjab State Industrial Development Corporation Limited

3.10 Implementation of One Time Settlement Policy

Non recovery of interest on expenses, extending OTS to profit making units, accepting OTS after expiry of last date, non exercising of diligence regarding willful default, incorrect covering of unit under riot affected category and favour to ineligible units resulted in financial loss of ₹ 147.80 crore.

Punjab State Industrial Development Corporation Limited (Company) was incorporated (1966) with the main objective to promote, aid, assist and finance industries in the joint sector, assisted sector and other units through equity

investment and by disbursing of loans. The Company stopped its equity investment activity in 2003-04 and loan disbursement activity in 2006-07.

A total investment (excluding investment made in the Public Sector Units) of ₹ 203.51 crore made by the Company in 125 units was over due (March 2009) for disinvestment and loans of ₹ 266.33 crore were Non Performing Assets (NPAs).

The State Government formulated (March 2009) One Time Settlement (OTS) Policy for settlement of cases of equity investment with the collaborators of non profit making units and loans categorised as non performing assets (NPA)[40] as on 31 March 2008. In the case of equity investment, OTS amount was to consist of amount invested plus simple interest at the rate of 10 *per cent* from the date of disbursement plus expenses in current accounts with the Company. In case of loans, OTS amount was to consist of principal amount outstanding plus interest at concessional rates ranging from four to 12 *per cent* from the date of disbursement till the cut off date. The OTS Scheme was open upto 30 May 2009 and was extended for loans upto 31 December 2009 and for equity investments upto 16 February 2011.

The Company settled equity investment cases of 23 units under the OTS Policy 2009 with settlement amount of ₹ 48.93 crore (Principal: ₹ 21.65 crore, Interest and expenses: ₹ 27.28 crore) against due amount of ₹ 148.58 crore in terms of the Financial Collaboration Agreements (FCA) and sacrificed ₹ 99.65 crore. Loan cases of 39 units were also settled under OTS Policy 2009 with settlement amount of ₹ 78.66 crore (Principal: ₹ 37.45 crore and interest and expenses: ₹ 41.21 crore) against outstanding amount of ₹ 367.97 crore in terms of loan agreements and sacrificed ₹ 289.31 crore. 17 cases of equity investment involving sacrifice of interest of ₹ 63.16 crore and 30 cases of loans involving sacrifice of interest of ₹ 255.35 crore covered under OTS policy 2009 were test checked in audit, Audit findings in this regard are discussed in succeeding paragraphs:

OTS for Loans

Accepting OTS after expiry of last date

As per the terms of OTS Policy 2009, applications for OTS were to be received upto 31 December 2009. However, the Company accepted (February 2011) applications of six[41] units and settled their outstanding loans dues of ₹ 143.06 crore at ₹ 24.20 crore. The faulty implementation of OTS resulted in foregoing of ₹ 118.86 crore.

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[40] NPA is a loan where interest and/or installment of principal remain overdue for a period of more than 90 days in respect of term loan.

[41] Jay Enn Casting Limited, MBS India Limited, BCL Ferro Alloys (P) Limited, Brincoge Tools (P) Limited, Harisar Papers Limited and Rajeev Paper Mills Limited

Extending OTS without due diligence regarding willful default

The Company covered six units[42] under OTS involving defaulted amount of ₹ 27.79 crore (Principal ₹ 5.01 crore and Interest ₹ 22.78 crore) and settled their accounts for ₹ 7.84 crore on the basis of their affidavits that the units were not wilful defaulters in terms of RBI guidelines. Audit noticed that allowing the OTS to these units without assessing the eligibility criteria with regards to the wilful default by analysing the balance sheets of units lacked justification and resulted in sacrifice of ₹ 19.95 crore.

