CHAPTER-VI

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

6.1. Overview of Government companies and Statutory corporations

6.1.1 Introduction

As on 31 March 2004, there were six Government companies and two Statutory corporations (all working) under the control of the State Government, which was the same as on 31 March 2003. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 (4) of the Companies Act, 1956. The audit arrangements of Statutory corporations are as shown below:

Sl. No.	Name of the Corporation	Authority for audit by the Comptroller and Auditor General of India	Audit arrangement
1.	Chhattisgarh State Electricity Board (CSEB)	Under Rule 14 of the Electricity Supply (Annual Accounts) Rules, 1985 read with Section 185(2) (d) of the Electricity Act, 2003.	Sole audit by CAG
2	Chhattisgarh State Warehousing Corporation	Section 31(8) of the State Warehousing Corporation Act, 1962	Audit by Chartered Accountants and supplementary audit by CAG

6.1.2 Working Public Sector Undertakings (PSUs)

Investment in working PSUs

Total investment in eight working PSUs (six Government companies and two Statutory corporations) at the end of March 2003 and March 2004 respectively was as follows:

(Rupees in crore)

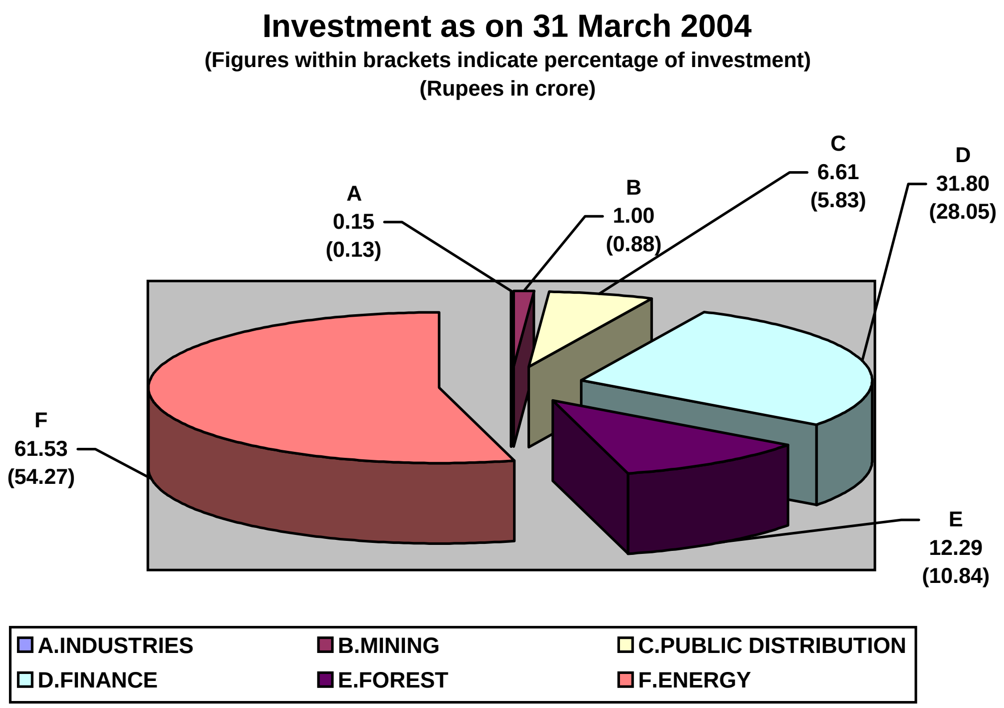
Year	Number of working PSUs	Investment in working PSUs			
		Equity	Share application money	Loans	Total
2002-03	8[62]	10.94	0.50	34.57	46.01
2003-04	8[63]	73.92[64]	2.00[64]	37.46[64]	113.38[64]

As on 31 March 2004, the total investment of working Government companies and Statutory corporation comprised 66.96 *per cent* of equity capital and 33.04 *per cent* of loans, compared to 24.86 *per cent* and 75.14 *per cent* respectively as on 31 March 2003.

An analysis of investment in PSUs is given in the following paragraphs.

Sector-wise investment in working Government companies and Statutory corporations

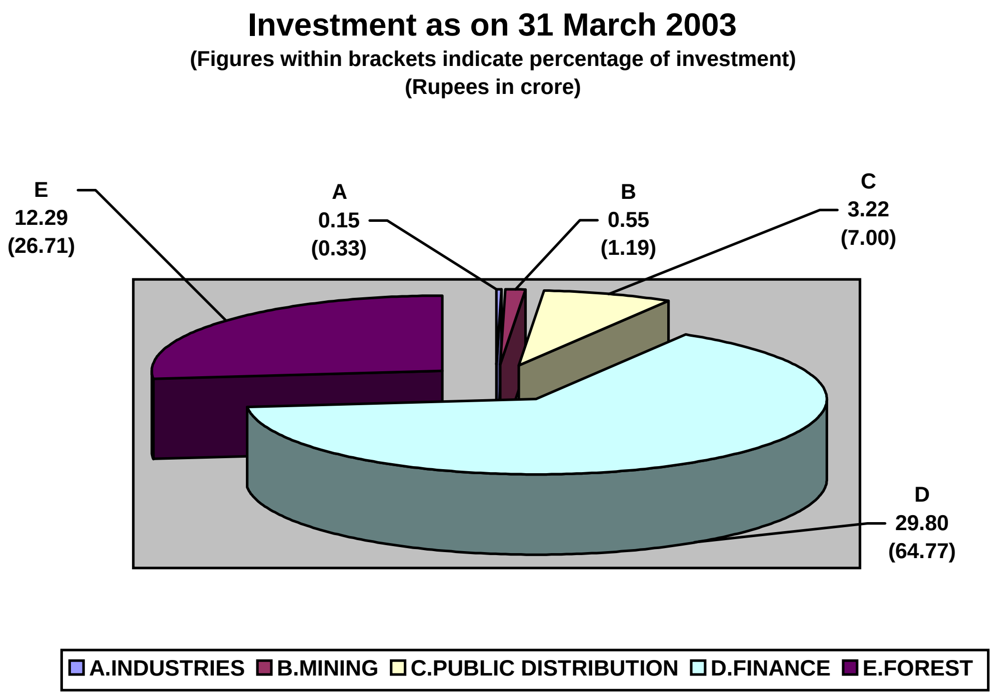
The investment (equity and long term loans) in various sectors and percentage thereof at the end of March 2003 and March 2004 are indicated in the following pie charts:



62 *Information regarding investment in Chhattisgarh State Electricity Board is not available*

63 *Information regarding loans in Chhattisgarh State Electricity Board is not available.*

64 *The figure as per Finance Accounts is Rs.2.54 crore (Equity) and Rs.1.69 crore (loans) respectively, the difference is under reconciliation*



6.1.3 Working Government companies

Total investment in six working Government companies at the end of March 2003 and March 2004 respectively was as follows:

(Rupees in crore)

Year	Number of companies	Investment in working Government companies			
		Equity	Share application money	Loans	Total
2002-03	6	10.94	--	33.75	44.69
2003-04	6	11.39	2.00	33.75	47.14

The summarised position of Government investment in these Government companies in the form of equity and loans is detailed in ***Appendix 6.1.***

As on 31 March 2004, the total investment in working Government companies comprised 28.40 *per cent* in equity capital and 71.60 *per cent* in loans as compared to 24 *per cent* and 76 *per cent* respectively as on 31 March 2003.

6.1.4 Working Statutory corporations

The total investment in two working Statutory corporations at the end of March 2003 and 2004 respectively was as follows:

(Rupees in crore)

Name of corporation	2002-03		2003-04	
	Capital	Loans	Capital	Loans
Chhattisgarh State Electricity Board	NA	NA[65]	61.53	NA[65]
Chhattisgarh State Warehousing Corporation	0.50	0.82	1.00	3.71
Total	**0.50**	**0.82**	**62.53**	**3.71**

NA - Not available

The summarised position of investment in working Statutory corporations in the form of equity and loans is detailed in ***Appendix 6.1.***

6.1.5 Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government in respect of Government companies and Statutory corporations are given in ***Appendices 6.1*** *and* ***6.3***.

