CHAPTER – VI

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

6. General

This chapter deals with the results of audit of Government companies and departmentally managed commercial undertakings. Paragraph 6.1 gives a general view of Government companies and departmentally managed commercial undertakings, paragraphs 6.2 to 6.6 deal with miscellaneous topics of interest.

6.1 Overview of Government companies and Departmentally managed commercial undertakings

6.1.1 Introduction

As on 31 March 2004 there were five Government companies (all working) and two departmentally managed commercial undertakings *viz.*, State Trading Scheme under Food and Civil Supplies Department, Mizoram State Transport under Transport Department as against same number of Government companies and departmentally managed commercial undertakings as on 31 March 2003 under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (C&AG) as per provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the C&AG as per provisions of Section 619 of the Companies Act, 1956. The accounts of departmentally managed Government commercial undertakings are audited solely by the C&AG under Section 13 of C&AG's (Duties, Powers and Conditions of Service) Act, 1971.

Working Public Sector Undertakings (PSUs)

6.1.2 Investment in working PSUs

As on 31 March 2004, the total investment in five working PSUs (all Government Companies) was Rs.68.12 crore[*] (equity: Rs.41.28 crore, share application money: Rs.6.01 crore and long term loans[**]: Rs.20.83 crore) as against five working PSUs (all Government Companies) with a total investment of Rs.66.66 crore (equity: Rs.38.06 crore, share application money: Rs.7.57 crore and long term loans: Rs.21.03 crore) as on 31 March 2003. Increase in total

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[*] *Figure as per finance accounts 2003-04 is Rs.1.45 crore, the difference is under reconciliation.*

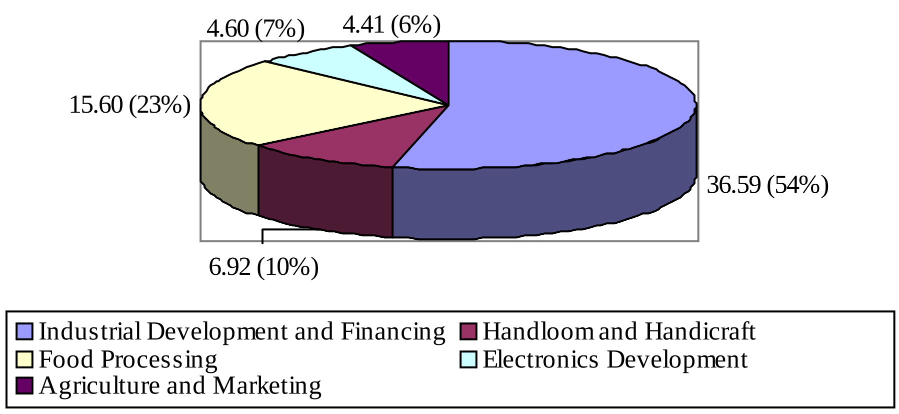
[**] *Long term loans are excluding interest accrued and due on such loans.*

investment was due to increase in equity mainly in food processing, handloom and handicrafts sectors. The analysis of investment in working PSUs is given in the following paragraphs.

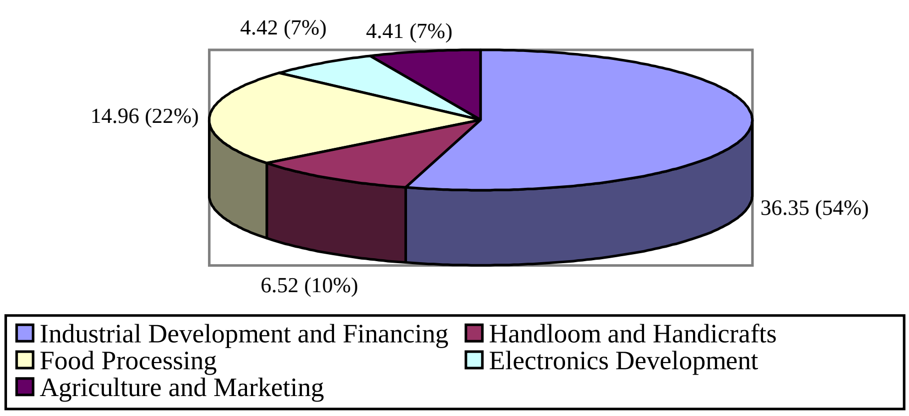
6.1.3 Sector-wise investment in working Government Companies

The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2004 and 31 March 2003 are indicated in the pie charts as follows:

Sector-wise investment in working Government Companies
As on 31 March 2004
(Amount: Rupees in crore)
(Figures in bracket indicate percentage of investment)
Total investment: Rs.68.12 crore



As on 31 March 2003
Total investment: Rs.66.66 crore



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

As on 31 March 2004, total investment in Government companies comprised 69.42 *per cent* equity capital and 30.58 *per cent* loan as compared to 68.45 *per cent* and 31.55 *per cent* respectively as on 31 March 2003.

6.1.4 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 loan into equity by the State Government to working Government companies are given in ***Appendices*– XXV and XXVII.**

The budgetary outgo in the form of equity capital and grant/subsidy from State Government to the working Government companies for the three years upto 2003-04 is given below:

Table 6.2

(Rupees in crore)

	2001-02		2002-03		2003-04	
	Companies		Companies		Companies	
	No.	Amount	No.	Amount	No.	Amount
Equity capital	5	3.92	4	3.38	4	1.67
Grants/subsidy	2	0.48	3	0.80	4	2.86
Total:	**5**[ψ]	**4.40**	**5**[ψ]	**4.18**	**5**[ψ]	**4.53**

During the year 2003-04, the Government did not give any fresh guarantees for obtaining loans by the companies. At the end of the year, guarantees amounting to Rs.20.70 crore were outstanding against Zoram Industrial Development Corporation Limited. 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.

6.1.5 Finalisation of accounts by working PSUs

The accounts of the 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 the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of financial year.

[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*

It could be noticed from ***Appendix* – XXVI**, out of five working Government companies, only one company *viz*., Zoram Industrial Development Corporation Limited finalised its accounts for the year 2003-04 within the stipulated period. During the period from October 2003 to September 2004, three working Government companies finalised five accounts for previous years.

The accounts of four Government companies were in arrears for periods ranging from four to seven years as on 30 September 2004 as detailed below:

Table 6.3

Sl. No.	No. of working Government companies	Year from which accounts are in arrear	Number of years for which accounts are in arrear	Reference to Sl. No. of Appendix - XXVI
1.	1	2000-01 to 2003-04	4	3
2.	1	1999-00 to 2003-04	5	2
3.	1	1998-99 to 2003-04	6	4
4.	1	1997-98 to 2003-04	7	5

It is the responsibility of the administrative departments to oversee and ensure that the accounts are finalised and adopted by the PSUs within 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.

6.1.6 Financial position and working results of working PSUs

The summarised financial results of working PSUs (Government companies) as per their latest finalised accounts are given in ***Appendix* - XXVI**.

According to the latest finalised accounts (September 2004) four* Government companies had incurred an aggregate loss of Rs.3.74 crore.

* *One company (Sl. No.5 of* ***Appendix*-XXV***) did not earn profit nor incurred loss.*

6.1.7 Return on capital employed

As per the latest finalised accounts, the capital employed[**] worked out to Rs.49.73 crore in five Government companies and total return[***] thereon amounted to Rs.(-) 2.42 crore as compared to total return of Rs.(-) 1.50 crore in the previous year. The details of capital employed and total return on capital employed in case of working Government companies are given in ***Appendix* – XXVI.**

6.1.8 Results of audit by Comptroller and Auditor General of India

During the period from October 2003 to September 2004, the accounts of three Government companies were selected for review. The net impact of audit observations as a result of review of PSUs was as under:

Details		No. of accounts	Rupees in lakh
		Working Government companies	**Working Government companies**
(i)	Increase in loss	1	8.11
(ii)	Non-disclosure of material facts	2	121.92

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

6.1.9 Zoram Industrial Development Corporation Limited (2003-04)

Provision for bad and doubtful debts amounting to Rs.8.11 crore was not provided in the accounts as per Reserve Bank of India guidelines. As a result, accumulated loss has been understated with consequent overstatement of loans by Rs.8.11 crore.

6.1.10 Recoveries at the instance of Audit

Test check of records of Civil Project Division under Power and Electricity Department conducted during December 2003 disclosed that material valued Rs.10.72 lakh issued to the contractor was not recovered from the running account bills of the contractor. On this being pointed out in audit, the department replied in May and September 2004 that the entire value of issued material of Rs.10.72 lakh was recovered from the contractor’s running bill.

[**] *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).*

[***] *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.*

6.1.11 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 by them in accordance with the directions issued by the C&AG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement.

Accordingly, the Statutory Auditors observed in three companies (**Sl. Nos. 2, 3 and 4 of *Appendix*- XXVI**) that the internal audit system was not commensurate with the size and nature of its business and in one company (**Sl. No. 3 of *Appendix*- XXVI**) no corrective action was taken on the internal audit report and that the internal audit was confined to financial transactions only.

6.1.12 Recommendations for closure of Government companies

Even after completion of five years of their existence, the turnover of four (**Sl. Nos. 2 to 5 of *Appendix*-XXVI**) working Government companies has been less than Rupees five crore in each of the preceding five years of latest finalised accounts. Similarly, four Government companies (**Sl. No. 1 to 4 of *Appendix*- XXVI**) had been incurring losses for five consecutive years (as per latest finalised accounts) leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve the performance of above Government companies or consider their closure.

6.1.13 Departmentally managed Government commercial and quasi-commercial undertakings

As on 31 March 2004, 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 submission of proforma accounts of State Trading Scheme for 2003-04 and of Mizoram State Transport for 2002-03 and 2003-04 was in arrear (September 2004). 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 2004.

6.1.14 State Trading Scheme

The accumulated loss of State Trading Scheme as on 31 March 2003 (after provision of interest on Government capital amounting to Rs.59 crore) was Rs.52.69 crore. The working results of State Trading Scheme for the three years upto 2002-03 are summarised below:

Table 6.4

(Rupees in crore)

Particulars	2000-01	2001-02	2002-03
A. Income			
i) Sale of foodstuffs	47.02	43.95	53.88
ii) Transport subsidy	3.95	2.43	4.23
iii) Other income	-	-	-
iv) Increase (+)/Decrease (-) in stock (closing stock less opening stock)	(-) 4.71	(-) 4.63	(+)2.31
Total 'A'	**46.26**	**41.75**	**60.42**
B. Expenditure			
i) Purchase of foodstuffs	47.60	37.92	54.39
ii) Transportation charges	4.89	4.68	4.97
iii) Employees cost	0.83	0.85	0.90
Total 'B'	**53.32**	**43.45**	**60.26**
1. Trading Profit (+)/ Loss (-)(A+B)	(-) 7.06	(-) 1.70	(+)0.16
2. Interest on Government capital	2.22	1.92	1.95
3. Net profit (+)/loss (-)	(-) 9.28	(-)3.62	(-)1.79

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 proforma accounts, during 2000-01 and 2001-02 the Scheme incurred trading losses amounting to Rs.7.06 crore and Rs.1.70 crore respectively. Results of audit, however, disclosed that trading losses for those two years would turn into trading profits of Rs.4.77 crore and Rs.8.86 crore respectively as the sales pertaining to Aizawl centre amounting Rs.11.83 crore and Rs.10.56 crore respectively were not exhibited. On this being pointed out in Audit, necessary adjustments have been carried out in the Proforma accounts for 2002-03. During 2002-03, the Scheme earned trading profit amounting to Rs.0.16 crore.

Audit analysis of proforma accounts of the scheme for 2002-03 revealed that sanction of Government against write-off proposal in respect of realisable from AOs/BDOs for alleged misappropriation of sale proceeds/shortage of foodstuffs amounting to Rs.1.33 crore in respect of 23 cases are awaited while recovery of Rs.1.27 crore in respect of 38 cases is doubtful as detailed below:

Table 6.5

(A) Cases for which write-off proposal were submitted to Government

(Rupees in lakh)

	Status of cases	No. of cases	Amount
(i)	Expired	6	41.44
(ii)	Exonerated/Dropped by Government	8	37.38
(iii)	Retired/resigned from service	4	17.93
(iv)	Terminated from service	4	34.75
(v)	Not to be recovered as per order of Hon'ble High Court	1	1.54
	Total :	**23**	**133.04**

(B) Cases relisable but doubtful of recovery and not reviewed for write-off sanction from Government

(Rupees in lakh)

	Status of cases	No. of cases	Amount
(i)	Under Investigation by Police/District Administration	4	13.24
(ii)	Acquitted by Court	4	46.91
(iii)	Not yet recovered (No progress)	30	66.93
	Total :	**38**	**127.08**

Detailed position of receivables from Departmental staff, *etc.*, (Rs.21.45 crore) were not available from Control Ledger maintained in the Directorate. Test check of records revealed that recovery amounting to Rs.16.59 lakh in respect of following 8 cases was doubtful:

Table 6.6

(Rupees in lakh)

Sl. No.	Status of cases	No. of cases	Amount
(i)	Expired	5	11.62
(ii)	Removal/discharged	2	4.18
(iii)	Exonerated	1	0.79
	Total :	**8**	**16.59**

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

6.1.15 Mizoram State Transport

The working results and operational performance of Mizoram State Transport for the three years ended 31 March 2004 are given in ***Appendix*–XXVIII.** It may be seen from the ***Appendix*** that during the three years upto 2004, the Mizoram State Transport had incurred operating losses amounting to Rs.5.12 crore, Rs.7.49 crore and Rs.6.76 crore respectively and net losses amounted to Rs.8.69 crore, Rs.8.57 crore and Rs.8.05 crore during the years 2001-02, 2002-03 and 2003-04 respectively. The reasons for incurring heavy losses were attributable to poor utilisation of buses (47 to 52 *per cent*), low load factor (occupancy) of 32.52 to 46.53 *per cent*, poor operation of buses per day (55.90 to 115 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 2003-04 were Rs.32.63, Rs.54.72 and Rs.48.99 respectively.

6.1.16 Power and Electricity Department

The operational performances of the Department for the last three years upto 2003-04 are given in ***Appendix* – XXIX**.

The total expenditure on power sold during three years upto 2003-04 was Rs.76.61 crore, Rs.74.60 crore and Rs.85.81 crore as against the revenue of Rs.23.12 crore, Rs.20.99 crore and Rs.26.37 crore respectively. The losses incurred during three years upto 2003-04 were Rs.53.49 crore, Rs.54.51 crore and Rs.59.44 crore respectively.

The percentage of transmission and distribution (T&D) losses varied from 41 to 58.83 *per cent* as against 15.5 *per cent* (norm) fixed by the Central Electricity Authority. During the three years upto 2003-04, the excess T&D loss over norm was 256.76 million units and the loss therefor was Rs.46.48 crore worked out at average revenue per unit.

6.1.17 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 2004 pertaining to seven Government companies/departmentally managed commercial undertakings and Power and Electricity Department disclosed that 373 paragraphs relating to 65 Inspection Reports remained outstanding at the end of September 2004. Of these, 10 Inspection Reports containing 36 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 2004 is given in ***Appendix* - XXX**.

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. It is observed that out of five draft paragraphs which were forwarded to various Departments during June to July 2004, replies of Government in respect of three draft paragraphs as detailed in ***Appendix*-XXXI** have not been received so far (September 2004).

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

6.1.18 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 2004 by COPU/PAC are shown below:

Table 6.7

Period of Audit Reports	Total number of Reviews/ Paragraphs that appeared		Number of Reviews/Paragraphs pending discussion in Audit Report	
	Reviews	Paragraphs	Reviews	Paragraphs
1993-1994	-	4	-	1
1995-1996	1	4	-	2
1996-1997	-	4	-	2
1997-1998	1	3	-	1
1998-1999	-	3	-	2
1999-2000	1	7	1	7
2000-2001	-	2	-	1
2001-2002	-	4	-	4
2002-2003	1	5	1	5

PARAGRAPHS

INDUSTRIES AND TRADE & COMMERCE DEPARTMENT

6.2 Delay in finalisation of accounts by the State Public Sector Undertakings

6.2.1 Statutory provisions for finalisation of accounts

In terms of sections 166, 210, 230, 619 and 619(B) of the Companies Act, 1956, the accounts of Government Companies for every financial year are required to be finalised within six months from the end of relevant financial year. Further, according to the provisions of section 619-A(3) of the Act, *ibid*, the State Government is required to place an annual report on the working and affairs of each State Government Company before the Legislature together with a copy of Audit Report and comments thereon made by the Comptroller and Auditor General of India (C&AG) within 3(three) months of receipt of such report.

6.2.2 Extent of arrears in finalisation of accounts

As of 31 March 2004, there were five State Government companies; of which only one company *viz.,* Zoram Industrial Development Corporation Limited (ZIDCO) has finalised its accounts for 2002-03. The accounts of remaining four companies with investment aggregating Rs.28.37 crore were in arrears for periods ranging from 4 to 7 years**.**

Besides non-compliance with the Statutory provisions, delay in finalisation of accounts opens the system to risk of fraud and leakage of public money.

6.2.3 Reasons for delay in finalisation of accounts

Audit analysis revealed that the reasons for delay in finalisation of accounts were attributable to (i) abnormal delay in compilation/approval of the accounts and delayed submission of the same to the Statutory Auditors by the management, (ii) absence of programme for audit leading to delay in audit and certification by the Statutory Auditors, (iii) delay in adoption of accounts in AGM and (iv) lack of required control over the companies by Government. These are discussed in succeeding paragraphs.

6.2.4 Delay in approval and submission of accounts to Statutory Auditors

None of the companies had prepared its accounting manual detailing accounting procedures and duties, power & responsibilities of accounts staff. Further, there was lack of qualified accounting staff. The annual accounts were got compiled by engaging Chartered Accountant firms appointing them as internal auditors.

No time bound action plan for compilation/approval of accounts had been prepared by the companies. In absence of this, approval by the Board took abnormally long time after close of financial year, varying from 6 to 84 months in respect of four companies. The approved accounts were submitted to Statutory Auditors by the Management with the delay varying from 4 to 604 days in respect of four companies.

6.2.5 Delay in certification of accounts by Statutory Auditors

The company was to draw a suitable program for early completion of audit and the Auditors were to complete the audit within the schedule stipulated by the Management so that the statutory time schedule for placing the accounts in the AGM could be adhered to.

No audit program stipulating schedule for audit and certification had, however, been drawn by any of the companies. The Auditors took inordinately long time varying from 20 to 985 days in respect of four companies for certification of accounts after handing over of accounts by the Management. Further, it was observed that the accounts for the year were certified by auditors after 14 to 1109 days in respect of four companies since the date of adoption of the previous years accounts.

6.2.6 Delay in holding of AGM

The companies took 13 to 308 days in convening the AGM in terms of Section 171 of the Companies Act, 1956. This adversely affected the clearance of arrears in accounts.

6.2.7 Action by the Government

The Government exercises its control over the companies through the concerned Administrative Department and Finance Department.

In terms of Memorandum and Articles of Association of these companies, the Government has the power to issue directives in the interest of the company. To fulfill these obligations, the Government was expected to take concrete steps to ensure that the accounts of these Companies were finalised in time.

The position of arrears in finalisation of accounts was brought to the notice of the Government every six months, however, the position has not shown improvement.

TRADE AND COMMERCE DEPARTMENT

MIZORAM AGRICULTURAL MARKETING CORPORATION LIMITED

6.3 Loss of Revenue

Revenue loss of Rs.51.09 lakh incurred due to exemption of contemplated clause for realisation of service charges from contractors under Market Intervention Scheme.

During April 1999 to March 2002 the Company marketed 19586.91 MT of ginger, 585.43 MT of Chilli, 16.38 MT of cotton and 246.08 MT of sesame under Market Intervention Scheme by engaging contractors. As per Clause 2 of the agreement made with the contractors, service charge at the rate of Re. 0.25 per kg was to be realised.

Audit observed (April 2003) that the Company did not realise the service charges amounting to Rs.51.09 lakh. In reply the Company while admitting the audit observation (July 2003) stated that the service charges were not collected as per directives of the State Government and assured that comments of the Government would be furnished to audit.

Thus, by extending undue favour to the contractors by exempting service charges, the Company incurred a loss of revenue of Rs.51.09 lakh.

The matter was reported to the Government in May 2003 and April 2004. Replies are awaited (September 2004).

FOOD AND CIVIL SUPPLIES DEPARTMENT

STATE TRADING SCHEME

6.4 Irregular departmental execution of construction and repair works

Expenditure of Rs.3.10 crore incurred departmentally for execution of works could not be verified due to non-maintenance of mandatory records.

The Public Works Manual and Rules provide that for execution of Civil construction and repair works, it is mandatory for the executing agencies to (a) conduct survey of proposed work, prepare designs, drawings and estimates bringing out detailed item-wise quantity and value, (b) obtain administrative and technical sanctions on the detailed drawing and estimates and (c) record item-wise quantities of works executed in the Measurement Book (MB) indicating dates of measurement and make payment only on the basis of measurements recorded in the MB. Besides these, vital works records such as works abstract, materials utilisation reports, works registers, contractor's ledger, materials at site account for the works executed are also required to be maintained.

Mention was made in para 7.4.4 of the Report of the Comptroller and Auditor General of India for the year 1996-97 that the Director of Food and Civil Supplies without observing any of the above codal formalities irregularly disbursed (April 1994 to March 1997) Rs.1.62 crore to the departmental officers for execution of construction and repair works. The Department in reply stated (November 1997) that in future they would follow provisions of codes, manuals, *etc*., to the extent practicable.

Test check (June 2003) of records revealed that the Department did not take corrective measures to avoid non-observance of provisions of Codes/manual and the irregularities persisted. During the four years from 1999-2000 to 2002-03, the Director, Food and Civil Supplies irregularly disbursed further amount of Rs.3.10 crore to the departmental officers on submission of completion certificates for execution of construction and repair works. The works were certified by non-technical officials and measurement books, *etc*., were not maintained at field level.

Thus, in the absence of vital and mandatory records, the authenticity of the works expenditure of Rs.3.10 crore could not be verified in audit. The Government stated (September 2004) that the department was checking the records so as to find out the clear position of the case. Further development was awaited (September 2004).

6.5 Shortages of Foodstuffs

Lack of adequate check and control over the functioning of the distribution centre resulted in shortages of foodstuff valued Rs.1.12 crore.

Under the provisions of Manual of Directorate of Supply and Transport (Supply Wing), physical verification of stock is required to be done at the end of each month and annually by the officers who are in-charge of the distribution centres and a report on such verification is to be forwarded to the District Food and Civil Supply Officers (DCSOs) by the 10^{th} of the succeeding month. The DCSO is responsible for exercising regular checks and control over the functioning of distribution centres of food stuff.

Audit scrutiny (July 2003) revealed that the monthly and annual physical verification of stock of Darlawn centre for the period from January 1995 - May 2003 had not been done as prescribed in the manual. Consequent on handing and taking over of charges (May 2003) between the Inspector of Food and Civil Supplies (IF&CS) and Store Keeper, it was found (June 2003) that there was shortage of foodstuff valued Rs.1.12 crore. On this being pointed out in audit, the Government stated (September 2004) that departmental proceeding against the responsible IF & CS were drawn up in August 2003 and an Inquiry Officer appointed in December 2003. The inquiry report was awaited (September 2004).

The fact remains that failure to follow the prescribed procedure of monthly physical verification of stock as well as lack of adequate control by DCSO over the functioning of distribution centres resulted in shortage of foodstuff amounting to Rs.1.12 crore.

6.6 Idle investment

Unnecessary purchase of speedboat led to blocking of Rs.15.44 lakh.

Government of Mizoram, Rural Development Department sanctioned (March 1999) Rs.15.44 lakh out of Border Area Development Programme, a centrally sponsored scheme, to the Director of Food and Civil Supplies for procurement of five speedboats. The speedboats were to be used for transportation of foodstuff in Chhimtuipui district. The Director, Food and Civil Supplies procured the five speedboats in August 1999 from a local supplier.

Test check of records (November 2003) of the Director of Food and Civil Supplies revealed that no indent for requirement of speedboats was issued by the user department. The boats procured in August 1999 were lying idle in Muanna Godown No. III Zuangtui, Aizawl without being transported to Chhimtuipui district.

Thus, unnecessary procurement of speedboats had resulted in locking up of fund amounting to Rs.15.44 lakhs for five years. The matter was reported to the Department/Government in November 2003 and June 2004. Their replies had not been received (September 2004).