CHAPTER – VII
GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

7 General

This chapter deals with the results of audit of Government companies and departmentally managed commercial undertakings. Paragraph 7.1 gives a general view of Government companies and departmentally managed commercial undertakings, Paragraph 7.2 contains a review on the working of Mizoram State Transport and Paragraphs 7.3 to 7.7 deal with miscellaneous topics of interest.

7.1 Overview of Government companies and Departmentally managed commercial undertakings

7.1.1 Introduction

As on 31 March 2003 there were five Government companies (all working) and two departmentally managed commercial undertakings *viz.*, State Trading Scheme under Food and Civil Supplies Department and Mizoram State Transport under Transport Department as against same number of Government companies and departmentally managed commercial undertakings as on 31 March 2002 under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors 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 of the Companies Act, 1956. The accounts of departmentally managed Government commercial undertakings are audited solely by the CAG under Section 13 of CAG's (Duties, Powers and Conditions of Service) Act, 1971.

7.1.2 Working Government companies

Total investment in Government companies in the form of equity and loans as on 31 March 2002 and 31 March 2003 was as under:-

Table 7.1

(Rupees in crore)

Year	No. of companies	Investment			Total
		Equity	Share application money	Long term loans	
2001-02	5	34.88	7.32	19.70	61.90
2002-03	5	38.06	7.57	21.03	66.66

The summarised statement of Government investment in the working Government companies in the form of equity and loans is detailed in ***Appendix*-XXIII**.

As on 31 March 2003, total investment in Government companies comprised 68.45 *per cent* equity capital and 31.55 *per cent* loan as compared to 68.17 *per cent* and 31.83 *per cent* respectively as on 31 March 2002.

Due to increase in paid up capital during the year 2002-03 particularly in Food Processing Sector, the debt equity ratio marginally decreased from 0.47:1 in 2001-02 to 0.46:1 in 2002-03.

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

The details of budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loan into equity by State Government to working Government companies are given in ***Appendices* -XXIII** and **XXIV**.

The budgetary outgo from State Government to the working Government companies for the last three years ending 2002-03 in the form of equity capital and grant/subsidy is given below:

Table 7.2

(Rupees in crore)

	2000-01		2001-02		2002-03	
	Companies		Companies		Companies	
	No.	Amount	No.	Amount	No.	Amount
Equity capital	5	3.03	5	3.92	4	3.38
Grants/subsidy	-	-	2	0.48	3	0.80
Total:	**5**[ψ]	**3.03**	**5**[ψ]	**4.40**	**5**[ψ]	**4.18**

During the year 2002-03, the Government had guaranteed loans aggregating Rs.4 crore obtained by one Government company *viz.*, Zoram Industrial Development Corporation Limited. At the end of the year guarantees amounting to Rs.21.01 crore were outstanding. No guarantee commission was payable to the Government by the Government companies. There were no conversions of Government loans into equity, moratorium on loan repayment, and waiver of interest.

7.1.4 Finalisation of accounts by the working Government companies

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, 619 and 619-B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Power and

[ψ] *These are the actual number of companies which have received budgetary support in the form of equity, loans, grants and subsidy from the State Government during respective years*

Conditions of Service) Act, 1971. These are also to be laid before the Legislature within nine months from the end of financial year.

It could be noticed from ***Appendix*-XXV,** out of five working Government companies, only one company *viz.*, Zoram Industrial Development Corporation Limited finalised its accounts for 2002-03 within the stipulated period. During the period from October 2002 to September 2003, one more working Government Company finalised its accounts for the year 1994-95.

The accounts of four Government companies were in arrears for periods ranging from five to eight years as on 30 September 2003 as detailed below:

Table 7.3

Sl. No.	No. of companies	Period from which accounts are in arrear	Number of years for which accounts are in arrear	Reference to Sl. No. of *Appendix*-XXV
1.	3	1998-99	5	2, 3 and 4
2.	1	1995-96	8	5

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the Public Sector Undertakings (PSUs) within the prescribed period. Though the concerned administrative departments and officials of the Government were appraised quarterly by the Audit regarding arrears in finalisation of accounts, no effective measures have been taken by the Government, and as a result, net worth of these Government companies could not be assessed in audit.

7.1.5 Financial position and working results of working Government companies

The summarised financial results of working Government companies as per latest finalised accounts are given in ***Appendix*-XXV.**

According to latest finalised accounts (upto September 2003) four Government companies had incurred an aggregate loss of Rs.2.76 crore and one company earned profit of Rs.0.28 lakh.

Only one company *viz.*, Mizoram Agricultural Marketing Development Corporation Limited finalised its accounts for the year 1994-95 during October 2002 to September 2003 and earned profit of Rs.0.28 lakh. The company earned profit for two successive years, but no dividend was declared.

7.1.6 Return on capital employed

As per the latest finalised accounts (upto September 2003), the capital employed[Ψ] worked out to Rs.49.44 crore in five Government companies and return[Ψ] thereon amounted to (-) Rs.1.50 crore as compared to (-) Rs.1.68 crore in the previous year (accounts finalised upto September 2002). The details of capital employed and total return on capital employed are given in ***Appendix*-XXV**.

7.1.7 Results of audit by Comptroller and Auditor General of India

During the period from October 2002 to September 2003, the accounts of two working Government companies were selected for review by audit. The net impact of the important audit observations as a result of review of the companies was as follows:

Table 7.4

Details	No. of accounts	Rupees in crore
i) Increase in accumulated loss	1	9.27

Some of the major errors and omissions noticed in the course of review of annual account of one company are mentioned below:

7.1.8 Zoram Industrial Development Corporation Limited (2002-03)

Provision for bad and doubtful debts amounting to Rs.9.31 crore was not provided in the accounts as per Reserve Bank of India guidelines. As a result, accumulated losses were understated with consequent overstatement of loans by Rs.9.31 crore.

7.1.9 Internal audit/Internal control

The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal audit/internal control systems in the Companies audited in accordance with the directions issued by the Comptroller and Auditor General of India to them under Section 619(3)(a) of the Companies Act 1956 and to identify areas which needed improvement.

The Statutory Auditors in their reports qualified that in two Companies (Sl. Nos. 2 and 4 of ***Appendix*-XXV**) the internal audit system was not commensurate with the size and nature of its business and in one Company (Sl. No. 3 of ***Appendix*-XXV**) no corrective action was taken on the internal audit report and that the internal audit was confined to financial transactions only.