Incorrect covering of the unit under the riot affected category

OTS Policy 2009 provided for charging of interest at the rate of 12 *per cent* on the outstanding principal plus expenses for units having tangible securities and interest at the rate of four *per cent* for units under the category of "riot affected companies". M/s. Bestavision Electronics Limited involving defaulted amount of ₹ 11.14 crore for loans granted during 1995 and 1998 (with tangible securities) applied (May 2009) for OTS under OTS Policy 2009 under the category of "riot affected companies". The Company accepted (June 2012) the proposal and settled the dues of the unit at ₹ 1.61 crore (Principal ₹ 1.40 crore and Interest ₹ 0.21 crore) after sacrificing ₹ 9.53 crore.

The OTS granted to the unit was not correct as the unit did not fall under the category of riot affected category. The unit was promoted in August 1985 i.e. after 1984 riots and was subsequently taken over (April 1987) by the riot affected family. Further, the loans of the unit covered under OTS were granted during 1995 and 1998 i.e. after more than 11 years of riots. Thus, acceptance of proposal of the unit under "riot affected category" lacked justification. The Company inflicted upon itself financial loss of ₹ 2.03 crore, as it could recover ₹ 1.61 crore only against ₹ 3.64 crore if the same had been covered under the category of unit with tangible security.

Favour to ineligible units by reviving old OTS

OTS Policy 2009 provided that the units which had entered into settlement under OTS in the past and had paid at least 75 *per cent* of the amount to the Company not later than 90 days of the outer/final date of payment were to be given another opportunity to settle their accounts. Audit noticed that the Company extended undue benefit of ₹ 6.96 crore by covering following two ineligible units under this clause.

(a) M/s. Vatika Spinning Mills Limited

OTS sanctioned (April 2005) to M/s Vatika Spinning Mills Limited (a sick unit), was cancelled (March 2006) due to non adhering to the payment schedule. While accepting the request of the Unit to cover it under OTS Policy 2009, the Company worked out OTS amount of ₹ 5.35 crore as per the

[42] Nalanda Woolen Limited, Triveni yarns Limited, O.P.K. Woolen and A.P. Enzemes, Nabha Industries Limited and G. Drugs & Pharmaceutical Limited

terms of previous OTS and asked (May 2009) the unit to deposit 75 *per cent* of the said amount. The unit was required to pay ₹ 3.82 crore (after adjusting ₹ 0.20 crore lying in the No Lien account) on or before 4 August 2009 i.e. 90 days from the due date of last installment of the previous OTS. The unit paid ₹ 20.08 lakh in May 2009 and ₹ 3.35 crore on 31 August 2009 i.e. after aforesaid due date. Hence, the unit was not eligible to be covered under OTS Policy 2009. However, the Company accepted (March 2010) OTS for the unit. It resulted in favour to the unit and loss of ₹ 2.64 crore[43] to the Company.

(b) M/s. National Agro Chemicals Limited

The Company approved OTS five times to M/s. National Agro Chemical Industries for two term loans of ₹ 90 lakh and ₹ 81 lakh disbursed during March 1986 and June 1988 respectively. The unit could not clear the payment within the stipulated time and each time the OTS was cancelled. Again in September 2004, the Company introduced OTS policy for taken over assets wherein all the cases in respect of which assets were taken over by the Company prior to 31 March 2004 were to be covered provided the last realistic valuation of the assets was less than the outstanding principal. The unit's assets were valued at ₹ 2.48 crore by Punjab Financial Corporation (PFC) against outstanding principal of ₹ 60 lakh in case of PFC and ₹ 1.71 crore in case of the Company. Hence, the unit was not eligible to be covered under the OTS policy but still the Company approved (June 2005) the OTS to the unit. The unit once again did not honour its commitment and the OTS was cancelled (July 2008) by the Company.

The unit opted (May 2009) for revival of previous OTS under OTS Policy 2009. The Company accepted (March 2011) the unit's proposal. Audit observed that the revival of previous OTS of the unit which was itself defective lacked justification and resulted in loss of ₹ 4.32 crore[44] to the Company.

Thus, non recovery of interest on expenses, extending OTS to profit making units, accepting OTS after expiry of last date, non exercising of diligence regarding willful default, incorrect covering of unit under riot affected category and favour to ineligible units resulted in financial loss of ₹ 147.80 crore.

The matter was reported to the Government and the Company (July 2013), their replies are awaited (November 2013).

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[43] OTS amount as a fresh case ₹ 7.99 crore less OTS amount as revival of old OTS ₹ 5.35 crore

[44] OTS amount as a fresh case ₹ 5.33 crore less OTS amount as revival of old OTS ₹1.01 crore

Punjab Agro Foodgrains Corporation Limited

3.11 Failure to get reimbursement of carry over charges

Failure to maintain the quality of wheat stocks resulted in non-reimbursement of carry over charges amounting to ₹ 10.59 crore.

The Company is responsible for maintaining good quality of wheat stored till its delivery to FCI. The godown/plinth incharge is responsible to maintain the quality and quantity of wheat stocks and the district manager is required to inspect the stocks once in a fortnight and make record of the inspections and ensure removal of the anomalies observed in the preservation of wheat stock by the plinth incharge and fix the responsibility of the negligent officials. The wheat is delivered when wheat specials (railway wagons) are arranged by FCI. The quality of wheat is checked and accepted by the quality control wing of FCI at the respective storage centers of the Company before loading into the wagons. In case any stocks are found to be in non-despatchable condition, COC in respect thereof are stopped forthwith till same are segregated and offered for dispatches. In case such stocks are finally dispatched, even then, the COC for the period, the stocks in question were declared non-issuable/ non-dispatchable till the time they have been taken over, are not reimbursed.

Test check of records of the four district offices at Fatehgarh Sahib, Ludhiana, Patiala and Ferozepur, of the Company during September/October 2011 showed that before delivery of wheat, FCI inspected (August 2008 to November 2010) various storage centers of these district offices and declared 85,444 MT wheat stocks as non-issuable/non-dispatchable due to heavy infestation and unhealthy conditions thereof. Consequently, when after segregation/upgradation, 49,865.10 MT of these wheat stocks were delivered (January 2009 to December 2010) to the FCI (remaining stock of 35,579 MT is lying as damaged wheat), it accepted these stocks but did not allow reimbursement of carry over charges of ₹ 10.59 crore in respect of these stocks for the period, from which stocks in question were declared non-issuable/non-dispatchable to the date of delivery thereof, as detailed below:

Table 3.3

Sl. No.	Name of the district office	Quantity of wheat delivered after segregation/ upgradation	COC disallowed (₹ in crore)
1.	Fatehgarh Sahib	21,084.00	4.90
2.	Ludhiana	17,104.90	2.63
3.	Patiala	6,236.20	1.88
4.	Ferozepur	5,440.00	1.18
Total		**49,865.10**	**10.59**

It was noticed that FCI from time to time had pointed out that the godown/plinth incharge and district managers of the Company failed to carry out timely remedial measures to maintain the quality of wheat stocks and its delivery to FCI in acceptable condition in the first instance. The company had

charge sheeted the plinth incharges as well the concerned District Managers who were responsible for the upkeep of the wheat stock.

Thus, due to failure to maintain the quality of wheat stocks and delivery to FCI in acceptable condition, the Company could not get reimbursement of COC amounting to ₹ 10.59 crore.

In its reply, the company stated (July 2013) that there was a delay on the part of the FCI in lifting the stocks which resulted into deterioration of stock. The reply was not acceptable as the FCI had requested to upgrade the stock and deliver the stock in acceptable condition but the Company had failed to carry out timely remedial measures to maintain the quality of wheat stocks and its delivery to FCI in acceptable condition which was the reason for denial of carry over charges by the FCI.
The matter was reported to the Government (June 2013), their reply was awaited (November 2013).

Punjab Information and Communication Technology Corporation Limited

3.12 Favour to the allottee/ transferee

Due to consistent violations of terms and conditions of allotment/transfer letter and allowing transfer of plot instead of resuming and reallotting it, the Company was deprived of the opportunity to earn additional revenue of ₹ 90.70 lakh which amounted to favour to the allottee/transferee.

Punjab Information and Communication Technology Corporation Limited (Company) allots industrial plots land to the IT/ Knowledge Industry on 99 year lease hold basis as per the prevailing Land Allotment Policy of the State Government.

The Company allotted (July 2000) an industrial plot measuring 1,000 square yards to an allottee on 99 years lease hold basis for the manufacture of electronics items at a cost of ₹ 7.00 lakh. The allottee was required to commence commercial production within the stipulated period of three years extendable for further period of six months on the payment of prescribed extension fee. In the event of failure to do so, the allotment of plot was to be cancelled/ resumed. Transfer of the plot was admissible on payment of prescribed transfer fee provided the unit remained in commercial production at least for a period of two years.

The Company allowed (November 2003) transfer of the said plot on the payment of requisite transfer fee of ₹ 0.70 lakh even when the allottee did not start the commercial production. The transferee failed to commence commercial production on the plot within four years from the date of issue of transfer letter i.e. upto November 2007, however, the Company did not initiate any action to resume the plot.

In the meantime, the State Government notified (April 2008) new Land Allotment Policy. In accordance with new policy, additional time period of one year from the expiry of last permissible/extended time period or five years which was later, was allowed to previous allottees/transferees on the payment of prescribed extension fee. This additional period of one year was subsequently extended (August 2010) by two years. The Company asked (June 2008) the transferee to submit the permanent registration certificate issued by District Industries Centre Mohali or 'Softex Form' issued by Software Technology Park of India, Mohali as proof of having started production but as per records, the transferee could not produce requisite certificate/form.

Audit observed that though the transferee had not started commercial production on the transferred plot yet the Company again in contravention of terms and conditions of transfer letter allowed (August 2011) transfer of the said plot on payment of requisite transfer fee of ₹ 3.00 lakh[45] and extension fee of ₹ 5.81 lakh merely on the basis of VAT Challan for the period January 2011 to March 2011 as proof of production. However, on the basis of VAT Challan only for a quarter it could not be construed that the unit remained in commercial production at least for a period of two years. Had the Company resumed the plot and realloted it instead of transferring it to this firm, it could have fetched realisable value of ₹ one crore at current reserve price[46] of ₹10,000 per square yards.

Thus, due to consistent violations of terms and conditions of allotment/transfer letter and allowing transfer of plot instead of resuming and reallotting it, the Company was deprived of the opportunity to earn additional revenue of ₹ 90.70 lakh [47] which amounted to favour to the allottee/ transferee.

The Company and State Government stated (September 2013) that the transferee was entitled to extension of one year i.e upto 18 November 2009 under Land Allotment Policy 2008 and extension of additional two years i.e upto 18 November 2011 in accordance with Notification (August 2010) of the State Government. Transferee had also submitted VAT Challan for the period 1 January 2011 to 31 March 2011 as proof of production well within the

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[45] Three percent of current reserve price of ₹ one crore (revised in March 2011).

[46] In its 166th Meeting held on 21 March 2011, the Company approved the uniform allotment rate of ₹ 10,000 per square yard in Mohali irrespective of the size of plot.

[47] ₹ one crore minus ₹ 9.30 lakh (₹ 6.30 lakh: cost of plot minus earnest money of ₹ 0.30 lakh to be forfeited and ₹ 3.00 lakh transfer fee received from the transferee).

extended permissible period and transfer of plot. Reply was not acceptable as VAT Challan for the period of January 2011 to March 2011 could not be construed that the unit remained in commercial production at least for a period of two years before the transfer of plot i.e August 2011.

(Ajaib Singh)
Accountant General (Audit),
Punjab

Chandigarh

Dated:

Countersigned

(Shashi Kant Sharma)
Comptroller and Auditor General of India

New Delhi

Dated: