Chapter-2

Performance Audit relating to PSUs - Government Companies and Corporation

Chapter 2

2. Performance Audit relating to PSUs - Government Companies and Corporation

Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited

2.1 Rajiv Gandhi Grameen Vidyutikaran Yojana

Rajiv Gandhi Grameen Vidyutikaran Yojana launched (March 2005) by Ministry of Power (MoP) Government of India (GoI) was aimed to electrify 1.25 lakh un-electrified villages in the country and give free electricity connections to 2.34 crore Below Poverty Line (BPL) households by 2009. The important findings noticed during audit are as under:

Highlights

The Rural Electricity (RE) plan which was to be notified within six months of notification (August 2006) of RE policy was notified with delay of 58 months. RE plan was deficient as estimation of load was unrealistic and power requirement was not assessed to meet the additional load.

(Paragraphs 2.1.5.1 and 2.1.5.2)

Detailed Project Reports (DPRs) of 21 projects were approved by taking time ranging between 12 days and 920 days. DPRs were prepared without actual route surveys. Distribution Transformers (DTs) meters worth ₹ 8.27 crore were not utilised for conducting energy audit.

(Paragraphs 2.1.5.3 to 2.1.5.5)

UHBVNL spent ₹ 43.20 crore from cash credit accounts which resulted in incurring undue interest burden of ₹ 3.44 crore. DHBVNL kept Scheme funds of ₹ 59.96 crore in a private bank.

(Paragraph 2.1.6)

DISCOMs awarded contracts for ₹ 259 crore against REC sanctioned cost of ₹ 200.22 crore and bore the additional financial burden. Contractors of UHBVNL got excess payments of ₹ 15.36 crore by bringing material in excess to sites.

(Paragraphs 2.1.7.1 and 2.1.7.4)

Eight projects of UHBVNL were delayed for period ranging between 7 and 67 months and six projects of DHBVNL were completed with delay ranging between 10 and 28 months against the completion period of 12 months and 9 months respectively.

(Paragraph 2.1.7.3)

UHBVNL achieved 66.03 *per cent* and 75.83 *per cent* of its targets of release of connections to BPL households in 10th and 11th plan periods respectively. DHBVNL had achieved the targets for 11th plan Phase-1 but there was no achievement for Phase-II projects.

(Paragraph 2.1.8.2)

2.1.1 Introduction

Rajiv Gandhi Grameen Vidyutikaran Yojana (Scheme) was launched by Ministry of Power (MoP) Government of India (GoI) in March 2005 to provide electricity access to all rural households in India. The target was to electrify 1.25 lakh unelectrified villages of the country and to give electricity connections free of cost to 2.34 crore Below Poverty Line (BPL) households by 2009.

In Haryana, the Scheme was covered under 10th and 11th five year plan (2005-2009) and was implemented by the two power distribution companies (DISCOMs)-Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) and Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL). A tripartite agreement (July 2005) was entered amongst Rural Electrification Corporation (REC), Government of Haryana (GoH) and DISCOMs for implementation of the Scheme and REC was the nodal agency. GoI provided 90 *per cent* capital subsidy towards creation of Village Electrification Infrastructure (VEI) projects. VEI includes electrification of unelectrified habitations besides making provision of Distribution Transformers (DTs) in electrified villages. Electrification of unelectrified BPL households was to be financed with 100 *per cent* capital subsidy in all rural habitations. Above Poverty Line (APL) households too could be given connections but without any subsidy.

2.1.2 Audit Objectives

The objectives of the performance audit were to ascertain whether:

- preparation of Rural Electrification (RE) Plans was timely and formulation of DPRs was based on reliable data;
- the financial management was adequate;
- implementation of RGGVY projects/ works was economical, efficient and effective;
- targets envisaged under the Scheme were achieved; and
- there was an adequate and effective monitoring mechanism.

2.1.3 Scope of Audit & methodology

The audit examination involved scrutiny of records of eight out of 21 projects. Two projects (DHBVNL-Bhiwani and UHBVNL-Karnal) were selected on high materiality risk basis (being higher value projects) and six projects[1] were selected by simple random sampling without replacement method. Out of eight projects, 17 blocks, 85 villages (five villages from each block) and 419

[1] UHBVNL-Jhajjar, Jind, Kurukshetra; DHBVNL-Fatehabad, Mewat, Sirsa.

beneficiaries (five beneficiaries from each village except two villages where only three and one connection was released respectively) were selected on random sampling basis. The sample test checked cases constituted 47.93 *per cent* of the total amount of ₹ 173.72 crore spent.

We explained the audit objectives of this Scheme to the DISCOMs during an Entry Conference (August 2012). Our audit findings are discussed in subsequent paragraphs. The audit findings were reported to the Government/ Management (September 2013) and discussed in the exit conference (October 2013). Views of the Management have been considered while finalising this report.

2.1.4 Audit Criteria

The sources of the audit criteria were:-

- Electricity Act, 2003;
- Rural Electrification (RE) Policy 2006;
- Scheme guidelines issued by Ministry of Power (MoP)/ REC;
- Instructions/ circulars/ orders issued by MoP;
- Approved DPRs;
- Sanctions for payment of capital subsidy; and
- Tripartite Agreements amongst REC, GoH and DISCOMs.

Audit Findings

2.1.5 Planning and Project Formulation

2.1.5.1 Delay in notification of RE Plan 2007-12

GoI notified (23 August 2006) RE Policy and the State Government was required to prepare and notify a RE Plan within six months of notification of RE Policy, *i.e.* up to 23 February 2007. RE plan was to be a road map for achievement of objectives of the Scheme.

Against the target date of 23 February 2007 for notification of RE Plan, it was notified by 30 December 2011, a delay of 58 months. DISCOMs while agreeing with the facts (October 2013) stated that the delay was due to laid down procedures at various levels.

2.1.5.2 Deficiencies in RE Plan

RE plan should contain the data of rural households electrified and to be electrified, estimated load increase, plan to augment the distribution network, power requirement due to increased load and plans to meet increased power demand and to remove discrimination in hours of power supply between urban and rural households. Scrutiny of the RE Plan revealed that RE Plan did not contain the data as on 31 March 2005 of total number of rural households to be electrified. Further, the data in respect of estimated increase in load as projected by DPRs and RE plan were not consistent.

RE plan estimated 2.28 lakh unelectrified BPL households to be electrified, the DISCOMs set target of electrification of 2.45 lakh BPL households in DPRs. DISCOMs did not assess power requirement in RE Plan. RE Plan did not make any target to improve the hours of supply to rural households and address the issue of discrimination in hours of supply between rural and urban households contrary to the objectives of the Scheme. This was despite the GoH and DISCOMs commitment for compliance of this provision.

The Management, while agreeing stated that the targets set to remove discrimination between rural and urban households in totality was not practically feasible due to less recovery from rural areas resulting in financial losses to the DISCOMs. The fact remains that the discrimination in hours of supply had widened.

2.1.5.3 Detailed Project Reports

DISCOMs submitted (July 2005 to November 2011) Detailed Project Reports (DPRs) to REC for approval. REC approved for UHBVNL, DPRs of four[2] districts in 12 to 75 days and DPRs of seven[3] districts in 548 to 861 days. In DHBVNL, DPRs of seven[4] districts took 729 to 920 days for approval and three districts[5] (DHBVNL) under phase-II were approved within 45 days.

Management while agreeing with the facts stated that the approval of DPRs was under the purview of REC and it was beyond their control and compliance to the observations made by the REC took time.

2.1.5.4 Unrealistic DPRs

DPRs in all the 11[6] projects in UHBVNL and seven[7] out of 10 projects in DHBVNL were prepared without any survey *i.e.* number of connections to be released and infrastructure required for the same. There were wide variation of quantities as per DPRs, contracts awarded and work actually done. The details are given in the ***Appendix 5***. A perusal of ***Appendix*** showed that value of actual work done was less than approved by REC and as per contracts awarded. We further observed that in case of UHBVNL, works that were being done departmentally were also included in the DPRs and as a result, DPRs were inflated requiring changes in the quantity of works.

During exit conference, Management stated that DPRs were prepared in haste and without actual route survey.

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2 Karnal, Panipat, Sonipat and Rohtak
3 Jind, Jhajjar, Kaithal, Ambala, Kurukshetra, Yamunanagar and Panchkula
4 Sirsa, Bhiwani, Fatehabad, Hisar, Mewat, Mohindergarh and Rewari
5 Faridabad, Gurgaon and Palwal
6 Sonipat, Panipat, Karnal, Rohtak, Jind, Jhajjar, Kaithal, Ambala, Kurukshetra, Yamunanagar and Panchkula
7 Sirsa, Bhiwani, Fatehabad, Hisar, Mewat, Mohindergarh and Rewari

2.1.5.5 Unfruitful expenditure on Distribution Transformer (DT) meters

5,082 DT meters installed at a cost of ₹ 8.27 crore had not been utilised for conducting energy audit due to lack of infrastructure *i.e.* server/ routers at headquarter to receive and process the data**.** Thus, the expenditure of ₹ 8.27 crore incurred on these meters was rendered unfruitful. DISCOMs stated (October 2013) that these DT meters would be utilised for conducting energy audit in future as consumer indexing has been completed now.

2.1.6 Financial Management

Against the approved project cost[8] of ₹ 214.41 crore (revised cost ₹ 229.69 crore) DISCOMs received ₹ 177.01 crore (grant-₹ 158.20 crore and loan-₹ 18.81 crore) and utilised ₹ 164.46 crore up to 31 March 2013. The DISCOMs earned an interest of ₹ 11.73 crore out of which ₹ 9.54 crore was refunded to REC. The irregularities noticed during audit are discussed below:

- As per REC guidelines (April 2008), the Scheme funds were to be kept in separate interest bearing deposits of nationalised banks till the payments were made to the contractors. Further, interest earned on these funds were to be refunded to the REC. The UHBVNL received funds of ₹ 59.08 crore from REC during 2008-10. Instead of keeping Scheme wise funds in separate accounts, the UHBVNL kept these funds in Fixed Deposit Receipts. Interest received on these funds were refunded to REC as per above guidelines. However, we observed that field office of UHBVNL made payments of ₹ 43.20 crore during 2011-12 to the contractors not from the Scheme funds but by availing cash credit limit from the bank paying an average interest rate of 11 *per cent* on the cash credit limit. Thus, the Company had to bear an avoidable interest burden of ₹ 3.44 crore by making payments from the cash credit facility.

  During exit conference, while admitting the facts, the Management stated that they have now started keeping Scheme wise data to avoid such losses in future.

- DHBVNL received (December 2008 to March 2011) ₹ 59.96 crore from REC. We observed that DHBVNL kept these funds in HDFC bank up to March 2011 in violation of REC guidelines (April 2008).

  During exit conference, the Management admitted that though the funds were not kept as per REC guidelines, it earned more interest by keeping these funds in private bank. But the fact remains that provisions of REC guidelines were violated.

2.1.7 Implementation of projects / works

2.1.7.1 DISCOMs awarded 15 contracts at a cost of ₹ 259 crore against

[8] 21 projects

sanctioned project cost of ₹ 200.22 crore as detailed below:

Table 2.1.1

(₹ in crore)

Name of DISCOMs	Number of projects	Number of contracts	Sanctioned Project cost[9]	Contract cost	Difference of contract cost with reference to sanctioned cost
UHBVNL					
10th Plan	4	2	44.75	64.75	+20.00
11th Plan	7	3	52.21	76.24	+24.03
Total	**11**	**5**	**96.96**	**140.99**	**44.03**
DHBVNL					
11th Plan	7	7	87.16	102.20	+15.04
11th Plan Phase-II	3	3	16.10	15.81	-0.29
Total	**10**	**10**	**103.26**	**118.01**	**14.75**
Grand Total	**21**	**15**	**200.22**	**259.00**	**58.78**

From the above, it can be seen that the contract cost of two[10] contracts in UHBVNL under 10th Plan and three[11] contracts under 11th plan were higher as compared to the sanctioned cost. The higher cost ranged between 8.39 and 133.84 *per cent* due to higher rates as compared to the rates in DPRs in respect of first two contracts and higher rates along with higher quantity in respect of remaining three contracts which were awarded, before approval of DPRs by REC. In DHBVNL, in six[12] contracts, higher cost ranged between 17.25 and 34.66 *per cent* due to higher rates and inclusion of H.T. Aerial Bunched (AB) cable. Resultantly, DISCOMs bore additional financial burden as REC, while approving revised DPRs, had disallowed ₹ 37.03 crore (UHBVNL) and ₹ 6.31 crore (DHBVNL).

The Management stated that the matter would be looked into and in future, empanelment of vendors would be common for both the companies.

2.1.7.2 Disallowed cost

UHBVNL completed four[13] projects out of 11 projects and submitted their closure reports to REC with final cost of ₹ 49.31 crore. REC disallowed ₹ 11.38 crore citing the rates of contracted quantity being higher than those allowed in revised sanctions and the consumption of material in excess of the norms. Scrutiny of closure reports showed that there was cost overrun of ₹ 1.32 crore and ₹ 2.22 crore in Rewari and Mewat projects respectively due to higher rates of contracted quantities than those allowed in revised sanctions and execution of unauthorised quantities, *i.e.* in excess over sanctioned quantities. Further, there was excess expenditure of ₹ 0.13 crore due to execution of unauthorised quantities in Fatehabad and Hisar.

The Management stated that the sanctioned costs were based on the DPRs which were preliminary and without actual foot survey whereas works were awarded on open tendering basis where costs received from the tenderers were high. This underlines the fact that the DPRs were not realistic.

9 Excluding overhead charges of implementing agency and service charges of REC.
10 Bid-42 for Rohtak and Bid-51for Karnal, Sonipat and Panipat.
11 Bid-96 for Jind, Jhajjar and Kaithal, Bid-97 for Ambala, Kurukshetra, and Yamunanagar and Bid-98 for Panchkula.
12 Bhiwani (TED-61), Fatehabad (TED-83), Mewat (TED-84), Hisar (TED-66), Mohindergarh (TED-62) and Rewari (TED-86).
13 Karnal, Sonipat, Panipat and Rohtak.

We further observed that DISCOMs incurred extra expenditure of ₹ 1.29 crore on release of connections to BPL families, as tabulated below:

Table 2.1.2

(Amount in ₹)

Name of Districts	Connection cost as per REC norms	Actual cost per connection	Excess cost per connection	Number of connections released	Total excess cost
UHBVNL					
Karnal, Panipat and Sonipat	1,500	1,578.25	78.25	28,580	22,36,385
Panchkula	2,200	2,306.38	106.38	653	69,466
Total					**23,05,851**
DHBVNL					
Hisar	2,200	2,471.60	271.60	18,634	50,60,994
Mohindergarh	2,200	2,441.01	241.01	6,259	15,08,482
Rewari	2,200	2,444.08	244.08	16,684	40,72,231
Total					**1,06,41,707**
Grand Total					**1,29,47,558**

Management of DISCOMs stated (October 2013) that the bidders quoted their rates keeping in view the market fluctuations and State High Power Purchase Committee conducted negotiations with the bidders to bring down the rates. But the fact remains that awarded rates were still higher than the norms fixed by the REC.

2.1.7.3 Delay in completion of projects

The Scheme undertaken by UHBVNL (11 districts) and DHBVNL (10 districts) had provided completion period of one year and nine months respectively. The scheduled date of completion, date of completion and delay in execution of projects are mentioned in ***Appendix 6***. Perusal of the ***Appendix*** showed that:

i. Eight projects of UHBVNL were delayed for period ranging between seven and 67 months and remaining three projects were not completed till March 2014 and,

ii. Six projects of DHBVNL were completed with delay ranging between 10 and 28 months, one project was terminated (July 2012) and three projects, were incomplete (March 2014).

Reasons for delay in completion were delayed award of contracts after the approval of DPRs and delayed execution of the projects by the contractors. The Management stated that the time provided in the contracts was not realistic and on lower side and should have been two years as per Scheme. The reply was not acceptable as the contractors had agreed to the time schedule and had quoted their rates accordingly.

2.1.7.4 Deficient contract management

Deficiencies noticed in contract management are discussed below:

i) Bid documents of all the five[14] contracts of 11 projects awarded by

[14] Bid-42 (Rohtak), bid-51 (Karnal, Panipat and Sonipat), bid-96 (Jind, Jhajjar and Kaithal), bid-97 (Ambala, Kurukshetra and Yamunanagar) and bid-98 (Panchkula).

UHBVNL mentioned that some of these works were already being executed departmentally and the contracts for balance works were to be awarded for the actual quantities to be worked out by field officers jointly. No such exercise was undertaken and the contracts were awarded for quantities as per DPRs.

DHBVNL contracts provided for penalty for delayed execution of work at the rate of 0.5 *per cent* per week up to four weeks and one *per cent* per week after four weeks, subject to maximum of 10 *per cent* of the contract price. UHBVNL included such clause only in two contracts (Bid-42 and Bid-51) of 10th plan and in subsequent three contracts (Bid-96, Bid-97 and Bid-98) of 11th plan, it diluted the clause by providing the penalty at the rate of 0.5 *per cent* per week or part thereof subject to maximum of 5 *per cent* of left over work up to 10 weeks and thereafter at 0.75 *per cent* per week or part thereof subject to maximum of 12.5 *per cent* of left over work. DHBVNL had linked major payments with the erection of material whereas UHBVNL allowed major part of payments (75 to 80 *per cent*) to contractors on supply of material alone and did not link to erection. UHBVNL's contractors brought excess material to site and got excess payments amounting to ₹ 15.36 crore in four contracts as discussed in subsequent paras.

- UHBVNL awarded a turnkey contract in June 2006 in respect of Bid-51 at a cost of ₹ 58 crore with scheduled date of completion as June 2007 extended up to June 2009 but the contractor did not complete the work by June 2009. Penalty of ₹ 5.06 crore recovered during August 2007-June 2009 was refunded in August/ September 2009). Company recovered a penalty of ₹ 2.43 crore only out of ₹ 5.80 crore recoverable for the delay from the running bills of the contractor leaving a short recovery of penalty of ₹ 3.37 crore. The contractor brought more material than needed and got payment without erection. The contractor abandoned (October 2010) the works valuing ₹ 40.14 crore against which the Company had made payments of ₹ 46.07 crore to the contractor resulting in excess payment of ₹ 5.93 crore. The Company took over (April 2013) the unutilised material valuing ₹ 3.52 crore leaving ₹ 5.78[15] crore still recoverable from the contractor (April 2013). Management admitted the audit observations and stated that they have a Bank Guarantee (BG) for ₹ 5.80 crore from the contractor, valid up to June 2014 which had been got extended up to December 2014 and had not been encashed (December 2014).

- In three turnkey contracts, awarded (July[16] and October[17] 2007), for ₹ 76.24 crore by UHBVNL, the scheduled date of completion was July 2008 and October 2008. The penalty for delayed completion was @ 0.5 *per cent* per week or part thereof up to 10 weeks and 0.75 *per cent* per week or part thereof for delay beyond 10 weeks on value of un-

[15] Excess payment made=₹ 5.93 crore + penalty short recovered = ₹ 3.37 crore - material taken back ₹ 3.52 crore = ₹ 5.78 crore.

[16] Bid No.96 (Jind, Jhajjar and Kaithal) to M/s Jitco Overseas Projects Limited.

[17] Bid No.97 (Ambala, Kurukshetra and Yamunanagar) to M/s Jitco Overseas Projects Limited and bid No. 98 (Panchkula) to M/s DEE Control & Electricals Private Limited.

commissioned works subject to maximum of 12.5 *per cent* on value of un-commissioned works. The contractors were granted extension up to 31 August 2009 without levy of penalty and were refunded (May-June 2009) the penalty recovered amounting to ₹ 6.10 crore. But the contractors did not complete the work even in extended period, *i.e.*, 31 August 2009. The contractors submitted 46 running bills of ₹ 5.86 crore and abandoned the works in March 2011. The Company deducted penalty of ₹ 1.07 crore only against ₹ 9.53 crore recoverable (being 12.5 *per cent* of the project cost i.e. ₹ 76.24 crore), leaving unrecovered penalty of ₹ 8.46 crore. The value of the work done and measured by the field offices was ₹ 31.54 crore against which the Company had already made payments of ₹ 40.97 crore, an excess payment of ₹ 9.43 crore. No security cover was available with the Company to recover these overpayments. The Performance Bank Guarantees (PBG) had also lapsed. Thus, the Company incurred a loss of ₹ 17.89 crore (short recovery of penalty ₹ 8.46 crore and excess payment ₹ 9.43 crore).

Management while agreeing to the audit observations stated that they were now adopting uniform terms and conditions for both the companies.

ii) UHBVNL created infrastructure valuing ₹ 6.28 crore in 144 villages in nine projects as per ***Appendix 7*** for release of connections to BPL households. This was lying idle (May 2013) as no connection to BPL beneficiaries was released. Management stated that the infrastructure created would be used to release BPL/ APL connections. However, the fact remains that the Company created the infrastructure which was not need based and idle infrastructure was prone to theft and pilferage.

iii) As per Quality Control Manual of REC for RGGVY works, turnkey contractors and the DISCOMs were required to conduct 100 *per cent* inspection of works and BPL connections of all the villages to ensure quality workmanship. We observed (May 2013) that the contractor[18] had partially executed various works of RGGVY in Yamunanagar project. Resultantly, 900 LT poles were erected but work of LT line was not completed. Another 5 KM cable and 16 DTs were lying unconnected to distribution network. This indicated that inspection of works of BPL connections was not conducted as per Quality Control Manual. Management stated that the works had been completed departmentally and connections had been released, but did not produce the details/ documents in support of actual release of BPL/ APL connections in these villages.

iv) DHBVNL awarded (April 2008) a turnkey contract at a cost of ₹ 18.39 crore with scheduled date of completion of work as 16 January 2009 extended up to 31 August 2010. As contractor failed to complete the work by 31 August 2010, the DHBVNL terminated (July 2012) the contract and encashed (4 July 2012) the BG of ₹ 1.84 crore towards 10 *per cent* liquidated damages. Terms

[18] M/s Jitco Overseas Projects Limited.

and conditions of the contract, *inter-alia*, provided that 90 *per cent* payment of the cost of work done would be made on the basis of measurement of work by Engineer-in-Charge. The contractor had submitted running bills and Engineer-in-Charge certified 90 *per cent* payment as ₹ 15.84 crore which was released. Subsequently, on measurement of the work, the value of work done worked out to be ₹ 15.32 crore and 90 *per cent* of the same worked out to be ₹ 13.79 crore leading to excess payment of ₹ 2.05 crore (₹ 15.84 crore-₹ 13.79 crore) and an interest loss of ₹ 29.55 lakh up to March 2014 at 11.50 *per cent per annum*. Management while agreeing to the audit point stated that departmental action has been initiated.

v) The consumption of material was very high compared to the norms fixed by REC. Excess consumption ranged between 3 to 758 *per cent* resulting in extra expenditure of ₹ 1.59 crore in Sirsa, Fatehabad and Mewat. Management stated that consumption of material was in excess in some cases due to zig-zag streets in the villages. Reply was not tenable as during survey of selected villages, it was observed that the lines under the Scheme were erected mostly on the periphery of the villages not requiring circuitous route.

vi) One CFL was required to be provided to each BPL family from the Scheme funds. The GoH announced (26 August 2007) for providing two CFLs to each BPL family free of cost. DISCOMs, without getting the matter clarified from the GoH, decided (November 2007 and March 2008) to provide two CFLs to each BPL consumer, one by the contractor and another by the Company. As such, DISCOMs were to bear the cost of one CFL from their own funds and that of second CFL from the Scheme funds. DISCOMs procured (July/August 2008) 4.40 lakh CFLs at a cost of ₹ 2.47 crore out of which three lakh CFLs were issued to field units and balance 1.40 lakh CFLs valuing ₹ 0.76 crore were lying in the stores (March 2014). DHBVNL informed (May 2011) all the field offices that as per clarification received from the GoH, only one CFL was to be given to BPL families by the contractors under the Scheme and the GoH announcement for providing two CFLs stood cancelled. Thus, purchase of CFLs resulted in undue financial burden of ₹ 2.47 crore on DISCOMs. Management, while agreeing to the audit observation stated that these CFLs would be provided free of cost as incentive to those consumers who opt for installation of meters on the pillar box outside their premises.

2.1.8 Achievement of targets

2.1.8.1 Creation of village electrification infrastructure (VEI)

The targets and achievements regarding creation of VEI for intensive electrification in Haryana as on 31 March 2013 are given in ***Appendix 5.***

From the ***Appendix*** it can be seen that achievement in creation of various items of VEI ranged between 26.35 and 110.47 *per cent* in UHBVNL during 10th and 11th plan. Achievement of erection of 11Kv lines and 25 KVA DTs in

DHBVNL was 23.49 and 88.49 *per cent* in Phase-I of 11th plan and there was no achievement in respect of Phase-II projects as the works were under execution.

2.1.8.2 Electrification of rural BPL households

Targets for release of BPL connections and achievements there against are given below:

Table 2.1.3

Plan	**No. of districts**	**BPL connections (in numbers)**		
		Targets	**Achievements**	
			Actual	**Percentage**
UHBVNL				
10th plan	4	49,198	32,484	66.03
11th plan	7	60,961	46,224	75.83
DHBVNL				
11th plan phase-1	7	1,13,914	1,13,179	99.35
11th plan phase-II	3	21,432	0	0
Total	**21**	**2,45,505**	**1,91,887**	**78.16**

From the above, it can be seen that the achievement of targets relating to release of BPL connections was 66.03 and 75.83 *per cent* in UHBVNL for 10th and 11th plan, respectively. DHBVNL had achieved the targets for 11th plan Phase-1 but there was no achievement for Phase-II projects. The main reason for non-achievement of targets was delayed execution of projects by contractors. DISCOMs had issued default notices to the contractors and DHBVNL also terminated one contract and forfeited BG in respect of Bhiwani district of Phase-I of 11th Plan. We observed that under the Scheme, free electricity connections were to be provided to all the BPL households by 2009 but DISCOMs were not able to provide the same even after the expiry of 11th plan period, *i.e.*, by 2012.

Management stated that from the time of DPRs preparation and up to the time of its final execution of works, the field conditions had changed drastically. Even many BPL households who did not earlier have electric connections had subsequently taken electric connections. But the fact remains that non-achievement of targets was mainly due to delayed execution of projects.

2.1.8.3 Results of beneficiary survey

We conducted survey of 419 beneficiaries in selected 85 villages in eight districts. The results of survey are discussed below:

i. Non electrification of schools, gram panchayats and other public places

As per definition[19] of electrified village, one of the conditions to declare a

[19] MoP, GoI specified (February 2004)

village as electrified was that electricity is provided to public places like schools, panchayat offices, health centres, dispensaries, community centres, *etc*. GoH has claimed in the RE plan that all the villages had been electrified. However, during field survey of selected districts, we observed that only 22.78 *per cent* of public places were electrified in the villages. Thus, criteria to declare the villages as electrified were not fully met.

We further observed that in selected 85 villages, connections to schools and gram panchayats were not released free of cost despite decision (September 2006) of MoP, GoI to provide subsidy for releasing connections free of cost. During exit conference, the Management stated that as per REC guidelines, the schools and gram panchayats were not to be provided free of cost. Reply was not tenable as connections were to be provided free of cost as per the decision of MoP (September 2006).

ii. Idle/ missing infrastructure

Distribution network created under RGGVY was lying idle, damaged or missing at various places in the selected villages in districts of Fatehabad, Bhiwani, Mewat, Jind, Kurukshetra and Jhajjar districts. The Management while accepting the audit observation, stated that idle DTs had since been connected to the distribution system and thus energised. Though DTs were energised but these were idle since no connection from these DTs was released.

iii. Position of power supply to rural households

During beneficiary survey, we observed that households in four villages were getting power supply on urban pattern and daily average power supply in remaining 81 villages ranged between 3 hours 52 minutes and 10 hours 57 minutes.

2.1.9 Monitoring

2.1.9.1 Quality Control Mechanism

DISCOMs had awarded five contracts for Third Party Inspection (TPI) of the Scheme projects in 18 districts during March 2008 to April 2011. TPI Agencies raised observations related to deficiencies and shortcomings in workmanship/ quality of work ranging between 740 and 2,992, in eight projects selected by Audit. Out of these, observations ranging between 291 and 2,992 remained unattended (June 2013). We observed that all observations raised by TPIAs remained unattended in Jind (2,552) Bhiwani (911), Kurkshetra (1,494) and Jhajjar (2,992). Management stated that the observations made by the TPI Agencies (TPIAs) were attended and it was conveyed to REC. The fact was that after being pointed out by audit the deficiencies were rectified by the companies at own cost and not by the contractors.

2.1.9.2 Release of balance payment without rectification of faults

As per the provisions of the contracts, 10 *per cent* balance payment was to be released to the contractors after rectification of faults pointed out by the TPIAs. We observed that though rectification of faults pointed out by the TPIAs were pending, yet the DHBVNL had released balance payment of 10 *per cent* (₹ 3.65 crore) to the contractors in Fatehabad, Sirsa and Mewat projects. Management stated that they had got necessary verification report in respect of rectification of deficiencies detected by the TPI Agencies in Sirsa and similar action was being taken in case of Fatehabad and Mewat districts. But the fact remains that the balance payment was released by the companies without verifying the rectification of faults by the contractors.

2.1.9.3 Delay in replacement of damaged distribution transformers

The HERC had prescribed (July 2004) a time limit of 48 hours for replacement of damaged DTs. In Jind district, 179 DT out of 303 DTs installed under the Scheme got damaged within warranty period and fifty two DTs, were replaced (May 2012) by the Company at its own cost and remaining 127 damaged DTs were still awaiting replacement (November 2012). DTs damaged under the Scheme in Sirsa and Mewat districts were not replaced within the prescribed period and were replaced after a period ranging between three and 126 days.

The UHBVNL had not maintained data regarding time taken in replacement of damaged DTs in respect of Jind, Kurukshetra, Karnal and Jhajjar districts. 14 DTs valuing ₹ 7.31 lakh were not found at site and 38 DTs (valuing ₹ 19.85 lakh) were found idle as per the reports (May 2012) of the officials of the Jind District. UHBVNL had not taken any action either for lodging FIRs for missing DTs or putting load on idle DTs (November 2012). Management stated that the transformers were damaged due to overloading as a result of theft of power and illegal power tapping 'Kundi' connections and many times replacement of damaged DTs was delayed consciously to penalise the consumers indulging in theft. The reply was not tenable as this was against the directions of HERC.

Conclusion

The RE Plan was deficient and was notified with delay. DPRs prepared were not based on field survey and therefore the contracted costs turned out to be higher than the one envisaged. Deficient and faulty contract management resulted in delayed completion of projects, misappropriation of material and overpayments to contractors. Quality and workmanship of the work was not ensured by the contractors and DISCOMs, resultantly large number of defects were noticed by third party inspecting agencies. DHBVNL had achieved the targets for 11th plan Phase-1 but there was no achievement for Phase-II projects due to delay in execution of projects by contractors. Free electricity connections were to be provided to all the BPL households by 2009 but DISCOMs were not able to provide the same. Survey of beneficiaries showed that implementation of the Scheme was not effective and infrastructure created was not put to efficient use.

Recommendations

The DISCOMs may consider:

i) preparation and notification of RE Plans within time frame so that these may act as a road map for implementation of the rural electrification projects.

ii) preparing Detailed Project Reports on the basis of actual survey.

iii) linking the terms and conditions of turnkey contracts with the various stages of constructions as against supply of material alone.

The above points were referred to the Government (September 2013), no reply was received (December 2014).

2.2 Haryana State Warehousing Corporation

The Haryana State Warehousing Corporation (Corporation) was established to acquire and build godowns and warehouses in the State for storage of food grains, fertilisers, agriculture produce, seeds and notified commodities. It is a notified agency for procurement and storage of wheat, paddy and bajra for central pool. The important findings noticed during audit are as under:

Highlights

The Corporation earned profits during 2009-10 to 2011-12 and suffered losses amounting to ₹ 10.97 crore in 2008-09 and ₹ 138.51 crore in 2012-13. There was shortfall in the capital expenditure during 2008-09 and 2009-10.

(Paragraphs 2.2.6.1 and 2.2.6.2)

The Corporation had not prepared its accounts as per the accepted accounting principles/ standards. Non-confirmation and reconciliation of accounts with FCI has resulted in major transactions being outstanding for more than 15 years. The value of closing stocks of wheat and gunny bags were not reconciled with physical balances since 2008-09.

(Paragraph 2.2.6.1)

As on 31 March 2013, ₹ 40.56 crore were recoverable from various Government/ Government owned agencies on account of storage charges out of which ₹ 21.42 crore pertained to the period 1986-87 to 2007-08.

(Paragraph 2.2.8.1)

The Corporation violated the conditions of NIT by selecting a particular grade and brand, by changing the schedule of opening of financial bids, quantity and schedule of payment, in the contract for supply and erection of galvalume sheets for roofing of 47 godowns during 2008-09 and 2009-10. It had not levied penalties of ₹ 7.74 crore on contractors for delayed completion of works during 2008-09 to 2012-13 as per the provisions of the work orders.

(Paragraphs 2.2.9.2, 2.2.9.3 and 2.2.9.7)

The shortfall in achievement of procurement targets in respect of paddy ranged between 21 and 62 *per cent* during 2008-09 to 2011-12. The Corporation lost ₹ 6.64 crore worth of stocks owing to damage due to floods and rains.

(Paragraphs 2.2.11.6 and 2.2.11.7)

The internal control procedures were not commensurate with the size and nature of activities of the Corporation.

(Paragraph 2.2.13.1)

2.2.1 Introduction

The Haryana State Warehousing Corporation (HSWC) was established on 1 November 1967 under Section 18(1) of the Warehousing Corporation Act, 1962. The main objective of setting up of the Corporation was to acquire and build godowns and warehouses within the State for storage of food grains, fertilisers, agriculture produce, seeds and other notified commodities, arrange facilities for transport thereof to and from warehouses and carry out such other functions as may be prescribed. The Corporation was declared one of the agencies for food grains[1] procurement and storage (wheat, paddy, bajra) for Central pool.

2.2.2 Organisational set-up

The Management of the Corporation is vested in a Board of Directors (BoDs) consisting of 11 Directors including a Chairman and a Managing Director (MD). Out of these Directors, five are to be nominated by the Central Warehousing Corporation (CWC) and six by the State Government. There were eight directors (four nominated by CWC and four by the State Government) as on 31 March 2013, including a Chairman and a MD who is the Chief Executive of the Corporation. The Corporation has nine[2] field circle offices (31 March 2013), each headed by a District Manager (DM).

2.2.3 Audit objectives

The objective of the performance audit was to ascertain whether:

- the financial management was adequate;
- the warehousing operations- capacity utilisation, storage activities, extension services and construction of warehouses, were carried out in an economic and efficient manner;
- procurement and delivery operations of food grains were undertaken as per prescribed norms/ procedures/ time limit and the Corporation raised complete claims for procurement;
- deployment of manpower in field was optimal; and
- the Corporation had an effective internal control system.

2.2.4 Scope of audit and methodology

The present audit conducted between December 2012 to April 2013 and in April 2014, analysed the performance of warehousing activities and food grains procurement activities of the Haryana State Warehousing Corporation

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[1] Wheat-1993, Paddy-1995 and Bajra-2003.

[2] Ambala, Faridabad, Fatehabad, Kaithal, Kurukshetra, Panipat, Rewari, Rohtak and Sirsa.

for the Central Pool during 2008-13. The audit examination involved scrutiny of records maintained at the Head Office of the Corporation, the records of four[3] out of nine circle offices and 16 out of 46 warehouses in these four circles. The selection was made by adopting stratified random sampling method.

We explained the audit objectives to the Corporation during an Entry Conference with the Management (March 2013). The audit findings were reported (August 2013 and June 2014) to the Management and Government. The replies of the Government were received in July 2014. The audit findings along with replies were discussed in the Exit conference held in October 2013. Another Exit conference was held in December 2014 which was attended by the Additional Chief Secretary, Agriculture Department (ACS), MD and other officers of the Corporation. The views of Management and Government have been duly incorporated while finalising this performance audit and discussed in subsequent paragraphs.

2.2.5 Audit criteria

The following were the sources of audit criteria:

- provisions of the Warehousing Corporations Act, 1962 and the Haryana Warehousing Corporation Rules, 1969;
- instructions/ guidelines/ schemes of Government of India (GoI)/ Food Corporation of India (FCI)/ State Government/ Corporation and annual plans of the Corporation;
- terms and conditions of agreements entered into with the contractors for construction of warehouses, transportation of foodgrains and rice millers; and
- Haryana PWD code, internal audit and other control procedures of the Corporation.

Audit findings

2.2.6 Financial Management

2.2.6.1 Financial position and working results

The financial position and working results of the Corporation for the last five years up to 2012-13 are depicted in ***Appendix 8***. An analysis of the ***Appendix*** showed the following:

- HSWC net profits after tax ranged from ₹ 20.35 crore to ₹ 26.44 crore during the years 2009-10 to 2011-12. It suffered loss of ₹ 10.97 crore in 2008-09 and ₹ 138.51 crore in 2012-13.

[3] Ambala, Fatehabad, Rohtak and Sirsa

- The surplus from wheat procurement activity decreased steeply from ₹ 21.50 crore in 2009-10 to ₹ 3.85 crore in 2011-12. The Corporation earned surplus of ₹ 19.94 crore in 2012-13.

- The Corporation suffered losses in paddy procurement operations continuously. They were ₹ 0.29 crore in 2008-09 and rose to ₹ 27.32 crore in 2012-13.

- The Corporation suffered loss in procurement operations of Bajra during 2008-09, 2009-10 and 2011-12 and had marginal profits during 2010-11 and 2012-13.

We further observed that:

- the annual reports along with the audit reports from the years 2010-11 to 2012-13 had not been forwarded to the State Government to be laid before the State Legislature though the Annual General Meetings (AGMs) of the years had been held. This was in violation of Section 31 (11) of the Warehousing Corporation Act, 1962.

- the Corporation did not prepare its accounts as per the accepted accounting principles and accounting standards. The Statutory auditors had commented upon inadequate internal audit system and non-confirmation and reconciliation of accounts with FCI, with which, major transactions were outstanding for more than 15 years. Audit observed that the value of closing stocks of wheat and gunny bags were not reconciled with the physical balances since 2008-09.

The Management and the State Government stated (July 2014) that efforts were being made to comply with applicable accounting standards and principles and informed that internal audit system had been strengthened.

2.2.6.2 Budgetary Control

Before the commencement of each financial year, the Corporation prepares a statement of programme of its activities and budget estimates as per Section 26 (1) of the Warehousing Corporations Act, 1962. The Budget estimates of capital and revenue expenditure, projected income and actual performance thereagainst of the Corporation for the five years up to 2012-13 are tabulated below:

Table 2.2.1

(₹ in crore)

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1.	Capital expenditure					
	Budget	55.91	40.39	28.88	25.02	30.71
	Actual	5.78	26.44	51.01	32.22	29.17
	Variation	(-)50.13	(-)13.95	(+)22.13	(+)7.20	(-)1.54
	Percentage of variation	(89.66)	(34.54)	(76.62)	(28.78)	(5.01)

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
2.	Revenue expenditure					
	Budget Actual Variation Percentage of variation	39.11 47.27 (+)8.16 (20.86)	48.74 58.37 (+)9.63 (19.76)	60.44 59.63 (-)0.81 (1.34)	72.00 68.30 (-)3.70 (5.14)	77.00 261.03 (+)184.03 (239.00)
3.	Total Income					
	Budget Actual Variation Percentage of variation	60.61 67.88 (+)7.27 11.99	80.24 90.10 (+)9.86 12.29	101.50 91.58 (-)9.92 (9.77)	104.00 93.14 (-)10.86 (10.44)	115.00 128.66 (+)13.66 11.88

The above table showed that:

- There was shortfall in the capital expenditure during 2008-09 and 2009-10. It could not undertake construction of godowns due to non-availability of land. It exceeded the budgeted expenditure significantly during 2010-11 and 2011-12 by 76.62 and 28.78 *per cent* respectively due to execution of works planned in previous years.

- The actual income was in the average range of +/- 11 *per cent* of estimated income due to variation in procurement activity of the Corporation.

During exit conference the ACS stated that efforts would be made to prepare realistic budgets.

2.2.6.3 Guarantee fee

The Corporation avails cash credit from State Bank of India for procurement of wheat and paddy, guaranteed by State Government which charges guarantee fee @ 1/8 *per cent* of the cash credits availed. FCI reimburses the same.

i. The Corporation paid excess guarantee fee of ₹ 1.21 crore during 1994-95 to 2005-06 to the State Government. It did not deposit any fee during 2006-07 to 2011-12. The Corporation requested (March 2011) the State Government to adjust the excess payment already made towards guarantee fee and issue certificate for payment from the year 2006-07. No response had been received so far (December 2014).

ii. The Corporation lodged (September 2011) its claim without requisite certificates from State Government for the years 2005-06 to 2009-10 with FCI for reimbursement of guarantee fee of ₹ 1.27 crore paid/ adjusted/ excess paid in previous years. The Corporation however reduced (October 2013) its claim to ₹ 1.06 crore after the objections of FCI, which was received by it in January

2014. Thus, the Corporation not only suffered loss of ₹ 0.21 crore on reduction of claims but also suffered loss of interest of ₹ 0.30 crore on blocked amount from November 2011 to December 2013.

The Management and State Government stated (July 2014) that the claim of ₹ 1.27 crore was rightly reduced by FCI as it had paid guarantee fee on the basis of actual cash credit availed but FCI reimbursed the same on the basis of MSP on naked foodgrains delivered to FCI.

2.2.6.4 Non reconciliation of gunny bales accounts

The Corporation procures gunny bales from Director General, Supplies and Disposal (DGS&D), Kolkata through Director, Food and Supplies (DFS), Government of Haryana. Since advance payment was released for each crop year on provisional basis, reconciliation of account at the end of each crop year was necessary.

The Corporation ordered 1,56,875 bales of Jute/ HDPE bags during 2008-09 to 2012-13, against which it received 1,50,810 bales. Value of shortfall quantity of 6,065 bales of ₹ 9.30 crore remained outstanding with DGS&D, Kolkata (December 2014) on which the Corporation suffered a loss of interest of ₹ 4.18 crore.

During exit conference the Management stated that the reconciliation was in process.

2.2.7 Warehousing Operations

One of the main objectives of the Corporation is to acquire, build and operate warehouses for storage. The Corporation created additional average[4] storage capacity of 2.96 lakh MT during the five years up to 2012-13. As on 31 March 2013, the Corporation had 108 warehouses with total storage capacity of 18.88 lakh MT. The capacity of the covered godowns was 14.99 lakh MT (owned 12.32 lakh MT and hired 2.67 lakh MT) and of open godowns/ plinths was 3.89 lakh MT (owned 0.89 lakh MT and hired 3 lakh MT).

2.2.7.1 Capacity Utilisation

The Corporation had not fixed any norms for minimum capacity utilisation of the warehouses to assess their economic viability. The utilisation of warehousing capacity and working results of this activity during 2008-09 to 2012-13 are given in ***Appendix 9***. Analysis of ***Appendix*** showed that the storage capacity ranged between 14.68 lakh MT (2008-09) and 18.88 lakh MT (2012-13) during the last five years ending March 2013 and the percentage of average capacity utilisation had increased from 83 in 2008-09 to 104 *per cent*

4 Average storage capacity is the total for whole year divided by 12 for one year.

in 2012-13.

2.2.7.2 Warehouse wise working results

The BoDs, while approving (September 2008) construction of additional storage capacity, had directed that the godowns should emerge as independent profit centres. The Corporation, however, did not work out the profitability of the each unit or warehouse. Analysis of the working results prepared by audit, in respect of each warehouse during 2009-10 to 2012-13 showed the following:

- The loss making warehouses ranged between six and 15 during last four years up to 2012-13. The Corporation had not analysed and reported the matter to the BoDs for their monitoring and guidance. These warehouses had low capacity utilisation being in far away location and storage of non Fair Average Quality (FAQ) Bajra, on which the income did not accrue to Corporation as the FCI did not reimburse the storage charges for this coarse grain.

- The warehouses earning profit below ₹ 10 lakh in a year ranged between 14 and 19. While working out these results, the elements of supervision cost of the circle office/ head office, depreciation and provisions for staff benefits had not been considered as these were not separately available. Had these elements too been considered, these warehouses would also have turned into losses. The Corporation did not fix the breakeven point.

- The warehouses which earned profits above ₹ 50 lakh ranged between 25 and 49.

During exit conference the ACS directed the Management to work out warehouse wise working results to ascertain their profitability.

2.2.8 Storage activity

2.2.8.1 The Corporation is following the schedule of charges fixed by the CWC from time to time for storage of food grains, fertilisers, agriculture produce and other notified commodities. Storage charges are paid in cash at the time of delivery of commodities or on monthly basis in the case of bulk depositors (*viz.* FCI, FSD, HAFED, HAIC and CONFED) [5] to whom credit facility was allowed.

The table below indicates the storage charges earned, realised and percentage

5 FCI-Food Corporation of India, FSD- Food & Supplies Department, HAFED-Haryana State Cooperative Supply and Marketing Federation Limited, HAIC-Haryana Agro Industries Corporation Limited, CONFED-Haryana State Federation of Consumers' Cooperative Wholesale Stores Ltd.

of realisation:

Table 2.2.2

(₹ in crore)

Particulars	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**
Opening balance	30.60	31.16	33.07	37.01	39.52
Additions	35.34	41.48	44.86	56.59	64.26
Total	**65.94**	**72.64**	**77.93**	**93.60**	**103.78**
Realisation	34.78	39.57	40.92	54.08	63.22
Closing Balance	31.16	33.07	37.01	39.52	40.56
Percentage of collection (Total)	52.74	54.47	52.51	57.78	60.92

It would be seen from the above that the percentage of collection to total recoverable ranged between 52.51 and 60.92. Further, out of ₹ 40.56 crore as on 31 March 2013, ₹ 21.42 crore pertained to the period from 1986-87 to 2007-08 recoverable mainly from FCI, FSD, HAFED, HAIC and CONFED.

During exit conference the ACS stated that the matter would be expedited for recovery of old outstanding dues.

Scrutiny of records showed the following in this regard:

2.2.8.2 Hiring of godowns to FCI

The FCI pays storage charges to the Corporation at CWC rates. FCI had imposed penalty/ cuts amounting to ₹ 3.08 crore (₹ 1.92 crore on Corporation's own godowns and ₹ 1.16 crore on godowns hired from private parties) up to December 2008 as the construction of godowns was not as per FCI requirements. The Corporation took up the matter with FCI in January 2008 but did not pursue it thereafter and no recovery had been made so far (March 2014). Further, the Corporation did not recover the deducted amount of ₹ 1.16 crore from the six private godown owners also for the same deficiencies in their construction.

During exit conference the Management stated that the Corporation had recovered ₹ 1.16 crore from the private godown owners. On this, the ACS directed the Management to supply the relevant documents of recovery to audit. The documents were awaited (December 2014).

2.2.8.3 Deduction of storage charges

The Corporation used Galvalume sheets roofing in newly constructed godowns instead of ACC sheets and took up (March 2010) the matter with the FCI for recalculation of storage capacity by taking capacity of each stack as 160 MT instead of 140 MT. The FCI accepted (May 2011) the storage capacity of a stack as 154 MT.

Warehouses at Barwala and Hansi constructed with Galvalume sheets roofing were hired to FCI from May 2010 and storage charges were billed by taking the stack capacity of 154 MT, but the FCI made deduction of ₹ 0.26 crore for both the warehouses for the period from May 2010 to June 2012, by taking the stack capacity as 140 MT, though the capacity at 154 MT per stack was already approved by FCI in May 2011. No serious efforts were made to recover the amount at field office level. On being pointed out in audit, the Head office had taken up the matter with FCI for recovery of ₹ 0.26 crore in June 2014. Further developments were awaited.

2.2.8.4 Deductions on account of rebate

In four selected circles for the year 2008-09 to 2012-13, while making the payment of storage charges, the FCI had made deduction of ₹ 0.47 crore as one *per cent* on account of rebate, though there was no mention of such rebate in the FCI orders. The Corporation had not taken up the matter with the FCI.

During exit conference the Management stated that these cases would be reconciled to take appropriate action.

2.2.8.5 Leasing out of space to M/s Blue Dart Express Limited

In violation of the objectives of the Corporation, it leased out space in godown No. 8 from 16 April 2007 in Ambala Circle to M/s Blue Dart Express Limited for their office. The Management and the State Government stated that though leasing out of space was *ultra vires* of the mandated activities of the Corporation, but the godown was in low lying area where the Corporation could not keep food grains and as such the place has been utilised gainfully. These statements of the Corporation were verified on joint physical inspection of the godown conducted by Audit and Corporation. All the godowns were utilised to their maximum capacity and the height of the godowns was enough to protect the stocks from flood water. Moreover no case of loss to the stocks has been reported in the past due to water logging or floods in any of the godowns in that premises.

During exit conference the ACS stated that godowns should not remain unutilised. Hence he proposed to gainfully use these by leasing to private firms subject to immediate availability if required by the farmers. Appropriate clause in the lease agreement would be included.

2.2.9 Construction Activities

2.2.9.1 The Corporation has set up its own construction wing with an Executive Engineer incharge. The Corporation has not made any plans for increasing its storage capacity but carries on construction of warehouses as and when the land is made available by the State Government and funds are arranged under Central Schemes (RKVY[6] and GBY[7]). During the period of five years from 2007-08 to 2011-12, the Corporation had constructed 45

[6] Rashtriya Krishi Vikas Yojana
[7] Gram Bhandaran Yojana

godowns of 2.96 lakh MT capacity. The Corporation also constructed godowns of 23,150 MT capacity at a cost of ₹ 7.41 crore for Haryana Agro Industries Corporation and 72,200 MT godowns at a cost of ₹ 15.31 crore for Food and Supplies Department, Haryana, on deposit work basis. Test check of records showed the following:

2.2.9.2 Irregularities noticed in awarding the contract for construction of godowns with galvalume sheet roofing

As per Rule 11(i) of the HSWC General Regulations, 1981, the Managing Director (MD) shall have the powers to negotiate and carry on the authorised business of the Corporation in accordance with the instructions which the Board of Directors (BoDs) or Executive Committee may issue from time to time. As per Rule 11(iii) of the Regulations, the then MD with the approval of BoD had delegated full powers to the Executive Engineer (EE) on 8 April 2008 for approval of layout and specifications of godowns. Further, as per Rule 11(iv) of the regulations, *ibid*, the MD, HSWC is empowered to incur expenditure to the extent provided in the budget estimates approved by BoD from time to time. BoD in the budget estimates for 2008-09 had approved the construction of 6 godowns with combined capacity of 35,000 MT. The BoD, HSWC approved (5 September 2008) the construction of godowns at 14 locations with combined capacity of 61,000 MT without making a mention about the use of specific material for roofing of godowns. The EE and the MD technically approved (24 October 2008) the use of galvalume sheets in roofing in place of asbestos sheets for all the 14 locations. After deliberations, the BoD gave the approval to the HSWC to 'go ahead' about the use of new technology of using galvalume sheets in the construction of godowns in December 2009.The HSWC also constructs godowns for various Government agencies and departments like Food and Supplies Department (FSD) *etc*.

The HSWC had issued (January 2009) Notice Inviting Tenders (NIT) for supply and installation of Arc shaped galvalume roofing sheets in the construction of 25 godowns (12[8]godowns of HSWC and 13 godowns of Food and Supply Department, Government of Haryana) at various locations in Haryana. The terms and conditions of NIT, *inter-alia*, provided for the following:

a) material was to be imported galvalume sheets and their tensile strength was to be of grade 350 and 550 for which the rates were to be quoted separately (clause at sr. no. 6);

b) A pre bid meeting was to be held on 28 January 2009 at 11 AM and the technical bids were also to be opened on the same day at 4 PM. The financial bid of only those agencies which would qualify technically were to be opened on 29 January 2009 (clause at sr. no. 4 and 5);

c) As per clause at Sr. no. 7 of the NIT, the quantity may increase or decrease to any extent;

[8] Out of 14 godowns approved by the BoD on 5 September 2008, two godowns were not included in the NIT due to non- clearance of site.

d) The tenderers were to provide onsite warranty for three years after completion of work and 80 *per cent* of the payment was to be made as soon as the work is completed. The remaining 20 *per cent* payment was to be released at the rate of 5 *per cent*, 5 *per cent* and 10 *per cent* at the end of first, second and third year of successful completion of work (clause at sr. no. 13 and 14).

In the pre bid meeting held on 28 January 2009, three bidders had participated and it was decided that the Corporation may follow a common pattern and adopt a single brand for comparison. Accordingly, all the bidders quoted the rates for Dong Bu brand (Korean make) of galvalume sheets of Grade 350 only. The technical bids were opened on 28 January 2009 and financial bids were also opened on the same day i.e. 28 January 2009 with the consent of all the bidders. Based on the decision taken during the pre-bid meeting on 28 January 2009 regarding the brand and the grade of galvalume sheets, three bidders had quoted their rates and the rates (₹ 1,127 psm) quoted by M/s Proflex Systems, Ahmedabad were found to be lowest as against the estimates of ₹ 1,400 psm prepared by the Corporation. Accordingly, the contract was awarded to M/s Proflex Systems**,** Ahmedabad on 18 February 2009 for ₹ 7.94 crore for construction of 25 godowns at the rate of ₹ 1,127 psm.

Examination of the papers produced to audit by the Corporation showed the following:

i) The estimates were prepared on the basis of rates received from a single vendor namely M/s. Proflex Systems, Ahmedabad.

ii) The proposal for use of galvalume sheets for roofing in the godowns of FSD was approved by the Chief Minister on 18 December 2008 whereas in the case of HSWC, it was approved by Board of Directors in December 2009. In reply to a query raised by FSD, the Corporation clarified (24 December 2008) that the galvalume sheet was not a propriety item of a particular company.

iii) As a result of the decision in the pre-bid meeting, the NIT which called for bids for 350 and 550 grade separately was limited to only 350 grade of Dong Bu (Korean) brand of Galvalume sheets. The brand 'Dong Bu' emanated only during the pre-bid meeting held on 28th January, 2009 and the Corporation decided to go ahead with the single brand for providing level playing field to the bidders. The Corporation also agreed to release 40 *per cent* payment after fifteen days from receipt of roofing material on site, if the civil structures were not ready for fitment of roofing sheets. Restricting the offer only to 350 grade and that too only for ‘Dong Bu’ brand and change in terms of release of payments deviated from the terms and conditions of NIT issued in January, 2009. On being asked by Audit, the Corporation replied (January 2014) that material of 350 grade was preferred because 550-grade material was more prone to cracks during formation of curvature and Dong Bu brand (Korean) was selected as Chinese material was of inferior quality having lesser life.

The reply is not tenable as selection of a particular grade and brand, Dong bu did not flow from terms and conditions of NIT and it restricted the competition as galvalume sheet was not a propriety item.

On this issue being referred to the Government in August 2013, the Government accepted the observation as seemingly correct (April 2014).

iv) Though, the NIT specified that the technical bid would be opened on 28 January 2009 and the financial bid on 29 January 2009, yet both bids were opened on 28 January 2009 itself with the consent of all bidders.

During exit conference the Management while reiterating the earlier replies further stated the following:

- The estimate of ₹ 1,400 psm was prepared on the basis of market survey conducted and the rates were collected from three/ four vendors which were ₹ 1,230 psm, ₹ 1,325 psm and ₹ 1,385 psm plus taxes. The reply of the Management is at variance with the written reply dated 29 January 2014 enclosing the document showing that the estimate was prepared on the basis of rates of single vendor. Further, as per documents produced to audit after the exit conference the quantity supplied by these vendors *viz* 1,516 square meter, 1,002 square meter and 1,318 square meters, was very small i.e., only about 2 *per cent* of the quantity desired in the NIT and was thus not adequate to arrive at a fair estimation of the price.

- There was no financial impact on account of change in clause of 40 *per cent* payment as no benefit was given to the contractor on this account. However, the fact remained that the condition was inserted after the opening of NIT which was a violation of terms of NIT.

ACS stated that as the Corporation was using these sheets first time and had no experience in this regard, it had to agree to the opinion of the bidders in selection of grade and make of the galvalume sheets. The fact remains that the Corporation did not follow the established procedures of awarding contracts.

2.2.9.3 Enhancement of work orders

HSWC issued further orders on M/s Proflex Systems, Ahmedabad on 26 March 2009, 5 February 2010 and 23 April 2010 for construction of 3, 8 and 11 godowns respectively at the same rate (₹ 1,127 psm), terms and conditions of contract as awarded on 18 February 2009 on the basis of clause at Sr.No. 7 of NIT. The firm constructed 20 godowns as against the above orders at a total cost of ₹ 9.52 crore. As against the standard norms, the contract entered into on 18 February 2009 was repeated three times i.e. March 2009, February 2010 and April 2010.

The Audit observed that the Clause 7 of the NIT issued in January 2009 was applicable only in case of first original order covering 25 godowns which was issued on 18 February 2009. In other words, the HSWC could have increased or decreased the quantity according to actual requirement for construction of 25 godowns as per first original order. As regards the construction of additional godowns over and above original godowns, fresh tenders should have been invited and the issue of orders on the three occasions for a value of ₹ 9.52 crore was against the established norms of awarding contracts.

During exit conference the ACS stated that though there were procedural lapses, but there was no financial loss. In fact, the Corporation saved ₹ 26 lakh by enhancing the work at old rates as higher rates were received subsequently when re-tendering was done. The reply is not acceptable as the period of re-tendering was subsequent to the period of repeated tenders and therefore are not comparable. Fresh tenders should have been invited in these cases as per the established norms of awarding contracts.

2.2.9.4 Release of retention money

Terms and conditions of initial work order awarded on 18 February 2009 provided that 80 *per cent* payment would be released on completion of work and balance 20 *per cent* amount would be released at the rate of five *per cent*, five *per cent* and 10 *per cent* respectively after first, second and third years of completion subject to satisfactory performance of the work of roofing of godowns.

The HSWC accepted bank guarantee in lieu of retention money on the request (28 October 2009) of the contractor, in respect of the orders placed in February 2010 and April 2010 which was a deviation in the terms and conditions of initial work order awarded on 18 February 2009.

The HSWC released (January 2011) *20 per cent* withheld amount of ₹ 1.64 crore in lieu of bank guarantee retained for the work orders placed on 18 February 2009 and 26 March 2009 as a result of which, the Corporation incurred loss of interest amounting to ₹ 36.92 lakh (at 11 *per cent* rate of interest). On being pointed out, the HSWC recovered (January 2014) ₹ 36.92 lakh. As a protest, the contractor went to arbitration on account of this recovery in February 2014. Final outcome was awaited (May 2014). In respect of orders placed on 5 February 2010 and 23 April 2010, the Corporation accepted the bank guarantee and did not retain ₹ 1.70 crore representing 20 *per cent* of the value of work done which resulted in Corporation foregoing the opportunity of saving an interest amount of ₹ 42.08 lakh.

2.2.9.5 Non deduction of workers welfare cess

The Building and Other Construction Workers Welfare Act, 1996 read with rules 1998 require the construction companies to levy and deduct workers welfare cess @ not less than one *per cent* from construction cost and deposit the same with labour welfare authorities. If the cess is not paid within the date specified, the Act provides for penalty not exceeding the amount and interest at two *per cent* per month for which the amount remains unpaid.

The Corporation had not deducted ₹ 0.26 crore as labour welfare cess in six construction contracts awarded to M/s Proflex Systems, Ahmedabad and M/s Nexus Infrastructure Private Limited, Ahmedabad at a total cost of ₹ 26.49 crore from 2009-10 to 2012-13. The interest and penalty payable due to non deduction of cess works out to ₹ 0.40 crore (interest: ₹ 0.13 crore; penalty: ₹ 0.27 crore). On being pointed out by audit, the Corporation recovered labour cess of ₹ 0.41 crore along with penalty and interest of ₹ 0.65 crore from the contractors for the period from 2009-10 to November 2013 and deposited (January 2014) the same with the labour welfare authorities. The contractor[9] had however challenged the recovery in High Court, whose decision was awaited.

2.2.9.6 Avoidable expenditure on construction of godown in Bani

Construction of 2,500 MT capacity godowns (except roofing), at Bani was allotted (18 March 2010) to M/s Nathusari Kalan Co-op L&C Society Limited for ₹ 0.73 crore to be completed by 12 August 2010. The BoDs observed (28 September 2010) that there was a definite need of storage space but precautionary measures be taken to minimise the losses due to floods in future and approved completion of work with additional expenditure of ₹ 0.39 crore. The Contractor completed the construction at a total cost of ₹ 0.64 crore including roofing on 30 August 2011.

The newly constructed godown remained unutilised till date (March 2013) since 30 August 2011. The 5,000 MT godowns already constructed in the same campus also remained unutilised after the incidence of flood (July 2010). This construction of new godown when the already existing godowns were lying vacant resulted in avoidable expenditure of ₹ 0.47 crore.

During exit conference the Management stated that the Corporation was making efforts for utilization of these godowns and advertisements have been issued in the press. However, Audit observed that advertisement was issued in January 2012 and there had been no progress in the matter.