Ψ *Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in the case of Zoram Industrial Development Corporation Limited where it represents a mean of the aggregate of opening and closing balances of paid-up capital, free reserves and borrowings (including refinance).*

Ψ *For calculating total return on capital employed, interest on borrowed fund is added to net profit/subtracted from the loss as disclosed in the profit and loss account.*

7.1.10 Recommendations for improvement in performance or closure of Government companies

Even after completion of five years of their existence, the turnover of four (Sl. Nos. 1 to 4 of ***Appendix*-XXV**) working Government companies has been less than Rs.5 crore in each of the preceding five years of latest finalised accounts. In view of poor turnover and continuous losses, the Government may either have to improve the performance of above Government companies or consider their closure.

7.1.11 Departmentally managed Government commercial and quasi-commercial undertakings

As on 31 March 2003, there were two departmentally managed commercial undertakings *viz.*, State Trading Scheme under Food and Civil Supplies Department and Mizoram State Transport under Transport Department.

The *proforma* accounts of State Trading Scheme under Food and Civil Supplies Department had been finalised upto 2001-02. Submission of *proforma* accounts for the year 2002-03 was in arrears (September 2003). Delay in finalisation of *proforma* accounts was last brought to the notice of Finance Department and the Secretary, Food and Civil Supplies Department in September 2003.

The accumulated loss of State Trading Scheme as on 31 March 2002 (after provision of interest on Government capital amounting to Rs.57.05 crore) was Rs.62.74 crore. The working results of State Trading Scheme for the three years upto 2001-02 are summarised below:

Table 7.5

(Rupees in crore)

	Particulars	1999-2000	2000-01	2001-02
A.	**Income**			
i)	Sale of foodstuffs	90.39	47.02	43.95
ii)	Transport subsidy	14.33	3.95	2.43
iii)	Other income	-	-	-
iv)	Increase (+)/Decrease (-) in stock (closing stock less opening stock)	(-) 16.92	(-) 4.71	(-) 4.63
	Total 'A'	**87.80**	**46.26**	**41.75**
B.	**Expenditure**			
i)	Purchase of foodstuffs	74.85	47.60	37.92
ii)	Transportation charges	14.33	4.89	4.68
iii)	Employees cost	0.79	0.83	0.85
	Total 'B'	**89.97**	**53.32**	**43.45**
1.	Trading Profit (+)/ Loss (-)(A+B)	(-) 2.17	(-) 7.06	(-) 1.70
2.	Interest on Government capital	2.12	2.22	1.92

3. Net profit (+)/loss (-)	(-) 4.29	(-) 9.28	(-)3.62

The Scheme was to run on 'no profit no loss basis' so that maximum benefit could be given to the general public recovering from them only cost price of food stuff and incidental charges as far as possible. As per compiled *proforma* accounts, the scheme incurred trading losses varying from Rs.1.70 crore to Rs.7.06 crore.

Audit of *proforma* accounts of the scheme for 2001-02 revealed the following points:

As per Annual Accounts (2001-02), an amount of Rs.3.07 crore was receivable from Administrative Officers (AOs)/Block Development Officers (BDOs) towards shortages in supply, sale proceeds and foodstuff. As per Control Ledger in the Directorate, the amount receivable from AOs/BDOs was worked out as Rs.2.93 crore exhibiting discrepancy of Rs.14 lakh attributable to non-posting of all the cases therein. But the said discrepancy (Rs.14 lakh) remained unreconciled.

Audit analysis of status of available cases revealed that realisables from 23 AOs/BDOs totalling Rs.1.60 crore have either become doubtful of recovery or irrecoverable as shown below:-

Table 7.6

(Rupees in lakh)

Sl. No.	Status of cases	No. of cases	Amount
(i)	Expired	5	36.75
(ii)	Exonerated/Dropped by Government	8	45.75
(iii)	Retired/resigned from service	3	16.55
(iv)	Terminated from service	3	22.31
(v)	Under Police investigation	3	22.76
(vi)	Not to be recovered as per order of Hon'ble High Court	1	15.85
	Total:	**23**	**159.97**

The position has not been reviewed for obtaining write-off sanction from Government.

Detailed position of receivables from Departmental staff, *etc.,* (Rs.20.84 crore) were not available from Control Ledger maintained in the Directorate. Test check of records revealed that recovery amounting to Rs.28.58 lakh in respect of following 10 cases was doubtful:

Table 7.7

(Rupees in lakh)

Sl. No.	Status of cases	No. of cases	Amount
(i)	Expired	7	13.78
(ii)	Removal/discharged	2	12.12

(iii)	Retired	1	2.68
	Total:	**10**	**28.58**

The write-off proposal in respect of these cases after review of position has not been submitted to Government.

Default in submission of monthly return indicating details of stock, sales, *etc.*, in prescribed format to the Directorate by the centre persists.

The working results and operational performance of Mizoram State Transport for the three years ended 31 March 2002 are given in ***Appendix*-XXVI**. It may be seen from the Appendix that during the three years upto 2002, the State Transport Services had incurred operating losses amounting to Rs.4.34 crore, Rs.5.73 crore and Rs.4.27 crore respectively and net losses amounted to Rs.8.69 crore, Rs.11.01 crore and Rs.8.69 crore respectively. The reasons for incurring heavy losses were attributable to poor utilisation of buses (47.50 to 51.39 *per cent*), low load factor (Occupancy) of 43 to 63 *per cent*, poor operation of buses per day (average of 57.81 to 59.87 kilometers), incorporation of unapportioned salaries/wages and expenses of other functional units of transport Directorate as expenses of MST, and high incidence of salaries and allowances and other operating expenses. The losses per kilometer operated during the three years upto 2001-02 were Rs.24.19, Rs.33.97 and Rs.32.63 respectively.

7.1.12 Power and Electricity Department

The operational performances of the Department for the last three years upto 2002-03 are given in ***Appendix*-XXVII**.

The total expenditure on power sold during three years upto 2002-03 was Rs.76.82 crore, Rs.76.61 crore and Rs.74.60 crore as against the revenue of Rs.20.33 crore, Rs.23.12 crore and Rs.20.09 crore respectively. The losses incurred during three years upto 2002-03 were Rs.56.49 crore, Rs.53.49 crore and Rs.54.51 crore, respectively.

The percentage of transmission and distribution (T&D) losses varied from 45.00 to 58.83 *per cent* as against 15.5 *per cent* (norm) fixed by the Central Electricity Authority. During the last three years ending 2002-03, the excess T&D loss over norm was 265.30 million units and the loss therefor was Rs.46.56 crore worked out at average revenue per unit.

7.1.13 Response to Inspection Reports, Draft Paras and Reviews

Observations made during audit and not settled on the spot are communicated to the Heads of the companies and concerned departments of State Government through Inspection Reports. The Heads of companies/ offices are required to furnish replies to the Inspection Reports through respective Heads of departments within a period of six weeks. Inspection Reports issued upto

March 2003 pertaining to eight Government companies/departmentally managed commercial undertakings disclosed that 367 paragraphs relating to 65 Inspection Reports remained outstanding at the end of August 2003. Of these, 8 Inspection Reports containing 29 paragraphs had not been replied for more than six years. Department-wise break-up of Inspection Reports and Audit observations outstanding as on 30 September 2003 is given in ***Appendix*-XXVIII**.

Similarly, draft paragraphs and reviews on the working of the Government companies and departmentally managed commercial undertakings 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. Out of five draft paragraphs and one Review forwarded to the various Departments during April to July 2003, replies to three draft paragraphs relating to Power and Electricity Department have not been received.

It is recommended that Government should ensure that (a) procedure exists to ensure accountability of officers who failed to send replies to Inspection Reports/draft paragraphs/reviews as per the prescribed time schedules, (b) action to recover loss/outstanding advances/overpayment is taken in a time bound schedule, and (c) system of responding to the audit observations is revamped.

7.1.14 Position of discussion of Commercial Chapter of Audit Reports by the Committee on Public Undertakings (COPU)/Public Accounts Committee (PAC)

The reviews/paragraphs of Commercial Chapter of Audit Reports pending discussion as on 30 September 2003 by COPU/PAC are shown below:

Table 7.8

Period of Audit Reports	Total number of Reviews/ Paragraphs that appeared in Audit Report		Number of Reviews/Paragraphs pending discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1993-94	-	4	-	1
1995-96	1	4	-	2
1996-97	-	4	-	2
1997-98	1	3	-	1
1998-99	-	3	-	2
1999-2000	1	7	1	7
2000-01	-	2	-	2
2001-02	-	4	-	5*

* *Inclusive of one introductory/standard paragraph*

SECTION–A–REVIEW

TRANSPORT DEPARTMENT

MIZORAM STATE TRANSPORT

7.2 Working of Mizoram State Transport

Highlights

The Mizoram State Transport (MST) was set up in April 1972 to facilitate movement of passengers and goods within the State and to operate Inter-State services in an economic and efficient manner. A review of the working of MST revealed dismal operational performance.

(Paragraph 7.2.1)

The MST had incurred heavy operational losses every year varying from Rs.4.06 crore to Rs.6.41 crore and net loss ranged between Rs.5.31 crore to Rs.11.01 crore.

(Paragraph 7.2.5(b))

Expenditure amounting to Rs.11.76 crore was incurred towards salaries, wages, *etc.*, on excess staff. Extra expenditure of Rs.24.23 lakh was also noticed towards excess consumption of 1.69 lakh litres of HSD.

(Paragraphs 7.2.11 & 7.2.12)

Expenditure amounting to Rs.3.25 crore incurred on idle manpower due to cancellation of schedule trips.

(Paragraph 7.2.13)

Compensation amounting to Rs.1.33 crore was paid to accident victims by the Department in absence of third party insurance.

(Paragraph 7.2.14)

7.2.1 Introduction

The Mizoram State Transport (MST) was set up in April 1972 to facilitate movement of passengers and goods within the State and to operate Inter-State services in an economic and efficient manner. Although the functioning of MST is commercial in nature, the Government has not yet declared it as a commercial undertaking (July 2003).

7.2.2 Organisational set up

The Department is under the Administrative Control of Secretary, Transport, Government of Mizoram. The Director is overall in-charge and looks after day to day affairs of MST who is assisted by a Joint Director (Operation) in the Head Office. The Joint Director (Operation) at Aizawl is in-charge of fleet operation. There is a Central Workshop at Hlimen, Aizawl headed by Works Manager to look after major repairs. There are five stations at Aizawl, Silchar, Lunglei, Saiha and Lawngtlai, each headed by a Station Superintendent.

7.2.3 Scope of Audit

The operational performance of MST was last reviewed in paragraph 7.4 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 1992. The present review covers the working of MST for the period from 1997-98 to 2001-02, based on the test check of records (April-May 2002) maintained in the Directorate, Office of the Joint Director (Operation) including Central Workshop and Operational returns submitted by the stations. The results emanating therefrom are elaborated in the succeeding paragraphs. An Audit Review Committee was constituted in December 2002 with Principal Accountant General (Audit), Sr. Deputy Accountant General, from audit side and Government nominees represented by Commissioner & Secretary to the Government of Mizoram, Transport Department and Director of Transport as members. The meeting of Audit Review Committee was held on 19.5.2003 during which it was decided that replies of the Department and Government would be furnished within a week of receipt of final copy of the draft review. The draft review was issued on 29 May 2003 and replies of the department and of the Government were received in July 2003 and August 2003 respectively and the same have been duly incorporated in the Review.

7.2.4 Source of finances

On the basis of estimates submitted by the Department, required funds are provided by the State Government through budgetary grants both under Plan and Non-Plan sectors.

7.2.5 Financial Position and Working Results

The Department had finalised the *proforma* accounts of MST upto 2001-02. Based on these, (a) financial position and working results (b) percentage of expenditure under each head to total operating revenue (c) trend of revenue per effective kilometer operated for the period from 1997-98 to 2001-02 are tabulated in ***Appendix*-XXIX**.

The following points were noticed:

(a) Accumulated loss is not being reflected in the Balance Sheet in deviation of the prescribed format. Instead, Balance Sheet is indicating only current year's loss. As such, Balance Sheet is not reflecting true and fair view of state of affairs. Besides this, the ledger, journal *etc.*, have not been maintained to draw up the *proforma* accounts on accrual basis. As a result, the liabilities for expenses amounting to Rs.1.12 crore towards fuel & lubricant (Rs.17.26 lakh), tyres, tubes & retreading (Rs.27.38 lakh), spare parts (Rs.15.12 lakh), repairing (Rs.11.55 lakh) and others (Rs.41.02 lakh) have not been provided in the accounts for 2001-02.

(b) As per accounts drawn mainly on cash basis during the last 5 year period ending March 2002, the MST had incurred heavy operating losses every year varying from Rs.4.06 crore to Rs.6.41 crore and net loss ranged between Rs.5.31 crore to Rs.11.01 crore. The cumulative loss during the period of review stood at Rs.24.68 crore.

Audit analysis of working results revealed that the pertinent reasons for incurring continuous losses were attributable to (a) poor performance in terms of effective kilometers (b) low occupancy (c) high incidence of employees cost and idle manpower (d) under utilisation of fleet (e) high cost of repairs and maintenance of vehicles as discussed in succeeding paragraphs.

7.2.6 The Department admitted the facts and attributed (June 2003) the following reasons for dismal performance:

(a) maintaining of many old buses which resulted in poor and declining performance in terms of effective KM, low occupancy, under utilisation of fleet, high cost of repair and maintenance of vehicles.

(b) inadequate provision of funds in the budget for purchase of new buses.

(c) implementation of 5th Pay Commission report which resulted in high incidence of employees cost and idle man power.

(d) Mizoram State Transport renders services to far-flung thinly populated areas and on Kutcha roads in the interest of the public where private buses could not render services.

Government endorsed (August 2003) the views of the Department without further comments.

It was observed in audit that actions have not yet been initiated by the Department to sort out improvement measures particularly in respect of (a) and (b) above though the number of private buses operating in the same routes have increased from 40 in 1997-98 to 97 in 2001-02, the average number of vehicles held by the Department has come down from 88 in 1997-98 to 72 in 2001-02.

The employees' cost per effective kilometer operated ranged between Rs.12.75 to Rs.30.26, whereas the income per effective kilometer was between Rs.9.56 to Rs.11.40 during the last five years ending 31 March 2002. Thus, the employees' cost was in excess of operating revenue per kilometer varying from Rs.3.19 to Rs.18.86. The Department has not taken measures to arrest overstaffing/high incidence of employees' cost.

The revenue earned per effective kilometer of operation varied from Rs.9.56 to Rs.11.40 as against the operational expenditure varying from Rs.30.74 to Rs.45.37. The losses incurred on operation per effective kilometer varied from Rs.20.56 to Rs.33.97.

7.2.7 Vehicular strength and age profile

The productivity of State Transport Undertakings depends on the age profile of the fleet and policy adopted for scrapping the buses. The Transport Research Wing (TRW), Ministry of Road Transport and Highways, Government of India expressed (February 2002) that the aging fleets are considered as hindrance for better public service.

The fleet strength and age-wise position of MST buses for the 5 years upto 2001-02 are given below:-

Table 7.9

Sl. No.	Particulars	1997-98	1998-99	1999-2000	2000-01	2001-02
1.	Effective fleet strength at the beginning of the year	96	88	85	82	80
2.	Number of buses acquired	5	3	-	6	5
3.	Number of buses sold/earmarked for disposal	13	6	3	8	13
4.	Effective fleet strength at the end of the year	88	85	82	80	72
5.	Age-wise analysis of buses held at the end of the year (bracket indicate percentage to total fleet strength):					
	a) Over 8 year	39 (44.32)	43 (50.59)	40 (48.78)	51 (63.75)	36 (50)
	b) Over 6 years but below 8 years	9 (10.23)	- -	7 (8.54)	4 (5.00)	5 (6.94)
	c) 4 to 6 years	7 (7.95)	22 (25.88)	21 (25.61)	11 (13.75)	17 (23.61)
	d) 2 to 4 years	16 (18.18)	12 (14.12)	11 (13.41)	5 (6.25)	3 (4.17)
	e) Less than 2 years	17 (19.32)	8 (9.41)	3 (3.66)	9 (11.25)	11 (15.28)
6.	Average number of vehicles on road	39	41	42	38	37
7.	Road worthy buses (4-5a)	49 (55.69)	42 (49.41)	42 (51.22)	29 (36.25)	36 (50)
8.	Off the road buses (4-6)	49 (55.68)	44 (51.76)	40 (48.78)	42 (52.50)	35 (48.61)

According to recommendation made (1971) by ASRTU, 92 *per cent* of fleet should be road worthy (90 *per cent* in operation and two *per cent* kept as reserve and off-road buses should not exceed eight *per cent* of total fleet). As against this norm, the roadworthy buses varied from 36.25 to 55.69 *per cent* and the off-road buses represented 48.61 to 55.68 *per cent*.

It would be seen from the above that during the five years upto 2001-02, as against 43 buses withdrawn from fleet strength only 19 new buses were put on road. As a result the effective fleet strength of MST has gone down from 88 at the end of 1997-98 to 72 at the end of 2001-02.

During the last five years ending 2001-02, the over-aged buses (over 8 years) that required to be replaced varied from 36 to 51. As against this, as per five year plan, 25 new buses were proposed to be acquired during 1997-98 to 2001-02 of which the Department actually acquired only 19 new buses during the period. The Department attributed (June 2003) the reasons for shortfall to inadequate provision of funds in budget for acquiring new buses. Government endorsed (August 2003) the replies of the Department.

As per report (February 2002) of TRW, the State Transport Undertakings (SRTUs) scrap the buses which run five lakh kilometers or complete eight years of life whichever is earlier. As against this, the norm of life of MST buses is at lower side *i.e.*, run of 1.35 lakh kilometers or seven years of life. The Department has, however, not made upward revision of norm of life of buses in line with the TRW norms.

The Department had not taken effective measures to improve efficiency ensuring timely repair of buses and by fixing norm for minimum Km performance per bus per day.

7.2.8 Operational efficiency

The number of routes operated, fleet utilisation, distance operated per bus per day and occupancy ratio for the five years from 1997-98 to 2001-02 are given in ***Appendix*-XXX**.

The operational performance of the buses was dismal and was much below the All India average and other STUs as discussed below:

7.2.9 Fleet utilisation

The Public Accounts Committee (PAC) discussed the review (1991-92 Audit Report) on 29 July 1999 and in its 28th Report recommended the fleet utilisation target as 55 *per cent*. The Department fixed the target accordingly as intimated to the PAC. During the last five years ending 2001-02, the fleet utilisation varied from 44.32 to 51.39 *per cent*, which was far below the target fixed as well as against All India average of 89.62 *per cent* (September 2001) to 91.11 *per cent* (September 2000). In similar road conditions (hilly and remote) the Sikkim Transport attained much higher fleet utilisation varying from 76.47 *per cent* (September 2001) to 76.81 *per cent* (September 2000). Reasons for poor fleet utilisation of buses were not analysed by the Department to take remedial measures for improvement. Review in Audit disclosed that the main reasons attributable were cancellation of scheduled trips, delay in repair of buses and high percentage of off-road vehicles. The Department stated (June 2003) that remedial measures were being taken for improvement and Government endorsed (August 2003) the replies. But the details of actions taken were not stated.

7.2.10 Vehicle productivity

The Department has not fixed any norm for vehicle productivity (performance of minimum Passenger Kms per vehicle per day *vis-a-vis* revenue).

The productivity (Kms operated per bus per day on fleet strength) per bus per day was too low and varied from 52.77 Kms to 59.87 Kms as against All India average of 285.96 (September 2000) to 287.86 (September 2001) Kms. Due to such poor productivity of MST buses, the earning per Km ranged between Rs.9.56 to Rs.11.40 during the period 1997-98 to 2001-02.

The occupancy ratio (ratio of Passenger Kilometers performed to passenger kilometers offered) which was 70 in 1997-98 declined to 43 in 2001-02. The TRW observed (September 2001) that productivity measured in terms of passengers carried per bus per day was worst in MST.

The Department and Government stated (June and August 2003) that the Department is not at liberty to run the buses aiming at profit motive unlike private operators as the ultimate purpose is the interest of the public. It was, however, observed in Audit that in almost all the operating routes of MST the private buses were operating. No route survey has been carried out by the Department to ascertain the reasons for low occupancy ratio and to initiate remedial measures.

7.2.11 Staff productivity

The Corporation has not fixed any norm of staff strength required per vehicle under different categories. The staff requirement per bus was worked out (September 1994) by TRW to 6.5 (traffic: 5 maintenance: 1.15, and administration: 0.35) including leave/absenteeism.

The table below indicates the vehicle staff ratio and staff productivity (average revenue earning kilometers per worker/day) of the Department for the five years from 1997-98 to 2001-02:

Table 7.10

Particulars	1997-98	1998-99	1999-2000	2000-01	2001-02
Effective fleet strength at the close of the year	88	85	82	80	72
Average number of vehicles on-road	39	41	42	38	37
Effective Kilometers operated (in lakh)	16.95	16.74	17.92	16.88	15.70
Staff Strength					
a) Traffic	363	363	363	363	363
b) Workshop/Maintenance	177	177	177	177	177
c) Administration	291	291	291	291	291
Total:	**831**	**831**	**831**	**831**	**831**
Staff productivity (Kms per worker/day)	5.59	5.52	5.91	5.57	5.18
Vehicle staff ratio on :					
a) Effective fleet strength	1:9.44	1:9.78	1:10.13	1:10.39	1:11.54
b) Vehicles on-road	1:21.31	1:20.27	1:19.79	1:21.87	1:22.46

It would be seen from above table that the staff strength per vehicle on fleet strength varied from 9.44 to 11.54 and 19.79 to 22.46 of on-road vehicles. This is much higher than the norms fixed by TRW.

The staff productivity was too low and varied from 5.18 to 5.91 Kms/staff/day as against All India average of 42.93 (September 2000) to 43.74 (September 2001) Kms/staff/day. The TRW observed (September 2001) that MST had the lowest staff productivity of all the STU's. During the last five years ending 2001-02, compared to norm of TRW, the department had paid Rs.11.76 crore towards salaries, wages, *etc*., on excess staff.

The Department stated (June 2003) that extra efforts would be taken to achieve the desired goal (staff efficiency), Government endorsed (August 2003) the view of the Department.

7.2.12 Fuel efficiency

The Department fixed a norm for consumption of diesel oil (HSD) at 3.5 Kms per litre upto 1989-90 and thereafter reduced to 3.25 Kms per litre.

Consumption of HSD for 1997-98 to 1999-2000 was not available. The table below indicates the total consumption of diesel oil and Kilometers run per litre (KMPL) in respect of buses during 2000-01 and 2001-02:

Table 7.11

Sl. No.	Particulars	1997-98	1998-99	1999-2000	2000-01	2001-02
1.	Total Kms operated (in lakh)	16.95	16.74	17.92	16.88	15.70
2.	Fuel consumption (litres in lakh)	NA*	NA*	NA*	5.90	5.81
3.	KMPL achieved	NA*	NA*	NA*	2.86	2.70

It would be seen that fuel efficiency of MST varied from 2.70 to 2.86 Kms. per litre against All India average which varied from 4.54 (September 2000) to 4.58 (September 2001) Kms/litre. The TRW observed (September 2001) that MST had the lowest fuel efficiency. In similar road conditions (hilly and remote), the other STU's attained higher fuel efficiency {Sikkim: 3.54 Kms/litre (September 2001) to 3.86 Kms/litre (September 2000), Nagaland: 3.50 Kms/litre (September 2001), Tripura: 3.58 Kms/litre (September 2001) to 3.60 Kms/litre (September 2000)}.

The Department could not even achieve its own norm for which reasons were not on record. An extra-expenditure of Rs.24.23 lakh was incurred towards excess consumption of 1.69 lakh litres of HSD as compared to the Department's norm during the years (2000-01 and 2001-02) alone.

The Department stated (June 2003) that it is not practically possible to abide by the norm due to bad condition of roads. Government expressed (August 2003) the same view. The reply is, however, not tenable as the norm was fixed taking this factor into consideration and in similar road conditions, the other STUs have attained higher fuel efficiency. Reasons for high consumption of fuel have, however, not been investigated by the Department.

7.2.13 Cancellation of scheduled trips

The table below indicates the number of trips cancelled due to non-availability of passengers/buses, road blockade and other factors (not classified) *vis-à-vis* scheduled kilometers cancelled.

Table 7.12

Year	Scheduled bus Kms cancelled due to					Revenue earned per Km (Rupees)	Total revenue loss due to want of buses (Rupees in lakh)	Expenditure on idle man-power (Rupees in lakh)
	Want of passengers	Want of bus	Road block	Others (not classi-fied)	Percentage of Km lost due to want of bus to total Kms cancelled			
1999-2000	32724	279113	13597	78602	69.08	11.08	30.93	74.46
2000-01	87084	213874	13544	105668	50.90	11.40	24.38	92.91
2001-02	125670	349440	14064	45759	65.32	10.21	35.68	157.61
Total	**245478**	**842427**	**41205**	**230029**	**69.98**		**90.99**	**324.98**

[*] *The quantitative details of HSD consumed during 1997-2000 have not been ascertained by the Department.*

It would be evident that during the period from 1999-2000 to 2001-02, (position for 1997-98 and 1998-99 not available) the Department had cancelled 1317934* scheduled bus Kms. Total revenue loss for want of buses was Rs.90.99 lakh and expenditure incurred on idle manpower due to such cancellation amounted to Rs.3.25 crore including Rs.1.76 crore on idle crew.

The Department accepted the observation and stated (June 2003) that cancellation of scheduled trips would be avoided when proposal for procurement of new buses for replacement of old buses materialises. Government endorsed (August 2003) the replies of the Department.

7.2.14 Breakdowns and accidents

The total number of breakdowns and accidents in which MST vehicles (buses) were involved during the five years ending 2001-02 is indicated below:

Table 7.13

Sl. No.	Particulars	1997-98	1998-99	1999-2000	2000-01	2001-02
1.	Total Kms operated (in lakh)	16.95	16.74	17.92	16.88	15.70
2.	Number of breakdowns	117	90	92	82	97
3.	Number of accidents :					
	a) Fatal	Nil	2	Nil	Nil	1
	b) Major	Nil	2	Nil	Nil	1
	c) Minor	5	2	5	7	17
4.	Number of breakdowns per one lakh Kms.	6.90	5.38	5.13	4.86	6.18
5.	Number of accidents per one lakh Kms.	0.30	0.36	0.28	0.42	1.21

Cause-wise details of breakdowns have not been maintained. Frequent breakdowns reflect adversely on quality of service and maintenance of vehicles. Remedial measures have not been taken to arrest the breakdowns. The Department and Government attributed (June 2003 and August 2003) the reasons for breakdowns to operation of old-aged buses and poor road conditions and stated that as remedial measures, proposals for replacement of old age buses by new buses were being submitted.

During the five years from 1997-98 to 2001-02, the Department paid compensation amounting to Rs.1.33 crore to accident victims as against Rs.2.16 lakh payable for insurance premium. The reasons attributable for accidents (mechanical defects, negligence of drivers, *etc.*) were not available. The Department, however, had no third party insurance coverage to bear the amount of compensation by the underwriter. The Department stated (June 2003) that buses have now been brought under insurance coverage. Thus, for want of third party insurance, the Department had to pay compensation to accident victims from its own budgetary sources.

* *It includes Kms cancelled due to road block.*

7.2.15 Route analysis

The MST had 33 operating routes of which only 27 to 29 routes were operated due to shortage of buses.

Occupancy ratio has fallen down from 70 *per cent* in 1997-98 to 43 *per cent* in 2001-02 as shown in ***Appendix*-XXX**. During audit analysis of operated routes for the month of January 2002 it was observed that only two routes (out of 29 routes) had occupancy ratio of over 70 *per cent*. The occupancy ratio of remaining routes varied from Nil to 70 *per cent* as shown in ***Appendix*-XXXI**.

It would be further seen from the Appendix that in 19 routes the occupancy ratio was below 50 *per cent*. As against the average expenditure of Rs.37.41 per effective kilometer operated on those routes the income per effective Kilometer was Rs.10.21 only. The Department had not periodically surveyed the operating routes to ascertain the reasons for low occupancy ratio of majority of routes and their viability. These routes, evidently, should not be economically unviable as in majority of these routes the private buses were plying. The Department and Government stated (June 2003 and August 2003) that periodical check-up of road conditions would be done in future.

7.2.16 Performance of tyres retreading plant

The MST had a tyre retreading plant at Chaltlang, Aizawl, with capacity to retread 1252 tyres per annum under cold process. The date and cost of installation of the plant were not made available to audit.

During five years from 1997-98 to 2001-02, only 738 tyres under Cold process were retreaded in the plant utilizing 11.79 *per cent* of its capacity. The retreading cost in the plant was not available for want of job costing.

It was noticed in Audit that although its own plant remained largely underutilized, during the last five years ending 2001-02, the Department retreaded 2754 tyres through private firms at a cost of Rs.52.06 lakh on the plea of non-availability of retreading materials. The Department and Government stated (June 2003 and August 2003) that the required materials could not be procured due to limited financial position and the suppliers outside the State could not always execute timely supply of materials. The reply was, however, contrary to facts which showed that the Department paid Rs.52.06 lakh to private parties towards retreading cost of tyres.

7.2.17 Performance of tyres

The MST has not fixed any norm for performance of new tyres. It was stated (May 2003) that the Government of Mizoram fixed a minimum norm of a heavy duty tyre after resoling for minimum three times to 18000 Kms. In similar road conditions the Meghalaya Transport Corporation had the norm to cover 25000 Kms by a new tyre before removal and 18000 Kms by a retreaded tyre.

Performance of 423 new tyres before removal for retreading for 2000-01 and 2001-02 as a result of test check in Audit are given below:

Table 7.14

Range of Kms performed	Number of tyres	Percentage to total tyres
Below – 5,000	60	14.18
5,000 – 6,000	44	10.40
6,000 – 7,000	56	13.24
7,000 – 8,000	65	15.37
8,000 – 9,000	56	13.24
9,000 – 10,000	55	13.00
10,000 – 11,000	22	5.20
11,000 – 12,000	19	4.49
12,000 to 15,000	29	6.86
15,000 to 18,000	17	4.02
Total	**423**	

It would be seen from the table above that all the above 423 tyres were retreated two to five times at a cost of Rs.36.27 lakh and total Kms (new as well as retreading during entire life of the tyre) performed by tyres varied from 17129 to 39124 Kms. In similar road conditions the Meghalaya State Transport Corporation fixed the norm of 43000 Kms. (including retreading).

The Department and Government stated (June 2003) that the issue was being examined technically to increase tyre efficiency. The details of actions taken fixing higher life of tyres as in other STUs operating in similar road conditions were, however, awaited.

7.2.18 Maintenance/repairs in workshop

The MST has one Central Workshop at Hlimen, Aizawl to undertake major repairs including overhauling of major assemblies. Apart from this Workshop, the MST has five maintenance Centres at Aizawl, Silchar, Lunglei, Saiha and Lawngtlai for day-to-day maintenance of vehicles including repairing, welding *etc*.

The following points were observed in Audit:-

The system of job costing of repair (minor/major) has not been adopted. Only the cost of spare parts issued for repairs are indicated in history sheet of respective vehicles. The Department has accepted (June 2003) this and assured that this would be done in future.

The system of preventive maintenance has not been introduced. The vehicles are repaired when they develop defects and reported by drivers. The Department has stated that these were done at Chatlang but no separate register in this respect was made available to audit. It was also stated in reply (June 2003) that all possible steps would be taken for better maintenance of vehicles.

To obtain long, efficient and trouble free services from vehicles, the assemblies are required to be overhauled/reconditioned after performance of certain prescribed kilometers. The consolidated position of reconditioning done in respect of gear box, differential, steering, fuel injection pump, self starter, alternator, *etc*., were not available. The Department's reply was also silent in this aspect.

The Department and Government stated (July 2003 and August 2003) that steps would be taken for better maintenance of vehicles.

7.2.19 Internal Control/Internal Audit

The internal control/internal audit system is an independent appraisal of the activities within the organisation for review of accounting, financial and other business practices. No internal control/internal audit system has, however, been introduced by the Department/Government for MST.

7.2.20 Conclusion

The MST had incurred heavy operating losses every year and performed poorly in all the operational areas. The poor performance was mainly attributable to failure of acquiring required buses, low vehicle utilisation, excess deployment of manpower, poor occupancy ratio, cancellation of scheduled Kilometers, and low tyre and fuel efficiency. In order to improve operational efficiency the Department needs to periodically recondition/refurnish over-aged old buses, avoid operation of buses in uneconomical routes where private buses are operating, and reduce operational costs.

SECTION – B – PARAGRAPHS

POWER AND ELECTRICITY DEPARTMENT

7.3 Avoidable extra expenditure

Procurement of circuit breakers at a higher rate from a local firm led to extra expenditure of Rs.38.67 lakh.

For the augmentation of 132 KV sub-station at Aizawl, the Executive Engineer, Generation Division, Aizawl procured 27 'Crompton Greaves 33 KV SF6 circuit breakers' from a local firm (M/S National Business Enterprise) at the cost of Rs.4,76,868.22 each totalling Rs.1.29 crore, against a purchase order placed by the Chief Engineer in March 2001. Audit scrutiny (March 2002) showed that in March 2001 the Department, by a separate supply order placed on the manufacturers, had purchased two circuit breakers of the same specification at the rate of Rs.3,33,664 each. The circumstances in which separate supply orders were placed (one directly on the manufacturer by the Department, and the other by the Chief Engineer on the local firm) for the same work, are not evident from the records. But the fact remains that the local suppliers had overcharged the Division to the extent of Rs.38.67 lakh in the purchase which could have been avoided had the purchases been planned and synchronised. Evidently, the purchase procedure followed and structure of delegation would require review. In reply to the audit query, the Executive Engineer replied (July 2002) that the rate was fixed by the Chief Engineer, and Chief Engineer has furnished no explanation. This underscores not only a serious flaw in the purchase procedure, but also how a possible nexus between the purchasing authorities and the supplier can develop through arbitrary decision making.

The matter was reported to Government in May 2002; their replies are awaited (November 2003).

7.4 Blockage of fund

Irregular and unplanned procurement of materials much in advance of requirement resulted in blockage of fund amounting to Rs.83.96 lakh.

According to the General Financial Rules and CPWD Manual, materials should be purchased only for works-in-progress with due care that the purchases are not made in advance of requirement.

Test check (March 2002) of records of the Executive Engineer, General Division, Aizawl revealed that the entire stock of 51 numbers of 33 KV Lightening Arresters costing Rs.37.23 lakh and 117 Kms of ACSR 'Dog' conductor costing Rs.46.73 lakh were procured in March 2001 from two local firms of Aizawl against purchase orders issued (March 2001) by the Chief Engineer (P). These items were procured for the work 'Improvement of Sub-Transmission and Distribution Network of Aizawl Town' and have remained unutilised (March 2002) since procurement. It was also seen that bar chart for the work phasing out the physical progress of the work *vis-à-vis* requirement of materials had not been prepared to execute and monitor the work in a planned manner. Besides, as per scope of work, the materials (conductor and lightning arrester) were required after erection of towers/poles and installation of transformers and these items of works were yet to be started (March 2002). This would indicate that the purchase of these materials in advance of requirement were unplanned and also in violation of the above instructions.

Thus, irregular and unplanned procurement of materials much in advance of requirement had resulted in blockage of Government fund amounting to Rs.83.96 lakh (Rs.37.23 lakh + Rs.46.73 lakh) for two years. The Executive Engineer of the division in reply stated (July 2002) that to save extra expenditure due to price rise, the materials were purchased in advance and that these materials would be utilised shortly.

The replies are not tenable as the materials were procured out of available budget allocation without preparation of bar chart and seeking for required fund from Government although the scheme was to be completed by March 2002 at an estimated cost of Rs.2.70 crore. Further, the purchase in advance of requirement was irregular and in violation of General Financial Rules and CPWD Manual and blockage of Government funds involves interest amounting to Rs.26.24 lakh upto September 2003 at an average borrowing rate of 12.5 *per cent* per annum.

The matter was reported to the Government in May 2002; their replies are awaited (November 2003).

7.5 Extra avoidable transportation charges

Extra avoidable transportation charges amounting to Rs.38.68 lakh incurred due to unplanned purchase of materials for works.

The Chief Engineer (Power and Electricity), Mizoram issued (October 1999) order to an Aizawl firm for supply of tower materials for delivery at Lawngtlai @ Rs.40,490.30 per tonne. This rate was inclusive of transportation charges @ Rs.8448.30 per tonne from outside the state and covered the distance (390 kms) from Kolasib to Lawngtlai. The transportation charge per km was not separately available. These tower materials were procured for construction of proposed (December 1998) 132 KV Single Circuit transmission line from Tuipang to Lawngtlai but no Administrative Approval for the work was obtained to ensure providing of fund for the project. The firm supplied 280.564 tonne tower materials and 13.763 tonne nuts and bolts between October 1999 and March 2000 at Lawngtlai.

Test check (February 2002) of records of Kolasib Electrical Division revealed that in March 2000 due to lack of fund, the Department abandoned the proposed construction of Tuipang-Lawngtlai line. Procurement of tower materials without Administrative Approval and ensuring funds for the line was, therefore, unplanned. Subsequently, as per decision (April 2000) of Chief Engineer, 203.15 tonne tower materials/nuts & bolts were departmentally carried inward to Kolasib incurring an expenditure of Rs.38.68 lakh for utilisation in construction work of 132 KV Turial-Kolasib line.

Thus, due to unplanned purchase of tower materials for abandoned Tuipang-Lawngtlai transmission line, the Department had to incur avoidable transportation charges amounting to Rs.38.68 lakh for inward carriage of the tower materials from Lawngtlai to Kolasib. Besides, Department also incurred avoidable transport expenditure on outward transportation cost from Kolasib to Lawngtlai, a section of 390 Kms. This avoidable expenditure could not be calculated in audit due to lack of relevant records.

The matter was reported to the Department/Government in April 2002; their replies are awaited (November 2003).

FOOD AND CIVIL SUPPLIES DEPARTMENT

7.6 Misappropriation of cash and foodstuff

Absence of adequate checks and control over the functioning of a centre coupled with inaction to investigate into its affairs helped in misappropriation of cash amounting to Rs.15.66 lakh and foodstuff valued at Rs.72.46 lakh over a period of 3 years 11 months.

Supply manual (the Manual) of the Department provides *inter-alia*, that each distribution centre of foodstuff should maintain Register of Stock and Sales, cash accounts indicating receipt of sale proceeds of foodstuff and their deposit into Government account, *etc*., and to render monthly returns of cash account, statement of stock including Physical Verification Report, *etc*., in prescribed forms to the District Civil Supply Officer (DCSO) by 10 of the following month. The DCSOs are responsible for ensuring proper functioning of the centres including receipt of returns/accounts from centres and for submission of consolidated monthly accounts to the Director of Food and Civil Supplies

(DF&CS). According to the Manual, storage losses of foodstuff procured from central stock are not permissible. Physical verification of stock balances are to be carried out once in a month/at the end of each year and shortages of stock, if any, detected during physical verification are to be recorded in the register/monthly statement of 'storage losses' for investigation of shortages.

During test check (March 2001) of records of DCSO, Aizawl East, it was noticed that the DCSO (E) informed (September 1999) the Inspector of Food and Civil Supplies (IF & CS) who held charge of the Centre that monthly accounts for June 1997 to July 1998 contained discrepancies which required clarification. The DCSO (E) informed (August 1999) the DF & CS that inspite of repeated instructions, the concerned IF & CS at the Centre failed to submit the accounts of the Centre for the period of his tenure and that the present IF & CS could not furnish the required information as the former IF & CS did not hand over to him the relevant records. The state of affairs of the Centre was, however, not investigated.

While pointing out the above gross malfunctioning of the Centre, Audit recommended (May 2001) to investigate into the affairs of the Centre. It was also noticed from the records subsequently submitted to audit that the new IF&CS took over charge of the Centre on 8 February 1999 and opened new cash book with 'Nil' cash balance and new stock account with 310.34 quintals of Gr 'A' rice and 1.50 quintals sugar. No records for period prior to 8 February 1999 were produced to audit for verification as these were stated to be not handed over by his predecessor. The reports of handing over/taking over charge were not in prescribed form and also did not contain the registers/accounts handed over, book balances and shortages. These would indicate that the DCSO did not exercise required check and control over the functioning of the Centre.

The Department ordered (June 2002) reconstruction of accounts of the Centre at the instance of Audit. DF&CS stated (March 2003) that foodstuff valued at Rs.72.46 lakh and cash (sale proceeds of foodstuff) amounting to Rs.15.66 lakh were misappropriated by the then IF&CS (Sri Lalhmingliana) during 1 March 1995 to 7 February 1999. The incumbent was placed under suspension with effect from 30 July 2002 and Departmental inquiry was instituted in August 2002. The Government stated (August 2003) that the inquiry report was awaited.

Thus, absence of proper check and control over the functioning of the Centre and inaction to timely investigate into the affairs of the Centre helped in misappropriation of cash amounting to Rs.15.66 lakh and foodstuff valued at Rs.72.46 lakh in a spread over period of 3 years 11 months.

7.7 Missing consignments of foodstuff

Lack of proper checks and control over movement of foodstuff led to loss of 872.19 quintals of foodstuff in transit valuing Rs.6.41 lakh.

The Department engaged carriage contractors for transportation of foodstuff from Central Pool released by Food Corporation of India (FCI) at Silchar rail head/godowns to designated godowns/centres. To ensure complete and safe delivery of foodstuff, the Supply Manual provides that a copy of the receipt challan of each consignment is to be sent by the receiving centres to the despatching centres. Despatching centres are required to maintain a register of movement of foodstuff to watch the actual receipt of consignments by the receiving godowns/centres.

Test check (February 2001) of records of the Joint Director, Food and Civil Supplies, Silchar, revealed that receipt challans in respect of 49 consignments for 5950.77 quintals rice despatched between July 1997 to May 1999 to Lawngtlai and Lunglei centres were not available although these were to be sent by the receiving centres to the despatching centres within four days of the receipt of foodstuffs. No action to ascertain the position of delivery of these consignments was taken by the despatching centres. On this being pointed out in audit, the Director of Food and Civil Supplies and Government confirmed (August 2003), that six consignments for 872.19 quintals of Grade 'A' rice valuing Rs.6.41 lakh were not delivered to the consignee.

Thus, due to lack of prescribed check and control over the movement of foodstuff, 872.19 quintals of Grade 'A' rice valuing Rs.6.41 lakh were missing in transit.