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to Government companies and Statutory corporations for the three years up to 2003-04 are given below:

(Rupees in crore)

	2001-02				2002-03				2003-04			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity capital outgo from budget	3	2.45	--	--	--	--	--	--	2	2.45	--	--
Loans given from budget	1	1.00	--	--	1	27.00	--	--	--	--	1	0.85
Other grants/ subsidy	2	6.59	--	--	2	258.19	1	62.87	2	153.66	2	78.11
Total outgo	**4[66]**	**10.04**	**--**	**--**	**3[66]**	**285.19**	**1[66]**	**62.87**	**4[66]**	**156.11**	**2[66]**	**78.96**

During the year 2003-04, Government had guaranteed loans aggregating Rs.429.30 crore obtained by one working Statutory corporation. At the end of the year, it was outstanding.

65 *The total investment in the form of loan in one working Statutory corporation i.e. Chhattisgarh State Electricity Board was not available at the end of March 2003 and March 2004 due to non-apportionment of assets and liabilities between MPSEB and CSEB*

66 *These are the actual number of companies/corporations which have received budgetary support in form of equity, loans, grants and subsidy from the State Government during the year.*

6.1.6 Finalisation of accounts by PSUs

The accounts of the Government companies for every financial year are required to be finalised within six months from the end of relevant financial year under sections 166, 210, 230 and 619 of the Companies Act, 1956, read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of financial year. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

As could be noticed from ***Appendix 6.2*** out of six working Government companies and two Statutory corporations, none of the Government companies and Statutory corporations had finalised their accounts for 2003-04. During the period October 2003 to September 2004, four working Government companies finalised six accounts for previous years. Chhattisgarh State Civil Supplies Corporation Limited and both the Statutory corporations had not finalised its accounts since inception.

The accounts of all working Government companies and Statutory corporations were in arrears for period ranging from one to three years as on September 2004 as detailed below:

Sl. No	**Number of working companies/ corporations**		**Period for which accounts are in arrears**	**Number of years for which accounts are in arrears**	**Reference to serial No. of Appendix 6.2**	
	Government companies	**Statutory corporations**			**Government companies**	**Statutory corporations**
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*
1.	2	1	2001-02 to 2003-04	3	A-4,6	B-1
2.	2	1	2002-03 to 2003-04	2	A-2,3	B-2
3.	2	--	2003-04	1	A-1,5	
	6	**2**				

6.1.7 Financial position and working results of working PSUs

The summarised financial results of working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in ***Appendix 6.2.***

According to the latest finalised accounts one working Government company had incurred loss of Rs.16.18 lakh and four Government companies earned an aggregate profit of Rs.3.97 crore. However, one Government company declared dividend of Rs.1.02 crore for the year 2003-04.

6.1.8 Response to Inspection Reports, draft paragraphs and reviews

Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. In respect of Inspection Reports issued up to September 2004 pertaining to eight PSUs, 1399 paragraphs in 535 Inspection Reports remained outstanding at the end of November 2004. Of these, 487 Inspection Reports containing 1233 paragraphs had not been replied to for more than one year. Department-wise break-up of Inspection Reports and Audit observations outstanding as on 30 September 2004 is given in ***Appendix 6.4.***

Similarly, draft paragraphs on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. However, out of eight draft paragraphs forwarded to the Food, Civil Supplies and Consumer Protection department between August and October 2004, reply to only three paragraphs have been received (November 2004).

It is recommended that the Government should ensure that: (a) procedure exists for action against officials who fail to send replies to Inspection Reports/draft paragraphs as per the prescribed time schedule; (b) action to recover loss/outstanding advances/overpayment is taken in a time-bound schedule; and (c) the system of responding to the audit observations is revamped.

6.1.9 Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

The position of discussion of Audit Reports (Commercial) by COPU and paragraphs pending for discussion in the COPU as on 30 September 2004 is shown below:

Audit Report for the year	Number of paragraphs featured in the Audit Report	Number of paragraphs pending for discussion
1999-2000	5[67]	2
2000-01	7[68]	7
2001-02	2	2
2002-03	7	7

67 *Pertains to 2 reviews of Audit Report (Commercial)-Government of Madhya Pradesh*
68 *Pertains to 1 review of Audit Report (Commercial)-Government of Madhya Pradesh*

FOOD, CIVIL SUPPLIES AND CONSUMER PROTECTION DEPARTMENT

6.2 Deficiencies in the working of Chhattisgarh State Civil Supplies Corporation Limited

6.2.1 Introduction

The Chhattisgarh State Civil Supplies Corporation Limited (Corporation) was incorporated (March 2001), consequent to separation of Chhattisgarh State from the erstwhile state of Madhya Pradesh. The main objective of Corporation is to procure, transport, store, and distribute food grains viz., rice, wheat and levy sugar for sale to consumers under various welfare schemes[69] of Government of India (GOI) through public distribution system (PDS) and took over the above activities in the 16 districts of newly formed State from the erstwhile Madhya Pradesh State Civil Supplies the Corporation Limited (MPSCSCL) with effect from 1 April 2001.

Audit scrutiny of records of the Corporation during the period from April 2001 to March 2004 revealed excess procurement of levy sugar, abnormal delay in submission of claims, losses due to excess sweepage and wet sugar, infructuous expenditure on storage of damaged and unusable gunny bags, avoidable payments of bank commission and interest due to delay in transfer of funds to Head Office, as discussed in the succeeding paragraphs.

6.2.2 Procurement, Sale, Distribution & Storage

On allotment from GOI, each month, the State Government had been alloting levy sugar to the Corporation for sale to the consumers living Below Poverty Line (BPL) in the State. Levy sugar purchased by the Corporation from sugar mills is received in railway rakes, transported, stored in godowns and distributed for sale to consumers through fair price shops at uniform rates fixed by GOI from time to time.

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[69] *Above Poverty Line (APL), Below Poverty Line (BPL), Antyodaya Anna Yojna (AAY), Annapurna, Sampurna Grameen Rozgar Yojna (SGRY), Mid Day Meal (MDM)*

6.2.3 Avoidable excess procurement of levy sugar

Excess procurement of levy sugar resulted in locking up of funds and consequent loss of interest and avoidable storage charges of Rs.64.29 lakh.

During the year 2002-03, GOI allotted 4,512 metric tonnes (MT) of sugar per month. The details of sugar purchased and sold during the period from July 2002 to November 2002 and stocks held as on 30 November 2002 are as given below:

(MTs)

Month	Opening balance	Purchase	Total	Sales	Closing balance
July 2002	1442	8970	10,412	2743	7,669
August 2002	7669	4510	12,179	2394	9,785
September 2002	9785	5519	15,304	2,919	12,385
October 2002	12,385	4,600	16,985	3,635	13,350
November 2002	13,350	3,600	16,950	2,362	14,588

It could be observed that though as at the end of July 2002, the stock was in excess of one months allotment/requirement by 3,157 MTs, the Corporation, between August 2002 and November 2002 procured further quantities of levy sugar much in excess of actual quantities sold to BPL consumers during the respective months which resulted in accumulation of stock of 14,588 MTs (November 2002). The Corporation stopped procurement from December 2002 onwards (upto October 2003). Out of 14,588 MTs, the Corporation could sell 3,113 MTs, only leaving a balance of 11,475 MTs (March 2003).

The Corporation attributed the decrease in sale of sugar to either equal or lower sale price prevailing in open market compared to the price at which sugar was sold by fair price shops and requested GOI (June 2003) to allow it to sell its stocks in open market at the prevailing market price. Government of India advised (November 2003) the Corporation to explore the possibility of sale through fair price shops only. During the period from April 2003 to July 2004, the Corporation could sell only 9,929 MTs, leaving balance of 1,546 MTs.

Audit further observed that in September 2001, October 2001 and May 2002 when sufficient stocks were available, the Corporation had not procured sugar and allowed the allotment to lapse. Similar action to regulate procurement to the required quantity was not taken between August 2002 to November 2002.

Thus inspite of decrease in sales avoidable excess procurement had resulted in locking up of funds with consequent loss of interest of Rs.49.29 lakh (upto September 2003), besides avoidable inventory storage charges of Rs.15 lakh.

The Government stated (September 2004) that between July to November 2002 levy sugar stocks were built up to meet the demand in remote areas during rainy season and at present the stock held was commensurate with allotment/sale.

The reply is not acceptable as when allotment is made on month to month basis and period of issue of sugar to consumers lapses at the end of each month, accumulation of huge stock of sugar despite a decrease in sales lacked justification. Further, neither the entire State is a remote area nor the entire stock accumulated was meant for remote areas.

6.2.4 Loss due to non-revision of sale price

Non-implementation of the revised sale price of sugar sold during March to December 2002 resulted in a loss of Rs.57.52 lakh.

GOI fixed (February 2001) the retail sale price of levy sugar to be sold to BPL consumers through fair price shops at Rs.13.25 per kilogram (kg) with effect from 1 March 2001. This price was revised (February 2002) to Rs.13.50 per kg with effect from 1 March 2002. The revised price was not implemented by the Corporation in Chhattisgarh State till 31 December 2002 on the plea that the orders of GOI communicated to the State Government were not received by the Corporation and the Corporation continued to sell sugar at the pre-revised price of Rs.13.25 per kg till December 2002. Audit, however, observed that the revision in price was already known to the Corporation. FCI informed the Corporation about the revision in April 2002. But the Corporation failed to coordinate with the Government of Chhattisgarh and local FCI office to obtain orders of GOI and effect revision immediately. The Corporation implemented the revised sale price of Rs.13.50/kg only from 1 January 2003 During the period from April to December 2002, a total quantity of 2,30,053 quintals of sugar was sold at the pre-revised rate of Rs.13.25 per kg incurring a loss of Rs.57.52 lakh.

Had the Corporation maintained adequate coordination/monitoring with FCI and State Government and effected revision in prices in April 2002, the loss of Rs.57.52 lakh could have been avoided.

The Government stated (September 2004) that it was not aware of revision in price of sugar till December 2002. The reply is not tenable as the revision in price was already informed to the Corporation by FCI in April 2002. Failure of the Corporation in coordinating with FCI/ State Government resulted in loss which was totally avoidable.

6.2.5 Loss due to excess sweepage and wet sugar

Generation of Sweepage and wet sugar in excess of permissible limit of 0.25 per cent resulted in loss of Rs.55.76 lakh.

Levy sugar purchased by the Corporation is received in railway wagons; unloaded at six railway rake points[70] and is transported to various storage points/ issue centres covering the entire State to effect sale to consumers.

In the wholesaler's margin paid to the Corporation by GOI, storage /transit loss at 0.25 per cent of the quantity purchased and transported by Rail is only considered and any loss in excess of the specified percentage is to be borne by the Corporation.

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[70] *Bilaspur, Durg, Raigarh, Raipur, Rajnandgaon and Vishrampur (Ambikapur)*

Audit observed that during 2001-04, the Corporation procured, transported and stored a total quantity of 7,75,283 quintal of sugar. During the course of which 6,116 quintal of sweepage and 3,805 quintal of wet sugar was generated in the above mentioned six districts. 457 quintal of sweepage and 986 quintal of wet sugar was also accumulated during handling and storage in other districts. The total sweepage and wet sugar represented 0.85 and 0.62 *per cent* against 0.25 per cent considered in the margin. The excess of sweepage and wet sugar was 4,635 and 4,791 quintals respectively.

The Corporation disposed of 5,402 quintal of sweepage and and 3,642 quintal of wet sugar in November 2001, July and November 2002 and January 2004, and incurred an average loss of Rs.856.77 and Rs.335.09 per quintal, respectively. Thus the loss on excess sweepage (Rs.39.71 lakh) and wet sugar (Rs.16.05 lakh) worked out to Rs.55.76 lakh.

The Corporation claimed (December 2002) loss of Rs.41.84 lakh (6,304.95 quintal at an average rate of Rs.663.65 per quintal in respect of sugar disposed of up to November 2002) from Food Corporation of India (FCI) through Sugar Price Equalisation Fund (SPEF). But FCI rejected the claim, as permission of GOI was not obtained before disposal by auction. The matter was then taken up (September 2003) with GOI to direct FCI to allow the claim. But there was no response from GOI so far (January 2005).

Thus failure to control sweeepage and wet sugar within the percentage considered in the margin and failure to obtain prior permission from GOI has resulted in avoidable loss of Rs.55.76 lakh.

6.2.6 Infructuous expenditure on storage of damaged and unusable gunny bags

Un-necessary storage of unusable and damaged gunny bags for three years resulted in infructuous storage expenditure of Rs.23.10 lakh.

In Kharif Marketing Season (KMS) 2002-03, the activity of procurement of paddy and its custom milling was withdrawn from the Corporation and given to MARKFED. As a result the Corporation was left with only the activity of purchase of custom milled rice from MARKFED and its distribution in the State through Public Distribution System. Consequently, the unused gunny bags procured for KMS 2001-02 and earlier period but remained unused became surplus and as MARKFED was in need of these, the Corporation directed (October 2002) its district offices to sell the new as well as old usable gunny bags to MARKFED. Accordingly, six district offices[71] sold 39.25 lakh gunny bags valued at Rs.8.70 crore to MARKFED. Thereafter, the Corporation did not assess, from time to time, the remaining quantity of new and old usable gunny bags available with the district offices.

[71] *Bilaspur, Raigarh, Janjgir, Ambikapur, Jagdalpur and Kanker.*

Delay in disposal of new and usable gunny bags for two years resulted in locking up of Rs.2.50 crore.

In September 2004, the Corporation ascertained from the District Offices that 7.25 lakh new and old usable gunny bags valued at Rs.2.50 crore (approximately) are available for disposal. Besides this quantity, 26.29 lakh unusable and 10.61 lakh damaged gunny bags were also available with the District Offices for the last three years. The Corporation has initiated action (September 2004) for disposal of the unusable and damaged gunny bags very late.

Audit observed that during 2001-04, the Corporation incurred an expenditure of Rs.23.10 lakh on their storage and insurance of the unusable and damaged gunny bags.

As the gunny bags were damaged and unusable, not taking immediate action for their disposal lacked justification and had resulted in an infructuous expenditure of Rs.23.10 lakh on their storage. Besides, non-disposal of new and usable gunny bags during the last two years (from October 2002 to September 2004) had also resulted in locking up of funds to the extent of Rs.2.50 crore (approximately).

6.2.7 Abnormal delay in submission of claims

Abnormal delay in submission of margin claims and realisation of money resulted in avoidable loss of interest of Rs.50.93 lakh.

For the services of purchase, storage, transportation and arranging sale of levy sugar to consumers through fair price shops, Corporation is entitled to claim wholesaler's margin, as fixed by Government of India from time to time, together with transportation and distribution costs incurred thereon each month. In order to facilitate this, claims are to be submitted on a month to month basis, to Food Corporation of India (FCI) through the State Government. If costs incurred and margin payable are in excess of sales revenue realised in a month, FCI makes payment of differential amount in cash and if the sales revenue is more than the cost incurred and margin payable, the account is settled through adjustment to Sugar Price Equalisation Fund (SPEF).