2.2.9.7 Loss due to delay in completion of projects

As per the terms of contract delay/ defective execution of work attracts penalty @ one *per cent* per day. The Corporation granted extension in all the cases without levy of penalty though the works were delayed. The penalty in such cases worked out to ₹ 5.60 crore for own godowns and ₹ 2.14 crore for godowns constructed on behalf of FSD and HAIC during 2008-09 to 2012-13.

During exit conference the Management stated that the main reason for delay in completion of construction work was ban on mining in the State and the Corporation utilized the godowns when these became storage worthy pending some internal road works etc. The reply was not acceptable as the ban on mining material was imposed from 1 March 2010 and the projects on which penalty was not levied included those projects also which pertained to the years 2008-09 and 2009-10. Moreover, a cushion of 90 days has been provided to arrange material *etc* from other States to work out the penalty.

2.2.10 Extension services

The main objective of the Corporation is to provide scientific storage for food grains to minimise the losses during storage. With a view to familiarise the

9 M/s Proflex Systems, Ahmedabad

farmers about new methods/ techniques used for preservation of food grains to avoid losses in storage, the Corporation was running Farmers Extension Service Scheme (FESS) and Disinfestations Extension Service Scheme (DESS). Under FESS, staff of warehouse visits the surrounding/ nearby villages to acquaint the farmers with the procedure of scientific storage of their produce. During the period of five years ending March 2012, the Corporation visited 2,668 villages and educated 28,970 farmers. However, no targets for effective implementation of the scheme were fixed by the Corporation for the field units.

Under DESS, the Corporation was to provide pest control service at the door steps of the farmers, co-operatives societies, millers and others at nominal rates. We observed that the Corporation achieved the target of revenue of ₹ 0.18 crore *per annum* during 2007-08 and 2008-09, but it failed to achieve the reduced target of revenue of ₹ 0.15 crore during 2009-10 to 2011-12. The shortfall ranged between 12 and 18 *per cent* despite the fact that the rates were increased from 1 January 2009.

2.2.11 Procurement of food grains for Central Pool

2.2.11.1 The State Government declared the Corporation as one of the agencies for procurement of food grains from various *Mandis* allotted by the State Government for the Central Pool under Minimum Support Price (MSP) scheme. The food grains so procured are delivered to FCI (paddy is got milled and converted into rice as per the policy, before its delivery to FCI) and costs incurred by the Corporation on procurement activities (including MSP and incidentals) are reimbursed by FCI based on the provisional economic costs fixed by GoI for each crop. The final costs are determined at a later stage and adjustments made accordingly. The comments on procurement and delivery of wheat, paddy and Bajra by the Corporation are discussed in the succeeding paragraphs.

2.2.11.2 Wheat

The Corporation was allotted 9-10 *per cent* share of the total procurements target of the State as a whole. During the last five years ended March 2013, the percentage of wheat procurement ranged between 8.86 and 9.81 of total procurement of the State.

2.2.11.3 Loss due to procurement of wheat beyond Fair Average Quality

The Corporation was required to procure Fair Average Quality (FAQ) food grains. FCI deducted ₹ 0.34 crore for delivery of 6,098 quintal wheat from Yamunanagar Mandi in 2009 as the stock delivered was not as per FAQ.

During exit conference the ACS was of the view that the Corporation staff on procurement duty in mandis should be more cautious during procurement.

2.2.11.4 Non reimbursement of carry over charges

For delivery of wheat, the Corporation had to adhere to the linkage plan as well as the specific instructions issued by the FCI from time to time failing which carry over charges were not reimbursed by the FCI. FCI gave three linkage plans for delivery of 1,250 MT, 2,500 MT and 3,000 MT wheat in May and June 2011 to the FCI godowns. The delivery of wheat was to be made by 30 June 2011. The FCI deducted carryover charges of ₹ 0.22 crore on 1,197 MT for undelivered wheat against the last linkage plan of 3,000 MT which was a loss to the Corporation.

During exit conference the Management stated that most of the stock was delivered to FCI as per linkage plan and Corporation had taken up the matter with the FCI for reimbursement of carry over charges. The fact however, remains that the Corporation could not adhere to the linkage plan given by the FCI.

2.2.11.5 Non reimbursement of Bonus on wheat

During the procurement season of Rabi 2011, the Corporation procured 6.14 lakh MT of wheat and paid bonus of ₹ 50 per quintal. Bonus is reimbursed to procurement agency by the FCI on submission of certificate to the effect that bonus had been paid to respective farmers. The certificate should indicate name of farmer, date of purchase, mode of payment and cheque number/cash voucher details *etc.* However, FCI did not give reimbursement of bonus of ₹ 8.70 crore to the Corporation due to non submission of proper documents on which the Corporation had suffered a loss of interest of ₹ 2.55 crore from July 2011 to March 2014.

During exit conference the Management stated that the wheat was procured through Arhatias and efforts were being made to collect the documents from them for reimbursement of claims from FCI.

2.2.11.6 Loss due to non insurance of stocks

Under Section 18 of the Punjab Warehouses Act, 1957 (applicable in Haryana also), it is mandatory to get the stocks insured against the risk of fire, flood and burglary. The Corporation had not been taking insurance cover against the risk of fire, flood in respect of stocks stored in godowns or on open plinths due to heavy rate of premium, but an amount equal to the premium, thus payable, is appropriated from the profits of the Corporation every year and kept in Self Indemnification Fund of the Corporation, which was not sufficient to cover the risk. As on 31 March 2013, the Corporation had wheat stocks of ₹ 810.71 crore against which the amount of self indemnification fund was only ₹ 34.91 crore (4.31 *per cent*). Due to non insurance, the Corporation suffered loss of ₹ 6.64 crore worth of stocks owing to damage due to floods and rains.

During exit conference the ACS agreed with this and stated that the matter of creation of additional fund as well as insurance of selective flood prone godowns would be reviewed and implemented accordingly.

2.2.11.7 Paddy

The Corporation enters into agreements with the millers for timely milling of paddy and delivery of rice to FCI. The Corporation stores the paddy in the premises of the millers under the joint custody of the Corporation and the miller. During the last five years ended March 2013, the Corporation procured 0.67 lakh MT, 0.90 lakh MT, 1.45 lakh MT, 2.31 lakh MT and 3.28 lakh MT paddy, respectively. The Corporation had not achieved the procurement targets set by the State Government in four years up to 2011-12 and the shortfall ranged from 21 to 62 *per cent*.

Scrutiny of record relating to paddy showed the following:

2.2.11.8 Loss due to lesser receipt of Mandi Labour Charges

The part of incidental charges include Mandi Labour Charges (MLC) for expenses incurred for filling, placing the bag on balance, unloading the bags from balance in Mandi, sewing of bags, *Marka* and loading into trucks for storage at miller's premises.

The GoI finalised the incidentals of paddy/CMR for the crop years 2003-04 to 2007-08 during 2012-13 and MLCs ranged between ₹ 6.52 and ₹ 9.18 per quintal. We noticed that the Corporation worked out the actual expenditure on MLCs in the range of ₹ 9.75 and ₹ 21.48 per quintal and suffered a loss of ₹ 3.50 crore.

During exit conference the MD agreed that expenditure in this area needs to be controlled.

2.2.11.9 Delayed raising of bonus claims resulting in loss of interest

The guidelines of paddy procurement during KMS 2008-09 provided for payment of bonus of ₹ 50 per quintal on receipt of claim from *Arthias* in the prescribed proforma. Ambala and Fatehabad circles of the Corporation made payment to *Arthias*/ Billing cum Payment Agents (BCPAs) on account of bonus of ₹ 2.92 crore (₹ 2.43 crore during January/ February 2009 and ₹ 49.67 lakh during September 2008 to January 2009), the bills for reimbursement which were revised belatedly in March 2010. FCI released the payment of bonus in April 2010 resulting in loss of interest of ₹ 0.32 crore.

During exit conference the Management stated that this was a procedural delay. The reply validates the audit findings.

Bajra

2.2.11.10 Loss due to procurement of sub standard Bajra

Guidelines issued (22 September 2009) by the State Government for procurement of Bajra for Kharif Marketing Season (KMS) 2009-10 provided that any Bajra which did not meet FAQ norms would neither be taken over for central pool nor would be disposed of by FCI.

The GoI fixed MSP of ₹ 840 per quintal and provisional incidentals at ₹ 164.06 (total Provisional Economic Cost of ₹ 1,004.06) per quintal in respect of Bajra of FAQ specifications. The Corporation procured 14,381 MT of Bajra during KMS 2009-10 which was below FAQ specifications and FCI did not take delivery of the same. The Corporation auctioned it at ₹ 965 per quintal and suffered loss of ₹ 0.56 crore.

Similarly, the Corporation procured of 21,518 MT of Bajra during KMS 2010-11. Since this stock of Bajra was less than FAQ specifications, the Corporation had to dispose off (May 2012/ July 2012) 3,786.68 MT @ ₹ 1,021 to ₹ 1,031 per quintal and 17,731.78 MT @ ