

Chapter III

3. Reviews relating to Statutory corporations

3.1 Rajasthan State Warehousing Corporation

Highlights

Rajasthan State Warehousing Corporation was established in December 1957 with the main objects of construction and maintenance of warehouses in the State for storage of agricultural produces and inputs, agricultural implements and notified commodities. The Corporation acts as an agent of Food Corporation of India for procurement of Kharif and Rabi food grains under the Minimum Support Price Scheme.

(Paragraph 3.1.1)

The Corporation has not fixed any norms for administrative overheads at its head office with reference to warehousing receipts. However, administrative overhead of the Corporation, when compared to the norms of Central Warehousing Corporation, were higher by Rs.2.14 crore during 1998-2003.

(Paragraph 3.1.6)

Injudicious investment of surplus funds in short term fixed deposits entailed loss of interest of Rs.92.48 lakh during 2000-2004.

(Paragraph 3.1.8)

The Corporation constructed additional storage capacity of 33,510 tonnes at 17 centres at a cost of Rs.3.74 crore during 2000-2003 without assessing viability. The profitability and utilisation of storage capacity of these centres declined substantially in subsequent years.

(Paragraph 3.1.10)

Twelve out of 85 warehousing centres incurred losses of Rs.94.28 lakh in atleast three out of last five years upto 2002-03 due to low warehousing income or heavy revenue expenditure. Business potential and prospects were not evaluated adequately before deciding on their location and storage capacity

(Paragraph 3.1.14)

The Corporation failed to implement successfully the Farmers Extension Service Scheme of Government of India to attract more primary producers to store their agricultural produces in its warehouses.

Accordingly, utilisation of storage capacity by farmers during 1998-2003 remained two - three *per cent* only.

(Paragraph 3.1.15)

Introduction

3.1.1 The Rajasthan State Warehousing Corporation (Corporation) was established in December 1957 under the Agricultural Produce (Development and Warehousing) Corporation Act, 1956 subsequently replaced by the Warehousing Corporation Act, 1962.

The main functions prescribed under the Act are to acquire and build warehouses and godowns in the State to:

- run owned and hired warehouses in the State for the storage of agricultural produce and inputs, agricultural implements and notified commodities;
- arrange facilities for their transportation to and from the warehouses;
- act as an agent of the Central Warehousing Corporation (CWC) and of the Government for notified purpose; and
- to enter into joint ventures with the CWC with the previous approval of the State Government.

The Rajasthan State Warehousing Corporation Rules, 1975 require the Corporation to act as an agent of the Food Corporation of India (FCI) and as a nominee of the State Government for procurement of Kharif and Rabi food grains under the Minimum Support Price Scheme (MSP).

Organisational set up

3.1.2 The management of the Corporation vests with a Board of Directors consisting of eleven directors, of whom five are nominated by the CWC and six by the State Government including a Chairman and a Managing Director. As on 31 March 2003 there were eleven directors, as required. Managing Director is the Chief Executive and is assisted by an Additional Director, a Financial Advisor and a Joint Director (Administration and Development).

At the end of March 2003, the Corporation was operating 364 godowns (of which 346 were owned by the Corporation and the remaining 18 were hired) at 85 centres in 30 out of 32 districts in the State. The average warehousing capacity available during 2002-03 was 7.17 lakh tonnes (the Corporation's own godowns: 6.25 lakh tonnes; hired: 0.92 lakh tonnes). Each warehouse is managed by a Warehouse Manager.

Scope of Audit

3.1.3 The working of the Corporation was last reviewed in the Report of Comptroller and Auditor General of India (Commercial) for the year ended 31 March 1996. This Report has been discussed (March 1998) by the Committee on Public Undertakings (COPU) and recommendations were made in August 1998.

The present review on the working of the Corporation covering head office and all 85 warehousing centres for the period 1998-2003 was conducted between September 2003 and February 2004 to assess the utilisation of physical, financial and human resources by the Corporation.

The audit findings were reported to the Government/management in July 2004 with the request to attend the meeting of Audit Review Committee for Public Sector Enterprises (ARCPSE) so that the viewpoint of the Government/management was taken into account before finalising the review. The meeting of the ARCPSE was held on 2 August 2004 where the Government was represented by the Secretary (Agriculture) and the Corporation was represented by the Chairman and Managing Director. The viewpoints of Government/management have been considered while finalising review. The salient points of the review are discussed in the succeeding paragraphs.

Budgeting

3.1.4 Under Section 26 of the Warehousing Corporation Act, 1962 the Corporation prepares annual capital and revenue budgets. Revised estimates of capital outlay, capital expenditure, revenue expenditure, storage income *vis-a-vis* actual and its variation with revised estimates for the last five years up to 2002-03 are indicated in **Annexure - 12**.

The budgeted targets and performance are required to be reviewed periodically by the Board of Directors. Audit observed that no budgetary control were exercised for capital budget because there were wide variations ranging from 30 to 89.74 *per cent* between revised estimates and actual capital expenditure. This has been mainly due to incorrect inclusion of estimated construction cost of new works/godowns to be completed during next financial year in the revised estimates. It is indicative of the fact that the budget estimates were prepared without adequate care thereby rendering the projections unrealistic. The system for preparation of variance report and analysing reasons for wide variations did not exist.

Management stated (August 2004) that revised estimates and budget estimates would be prepared on more realistic basis and periodically reviewed.

Financial position and working results

3.1.5 The financial position and working results of the Corporation at the end of each of the five years from 1998-99 to 2002-03 are indicated in **Annexure - 13** and **14**.

An analysis of working results revealed the followings:

- Warehousing income of the Corporation decreased from Rs.23.15 crore in 2001-02 to Rs. 20.60 crore in 2002-03 due to decline in capacity utilisation of warehouses from 82 to 70 *per cent* during the same period.
- The other income increased from 13.30 *per cent* in 2001-02 to 15.23 *per cent* in 2002-03. Whereas the income from warehousing charges, the core activity of the Corporation, decreased from 86.70 *per cent* in 2001-02 to 84.77 *per cent* in 2002-03.

Management stated (August 2004) that withdrawal of heavy stock of mustard stored by National Agricultural Cooperative Marketing Federation and stock of food grains by FCI for public distribution due to severe draught in Rajasthan were the main reasons for decline in capacity utilisation during 2002-03.

Administrative overheads

3.1.6 According to norms being observed by CWC, the head office administrative overheads should not be more than eight *per cent* of warehousing receipts. The Corporation has not fixed any norms for administrative overheads at its head office with reference to warehousing receipts. Audit observed that head office administrative overheads to warehousing receipts have ranged from 8.43 to 15.88 *per cent* during last five years upto 2002-03 resulting in excess administrative expenditure over CWC norms to the tune of Rs.2.14 crore.

Management agreed (July 2004) to reduce overall expenditure of head office in compliance of the observation.

Cash management

3.1.7 The Corporation did not prepare any long/ short-term resource utilisation plan and thus failed to identify surplus funds. The following table indicates the estimated as well as actual sources of funds, utilisation of funds, and funds available during last five year up to 2002-03:

(Rupees in crore)

| Year | Receipt of funds | | Utilisation of funds | | Funds available | | |
|-----------|-------------------|--------|----------------------|--------|-------------------|--------|-----------|
| | Revised estimates | Actual | Revised estimates | Actual | Revised estimates | Actual | Variation |
| 1998-99 | 23.75 | 22.03 | 17.81 | 12.74 | 5.94 | 9.29 | 3.35 |
| 1999-2000 | 24.40 | 29.23 | 22.06 | 14.45 | 2.34 | 14.78 | 12.44 |
| 2000-01 | 27.79 | 39.43 | 17.79 | 14.27 | 10.00 | 25.16 | 15.16 |
| 2001-02 | 46.10 | 51.95 | 20.77 | 16.13 | 25.33 | 35.82 | 10.49 |
| 2002-03 | 59.75 | 60.21 | 23.34 | 17.28 | 36.41 | 42.93 | 6.52 |

Audit observed as under:

- There was a wide variation between revised estimates and actual funds available ranging from Rs.3.35 crore to Rs.15.16 crore during last five years up to 2002-03. Audit observed that wide variations in available funds were mainly due to adoption of incorrect opening balance figures of funds available and over estimation of loans and grants in sources of funds and over estimation of capital expenditure on new works in utilisation of funds by the management.

Management while accepting the observations stated (July 2004) that efforts would be made to reduce variations.

The Corporation could have earned additional interest of Rs.92.48 lakh had the funds been invested in long term fixed deposits.

Injudicious investment of surplus funds

3.1.8 Audit observed that there had been surplus funds ranging from Rs.50 lakh to Rs.12.10 crore during April 2000 to March 2003 which were available for long term investment. The Corporation, however, invested these funds in fixed deposit receipts for short period (15 to 365 days) with periodic renewals (two to 10 times) fetching lower rate of interest (five to 9.75 *per cent*). Had the funds been invested in long term fixed deposit receipts for a period exceeding two years and above at an interest rate ranging from nine to 10.25 *per cent*, the Corporation could have earned additional interest of Rs.92.48 lakh upto 31 March 2004.

Management stated (August 2004) that the Corporation has invested (June / August 2004) Rs.9.75 crore in fixed deposit receipts for a period of two years and above after assessing requirement for procurement activities.

Less recovery of interest

3.1.9 According to the State Government's instructions (June 2002), interest at the rate of six *per cent* per annum was payable for the amount deposited in personal deposit account for a period of three months or more in 2002-03. The State Government paid interest of Rs. 15.37 lakh for 2002-03 as against correct amount of Rs.27.66 lakh. Thus, Rs.12.29 lakh was less allowed by the State Government. The matter was referred (April 2004) to State Government but the amount has not been paid so far (June 2004).

Management stated (July 2004) that the Government agreed to consider the same during 2004-05.

Appraisal of activities

Construction of godowns

3.1.10 CWC constructs warehouses after preparation of project report, assessing feasibility and viability of godowns based on projected capacity utilisation after construction, estimated income and expenditure, rate of return and market potential in particular area. The Corporation did not prepare such reports before construction of godowns.

During 1998-2003, the Corporation constructed 80 godowns at 52 centres having 1,57,340 tonnes capacity at a cost of Rs. 15.52 crore. Out of 52 centres, 17 centres showed decrease in capacity utilisation, decline in profit or increase in loss, as indicated below:

| Sl. No. | Name of centre | Year of construction | Additional capacity constructed (in tonnes) | Cost of construction (Rs. in lakh) | Capacity utilisation before augmentation of capacity and profit(+) / loss(-) | | Capacity utilisation (in percentage) after augmentation of capacity and profit(+) / loss(-) (Rs. in lakh) | | | |
|---------|----------------|----------------------|---|------------------------------------|--|---|---|----------------|-----------------|-----------------|
| | | | | | Capacity (In tonnes) | Utilisation (In percentage) and profit(+) / loss(-) (Rs. in lakh) | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| 1. | Jhalarapatan | 2000-01 | 1,800 | 12.85 | 7,200 | 91 (+)11.13 | 73 (+) 11.71 | 45 (+) 1.32 | 48 (+) 1.82 | 33 (-) 4.57 |
| 2 | Sultanpur | 2000-01 | 1,800 | 16.12 | 3,600 | 83 (-)0.46 | 99 (+) 8.01 | 48 (-) 1.17 | 53 (-) 2.43 | 24 (-) 8.53 |
| 3. | Lalsot | 2001-02 | 600 | 25.25 | 1,620 | 90 (-)0.75 | | 74 (-) 1.38 | 20 (-) 4.84 | 62 (-) 0.85 |
| 4. | Chabra | 2001-02 | 1,800 | 36.37 | 1,800 | 117 (+)2.75 | | 70 (+) 0.71 | 40 (-) 2.12 | 41 (-) 2.37 |
| 5. | Nimbahera | 2001-02 | 1,800 | 14.74 | 10,000 | 88 (+)16.42 | | 75 (+)13.77 | 65 (+) 11.99 | 56 (+) 2.25 |
| 6. | Nagaur | 2001-02 | 1,800 | 13.29 | 7,200 | 89 (+) 13.15 | | 89 (+)10.55 | 55 (+) 6.15 | 30 (-) 4.12 |
| 7. | Padampur | 2001-02 | 1,800 | 15.45 | 12,963 | 91 (+) 25.36 | | 82 (+)30.78 | 69 (+) 20.69 | 39 (-) 1.08 |
| 8. | Tonk | 2001-02 | 1,800 | 19.56 | 4,048 | 94 (+) 4.03 | | 86 (+) 0.90 | 55 (-) 0.66 | 57 (-) 0.64 |
| 9. | Baran | 2002-03 | 5,400 | 54.78 | 21,240 | 92 (+) 49.54 | | - | 69 (+) 28.23 | 57 (+) 22.29 |
| 10. | Atru | 2002-03 | 1,800 | 18.71 | 3,600 | 65 (+) 00.40 | | - | 33 (-) 4.40 | 8 (-) 9.55 |
| 11. | Balotra | 2002-03 | 1,800 | 16.16 | 2,950 | 82 (+) 3.27 | | - | 56 (-)0.26 | 61 (+) 0.07 |
| 12. | Gulabpura | 2002-03 | 2,250 | 19.00 | 5,950 | 105 (+) 28.95 | | - | 62 (+) 7.48 | 51 (+) 3.07 |
| 13. | Khajuwala | 2002-03 | 1,800 | 20.66 | 1,800 | 87 (+) 3.64 | | - | 53 (-) 0.02 | 7 (-) 9.47 |
| 14. | Chittorgarh II | 2002-03 | 1,800 | 14.60 | 8,850 | 87 (+) 12.20 | | - | 67 (+) 9.22 | 40 (-) 2.09 |
| 15. | Dausa | 2002-03 | 660 | 9.93 | 7,478 | 80 (+) 6.88 | | - | 39 (-) 4.05 | 58 (-) 2.70 |
| 16. | Chomu | 2002-03 | 3,600 | 52.05 | 5,944 | 107 (+) 7.06 | | - | 82 (+) 4.73 | 85 (+) 5.71 |
| 17. | Gajsinghpur | 2002-03 | 1,200 | 14.44 | 9,200 | 89 (+) 18.52 | | - | 74 (+) 14.67 | 17 (-) 8.50 |
| | Total | | 33,510 | 373.96 | | | | | | |

It would be seen from the above that:

- The profit of Rs.1.82 crore earned by nine¹ centres before augmentation of capacity declined to Rs.1.05 crore in 2002-03 and to Rs.13 lakh in 2003-04.
- The profit of Rs.20.97 lakh earned by six² centres before augmentation of capacity was converted into loss of Rs.11.50 lakh in 2002-03 and Rs.24.63 lakh in 2003-04.
- The loss of Rs.1.21 lakh incurred by two³ centres before augmentation increased to Rs.7.28 lakh during 2002-03 and to Rs.9.38 lakh in 2003-04.
- The additional capacity constructed at Dausa (660 tonnes), Khajuwala (1,800 tonnes) and Atru (1,800 tonnes) at a cost of Rs.49.30 lakh remained idle in subsequent years.

Creation of additional storage capacity, at a cost of Rs.3.74 crore without ascertaining viability proved incorrect and had adverse impact on the working of the Corporation.

Audit observed that decision of the management for creation of additional storage capacity, without ascertaining viability in absence of detailed project reports/feasibility report, was not in the interest of the Corporation. Thus the assessment of potential for expansion of warehousing capacity merely on the basis of report of Warehouse Manager leading to an investment of Rs.3.74 crore at the above 17 centres, proved incorrect and had an adverse impact on the working of the Corporation.

Management stated (July 2004) that godowns have been constructed with the approval of the Board of Directors after assessing future business potential by respective Warehouse Managers. The reply is not tenable because such approvals were taken merely on the basis of reports by Warehouse Managers which have not been supported by detailed feasibility studies/project reports assessing viability.

Management further stated (August 2004) that the godowns are constructed after evaluating the potentiality and the requirement of each place. Reply is not tenable because evaluation of the potentiality and requirement of storage was not properly done in respect of above 17 centres which showed decrease in capacity utilisation, decline in profit or increase in losses in subsequent years after augmentation of storage capacity.

Rejection of subsidy in construction of godowns under Centrally Sponsored Scheme

3.1.11 The Government of India (GOI) extended financial assistance under Centrally Sponsored Scheme (CSS) for construction of godowns for public distribution system (PDS) having maximum capacity of 2,000 tonnes. The scheme provided financial assistance as loan and subsidy (50 per cent each).

¹ Jhalrapatan, Nimbahera, Naguar, Padampur, Baran, Gulabpura, Chittorgarh, Chomu and Gajsinghpur.

² Chabra, Tonk, Atru, Balotra, Khajuwala and Dausa

³ Sultanpur and Lalsot

The Corporation was deprived of subsidy of Rs.47.59 lakh due to non adherence to the direction of GOI.

The Corporation proposed (May 1999) to construct three centres each of 3,600 tonnes capacity at Bharatpur, Jodhpur and Sawaimadhopur under CSS during 1999-2000, against the maximum capacity of 2,000 tonnes prescribed in the scheme. The GOI directed (October 1999) the Corporation to revise the proposal according to the norms. This was not done leading to rejection of the proposal by the GOI (January 2002). Thus the Corporation was deprived of subsidy of Rs.47.59 lakh for these centres.

Management stated (July/August 2004) that the Corporation decided to construct the godowns of 1800 tonnes each at Ramsinghpur, Gangapurcity and Bundi instead of Bharatpur, Jodhpur and Swaimadhopur under CSS. Management's reply is not tenable because these proposals were sent (June 2000) after a delay of six months for the year 2000-01 (not for the year 1999-2000) and same had been rejected by GOI due to discontinuance of the scheme in August 2003.

Warehousing operations

3.1.12 Food Corporation of India (FCI), CWC, Krishi Upaj Mandi Samitee, co-operative societies and the Corporation are providing warehousing facilities in the State of Rajasthan. In comparison to the total available capacity of these organisations of 21.71 lakh tonnes as on 31 March 2003, the Corporation's share of storage capacity, including hired godowns stood at 6.59 lakh tonnes (30.35 per cent).

The position of storage capacity available and its utilisation during 1998-2003 is indicated in the **Annexure - 15**. It would be seen from the annexure that:

- The average storage capacity utilised during 2002-03 was lower (5.00 lakh tonnes) than 2001-02 (5.88 lakh tonnes) and 2000-01 (5.76 lakh tonnes) reflecting that the Corporation's business has decreased in physical terms, though the available storage capacity increased to 7.17 lakh tonnes in 2002-03, as compared to 6.79 lakh tonnes in 2000-01.
- The capacity utilisation in hired warehouses has been consistently and substantially higher than those of the Corporation's own warehouses. The capacity utilisation of own warehouses ranged from 68 to 84 per cent during 1998-2003 whereas in case of hired godowns it ranged from 82 to 92 per cent during the same period. This indicates a general location mismatch between the distribution of storage capacity created through the Corporation's own warehouses and the actual distribution of storage capacity required.

Audit observed that warehouse managers did not obtain prior approval of competent authority for hiring of godowns in 504 cases at 47 centres during 2002-04. However, ex-post-facto approvals were obtained. This indicates absence of control of higher management in hiring of godowns.

Management stated (July 2004) that hiring of godowns by the Warehousing Manager has been made on urgent requirement basis and head office granted approval subsequently after examining the proposal. The reply is not tenable because the prescribed system of obtaining prior approval of hiring of godowns has not been followed in all cases.

- The unutilised storage capacity of the Corporation's own warehouses increased from 1.23 lakh tonnes in 1998-99 to 2.03 lakh tonnes in 2002-03.
- The average capacity utilisation of the Corporation was lower than that of the state warehousing corporations of Andhra Pradesh, Uttar Pradesh, Orissa, Tamilnadu and Punjab.
- The Corporation has not maintained accounts to show separately the break-up of income earned and expenditure incurred on own godowns and hired godowns. In absence of such break-up, the productivity/efficiency of own godowns *vis-a-vis* hired godowns could not be compared and analysed in audit.

Management stated (July 2004) that godowns have been hired, being economically viable. Management's reply is not tenable in the absence of any record in support of management's contention.

Break-even point of capacity utilisation

3.1.13 The Bureau of Public Enterprises had advised the Corporation in 1984 that the break-even point (BEP) for the warehouse was at 70 *per cent* capacity utilisation. In the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 1996, low capacity utilisation had been reported. The COPU had also recommended that all possible efforts should be made to achieve the BEP in maximum number of centres.

Audit observed that number of centres where 70 *per cent* capacity utilisation had not been achieved increased from 35 in 1998-99 to 47 in 2002-03.

Audit Scrutiny further showed that during 2000-03, four centres with capacity utilisation exceeding 70 *per cent* incurred losses whereas 48 centres having capacity utilisation below 70 *per cent* earned profits. This indicates that the BEP fixed 20 years ago in 1984 needs revision.

Management stated (July 2004) that fixation of BEP for each centre is not feasible due to different capacity of godowns and variable/fixed expenditure. Management's reply is not tenable because BEP for each godown/centre on the basis of its warehousing capacity, fixed and variable expenditure and storage revenue can be fixed.

Warehouse centres incurring losses

Out of 85, 21 centres sustained losses aggregating Rs.1.25 crore during last five years ending 31 March 2003 due to low warehousing income or heavy revenue expenditure.

3.1.14 Audit observed that 21 out of 85 centres sustained losses aggregating Rs.1.25 crore during last five years ending 31 March 2003 due to low warehousing income or heavy revenue expenditure, as detailed in **Annexure - 16**.

Audit further analysed that three centres¹ sustained losses of Rs.33.85 lakh in all five years, six² centres incurred losses aggregating Rs.43.53 lakh in four out of five years and three³ centres incurred losses of Rs.16.90 lakh in three out of five years. Thus, twelve out of 85 warehousing centres incurred losses of Rs.94.28 lakh in at least three out of last five years upto 2002-03.

The losses at these centres and low capacity utilisation were indicative of the fact that before deciding upon their location and storage capacity, business potential and prospects were not evaluated adequately.

Management stated (July/August 2004) that Corporation's objective was not only making profit but also to discharge its social responsibility. Reply is not convincing because Corporation has not taken any effective steps to make these warehouses viable.

Farmers Extension Service Scheme

3.1.15 GOI introduced in 1978-79 the Farmers Extension Service Scheme (Scheme) with a view to attract more primary producers. The scheme envisaged assistance to the farmers in obtaining bank loan against the security of warehousing receipts and propagation of the benefit of scientific storage of food grains, safeguarding food grains from rodents and insects.

The following table depicts warehouse wise position of villages visited, farmers contacted and educated, number of farmers who deposited their stock at Corporation godowns during last five years from 1998-99 to 2002-03:

| Year | Total no. of centres | No. of centres implemented the scheme | No. of villages covered | No. of farmers contacted | No. of farmers educated | No. of farmers utilised warehouse services | No. of bags deposited |
|-----------|----------------------|---------------------------------------|-------------------------|--------------------------|-------------------------|--|-----------------------|
| 1998-99 | 83 | 27 | 84 | 355 | 355 | 202 | 93,458 |
| 1999-2000 | 85 | 11 | 36 | 391 | 327 | 204 | 1,39,144 |
| 2000-01 | 87 | 18 | 60 | 1475 | 1393 | 390 | 2,49,956 |
| 2001-02 | 87 | 4 | 6 | 155 | 57 | 9 | 30,319 |
| 2002-03 | 86 | 5 | 6 | 320 | 155 | 9 | 30,319 |

It would be seen from above that the most of the Warehouse Managers did not take action for implementation of scheme. Head office of the Corporation also failed to monitor the progress of the scheme. Resultantly capacity utilisation

¹ Siswali, Lalsot and Rajsamand

² Kapren, M.M. Road, Sultanpur, Mandalgarh, Balotra and Bandikui

³ Bhadra, Tonk and Abu Road

by farmers constituted only two to three *per cent* during last five years upto 2002-03. Had the scheme been implemented effectively over the years, the Corporation could have increased awareness among primary agriculture producers and motivated them to store their produce in the godowns of the Corporation thereby expanded its depositors base.

Management stated (July 2004) that the Warehouse Manager have been advised from time to time to ensure the implementation of the scheme. The reply is not tenable because the management failed to ensure the compliance of its orders.

Other activities

3.1.16 The Corporation had since 1973-74 been acting as sub-agent of FCI and a nominee of the State Government for procurement of food grains under MSP of GOI. Corporation has to mobilise funds for procurement of food grains till reimbursement is received from FCI. Besides, expenses on handling and transportation, administrative expense, interest and other expenses are incurred which are reimbursed either on normative or on actual basis, as mutually decided.

A review of procurement activities for the last five years up to 2002-03 revealed irregularities of Rs.33.10 lakh (claims not allowed by FCI Rs.21.18 lakh and claims not preferred Rs.11.92 lakh) as follows:

- GOI while according provisional sanction (February 2002) for procurement of coarse grain during Kharif 2001 mentioned that the administrative charges will be decided after submission of report by Joint Secretary (FCI) about admissibility of administrative charges. The Corporation procured (October - November 2001) 20,633 quintals bajra by incurring administrative overheads of Rs.21.18 lakh and submitted (December 2002) the claims to FCI for reimbursement. Audit observed that final decision about admissibility of administrative charges has not been taken so far (June 2004) resulting in non-realisation of dues of Rs.21.18 lakh.
- The Corporation did not claim Rs.11.92 lakh towards additional dearness allowance due to revision of rates paid to employees engaged in procurement activities during 1998-2003, from FCI. Thus, the full reimbursement of dues has not been claimed (June 2004).

Management stated (July 2004) that claims for additional dearness allowance were not made because annual accounts of the respective years have not been finalised and audited. The reply is not tenable as the Corporation could have claimed on the basis of actual payment of additional dearness allowance to employees engaged in procurement activities.

Corporation did not claim Rs.11.92 lakh towards additional dearness allowance paid to employees engaged in procurement activities.

Credit control

3.1.17 In terms of clause 25 of general terms and conditions of storage, the depositors can reserve space for a minimum period of three months by making advance payment of storage charges for space reserved. Storage invoices for storage charges of goods stored and delivered in a month and storage charges of goods stored over and above reserved space were to be raised monthly upto fifth day of next month and realised in 10 days from issue of invoices.

Delay in collection of storage charges led to loss of interest of Rs.27.15 lakh.