Audit observed that there were abnormal delays, on the part of the Corporation, in submission of margin claims. The claims for the period from April 2001 to December 2002 amounting to Rs.6.66 crore were submitted late to the State Government with delay ranging from one to 19 months. This abnormal delay in submission, resulted in consequential loss of Rs. 50.93 lakh. Had the Corporation submitted the claims promptly, it would have realised the money early and could have reduced its cash credit availment thereby saving substantial expenditure incurred towards interest.

The Government stated (September 2004) that the delay in submission of claim was due to time taken in knowing the procedure to submit the claims and delay in obtaining opening stock of sugar as on 1 April 2001 together with value from Madhya Pradesh State Civil Supplies Corporation Limited, Bhopal from which it was separated.

The reply is not tenable as the procedure for submitting claims was known to the Corporation which dealt with such matters prior to separation of the State. Moreover timely action could have been initiated by deputing officials concerned to the parent Corporation and the opening balance of stock of sugar could have been obtained well in time.

6.2.8. Cash management

Avoidable payment of bank commission

Non-availing of free transfer facility through current account resulted in an avoidable expenditure of Rs.1.01 crore on bank commission for demand drafts.

In order to facilitate payment for purchase of food grains, transportation charges and other expenses, the head office of the Corporation authorised its 16 district offices to operate cash credit (food credit) account/current account in the branches of State Bank of India (SBI) in the respective districts. Besides this facility, head office which has current account with SBI Main branch, Raipur also transfers funds to the district offices as and when required by them. The district offices in turn deposit the sale proceeds of food grains into their respective cash credit account/ current account and surplus funds, if any, are transferred to head office on a regular basis.

Audit, however, observed that both head office and district offices of the Corporation despite having current accounts with SBI did not avail free transfer facility but had been effecting inter-se transfer of funds through SBI by obtaining Demand Drafts (DDs) entailing payment of bank commission, which worked out to Rs.1.01 crore during 2001-04, as detailed below:

(Rupees in lakh)

Year	Bank commission		Total
	Head office	District offices	
2001-02	22.34	38.55	60.89
2002-03	1.58	16.31	17.89
2003-04	2.45	20.23	22.68
			101.46

Thus by not availing the free transfer facility an avoidable expenditure of Rs.1.01 crore was incurred.

6.2.9 Avoidable payment of interest due to delay in transfer of funds to Head Office

Failure of District Offices to transfer funds promptly to Head Office resulted in avoidable payment of interest of Rs.41.73 lakh

The corporation incurred avoidable payment of interest of Rs.41.73 lakh on cash credit availed of during 2001-03,as discussed in succeeding paragraph:

- In order to strengthen financial administration and exercise adequate expenditure control over the finances of the Corporation, the Head

Office fixed limits (August 2002) for its nine district offices for drawal of cash (Rs.25,000 to Rs.50,000 per day) and by cheques (Rs.two lakh to Rs.five lakh per day), which were revised from time to time depending upon the requirement of district offices.The sale proceeds deposited in the current accounts of respective district offices were to be monitored on daily basis and balances in excess of specified limits were to be transferred to head office to avoid unnecessary accumulation of funds at District Offices and to reduce cash credit availment by Head Office with SBI Main branch, Raipur.

Audit verified the closing balances of cash (as per bank statement) in current accounts of seven district offices[72] and observed that during 2002-03, the district offices held balances in their current account much in excess of specified limits (cash drawal plus cheques drawal) and were transferring funds belatedly to head office which was perforce availing of cash credit. This resulted in avoidable payment of interest of Rs. 27.58 lakh on cash credit availed of by Head Office during 2002-03.

- The Corporation opened new district offices in seven districts[73] with effect from 1 April 2002. These District Offices were authorised to retain a maximum balance of Rs.10,000 in their current accounts and remit the balance amount to Head Office.

Audit observed that these instructions were not adhered to by five District Offices and balances in excess of the specified limit were retained in the current accounts without immediate transfer to Head Office. This resulted in avoidable payment of interest to the extent of Rs.14.15 lakh on cash credit, availed of by Head Office, during 2001-02.

Thus, the district offices failure to adhere to the prescribed time schedule in transfer of funds to Head Office has resulted in a loss of Rs.41.73 lakh.

The above matter were reported to Government/Management (between August and October 2004). Replies to paragraphs 6.2.3, 6.2.4 and 6.2.7 were received in September 2004. Replies to the remaining paragraphs had not been received (January 2005).

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[72] *Ambikapur, Janjgir, Raipur, Raigarh, Durg, Bilaspur and Rajnandgoan*

[73] *Dhamtari, Dantewara, Jashpurnagar, Korba, Koria, Kawardha and Mahasamund*

CHHATTISGARH STATE WAREHOUSING CORPORATION

6.3 Loss due to improper storage of rice at godowns

Improper maintenance of godowns of Dhamtari Branch and non-application of preventive medicines led to high infestation of the stock of 2345.257 MT rice and resulted in loss of Rs.1.37 crore.

Chhattisgarh State Warehousing Corporation (CSWC) has carried over the stock of food grains in various godowns consequent upon separation for Madhya Pradesh State Warehousing Corporation (MPSWC). Food Corporation of India (FCI) is one of the major depositors of food grains in CSWC.

The Manual on Technical and Quality Control for scientific storage in godowns stipulated, *inter-alia*, that the godowns should be maintained properly, should be neat and clean and preventive medicines should be used from time to time.

The FCI informed from time to time to the erstwhile MPSWC about the conditions of the stock of rice (September 1999 onwards) and pointed out that no cleanliness was maintained causing high infestation. No timely action was taken by CSWC to improve the conditions.

Audit further observed (August 2004) that:

- The technical inspection report of Regional Manager of erstwhile MPSWC (August 2001) mentioned about the improper maintenance of the godowns and infestation of the stock held.
- No preventive medicines were used despite availablility at the branch; This resulted in high infestation.
- No notice was given to the FCI for removal of such old stock (1992-93 to 1997-98) within a reasonable period. No action was also taken to auction the stock in case of non-response from FCI. CSWC never insisted for drawal of stock on first in first out basis.

As a result, the stock of 2345.257 MT[74] of rice of PBC and PB grade 'A' categories stored in the various godowns of Dhamtari Branch was categorised as below 'D' grade in October 2001 and February 2002 by a Committee of FCI

[74] *Per Boiled Coarse (PBC): 1998.685 MT and Per Boiled (PB) grade A: 346.572 MT were lying in godowns from 1992-93 to 1994-95, 1997-98 and 1999-2000..*

Officials. The Committee of FCI noticed that the stocks had excessive percentage of loose bran with insects and had gone below 'D' category having musty smell and beyond Prevention of Food and Adulteration (PFA) standard and recommended its disposal through tender.

FCI sold the stock of rice in auction through tenders floated in January and October 2002. Out of the 2345.257 MT rice valued at Rs.2.68 crore, 1887.491 MT rice valued at Rs.2.16 crore[75] was sold for Rs.90.85 lakh [76]. This resulted in loss of Rs.1.25 crore. FCI recovered Rs.1.37 crore for the loss it had incurred including Rs.12.03 lakh for 173.119 MT physically available infested stock from the storage charges payable for the various godowns of CSWC. Action taken to dispose of the balance quantity of 284.647 MT was not on record.

Thus due to improper maintenance of godowns and non-application of required preventive medicines as per codal provisions led to high infestation of the stock which consequently resulted in loss of Rs.1.37 crore.

The matter was reported to the Government/management in August 2004; their replies had not been received (January 2005).

[75] *1642.68 MT PBC rice valued Rs.1.87 crore at the rate of Rs.11350 and 244.811 MT PB grade 'A' rice valued Rs.29.13 lakh at the rate of Rs.11900.per MT*

[76] *1642.68 MT PBC rice at the average rate of Rs.4328.30 per MT and 244.811 MT of PB grade 'A' rice at the average rate of 4885.30.per MT*