Audit observed that during 2002-03, 43 invoices were raised with a delay ranging from one to 168 days in case of reserved space. The delay in collection of storage charges ranged from two to 224 days. Further, 393 invoices in respect of storage charges of goods stored and delivered in a month, were raised with a delay ranging from one to 23 days. The delay in collection of storage charges ranged from one to 320 days. The delay in raising of invoices for storage charges and collection thereof resulted in loss of interest of Rs.27.15 lakh at the rate of 12.5 *per cent* per annum.

Management stated (July / August 2004) that invoices for recovery of storages dues could not be raised on due dates due to non-availability of depositor's representative for its verification. The condition of obtaining storage charges in advance would be reviewed. The reply is not tenable because the management failed to ensure timely verification of storage details by customers to avoid delay in raising and realisation of dues.

Non-recovery of storage charges

3.1.18 As on 31 March 2003, Rs.17.19 lakh was outstanding against Rajasthan State Co-operative Marketing Federation Limited (RAJFED) for storage charges of barley during 2001-03. RAJFED procured barley under MSP and stored it in warehousing centres of the Corporation between April 2001 and March 2003. The Corporation charged storage charges aggregating Rs.1.11 crore at the rate of Rs.2.70 per bag per month applicable for RAJFED and realised Rs.93.32 lakh up to November 2002. RAJFED has not paid difference of Rs.17.19 lakh on the plea that the goods stored belonged to FCI, hence storage charges has been paid at storage rates applicable to FCI. Dues of Rs.17.19 lakh has not been recovered so far (June 2004).

Management stated (July 2004) that efforts are being made to recover dues from RAJFED.

Manpower

3.1.19 The Corporation approved (May 1990) staffing pattern of each centre based on storage capacity. According to this staffing pattern, five employees are posted for centres having storage capacity up to 6,000 tonnes, 10 employees for centres of 10,000 tonnes capacity and 11 employees for more than 10,000 tonnes capacity. As on 31 March 2003, the actual strength of manpower was 594 as against sanctioned strength of 650. Audit observed that

at five to 18 centres excess staff ranging from one to 20 employees were posted during 1998-2003. At 68 centres, the staff deployed was short by one to seven employees in 2002-03 as per staffing pattern. The imbalance of staffing pattern has not been rectified by management for optimum utilisation of manpower.

Management stated (August 2004) that efforts would be made to remove imbalance in future.

Internal audit and internal control

3.1.20 The Corporation had neither prepared any internal audit manual nor accounting manual. Internal audit of the Corporation was conducted by the firms of the Chartered Accountants during 1998-2003. An analysis of internal audit reports revealed that these reports did not cover physical verification of commodities, assessment of viability of centres, performance of godowns and requirement of augmentation of storage capacity. These reports were mainly restricted to areas like cash, bank, storage bills, maintenance of books of accounts and sundry debtors and were not placed before the Board of Directors for consideration.

Further the prescribed checks regarding timely collection of funds from centres to head office collection account, raising and realisation of storage charges bills, maintenance of depositors registers and implementation of farmers extension service scheme were not exercised effectively.

Management stated (August 2004) that system of internal audit would be further strengthened.

The matter was reported to Government (July 2004); their reply had not been received (August 2004).

Conclusion

The Corporation prepared budget estimates without adequate care thereby rendering the projections unrealistic. The Corporation failed to invest surplus funds judiciously and to construct additional storage capacity in planned manner by assessing its viability. The Corporation also failed to implement successfully the Farmers Extension Service Scheme of Government Of India to attract more primary producers to store their agriculture produces in its warehouses.

The Corporation should exercise control over administrative expenses and prepare budget estimates on realistic basis. The Corporation should invest surplus funds judiciously in long term fixed deposits and expand storage capacity assessing its viability. Also, the Corporation should attract more primary producers to store their agricultural produces in its warehouses.

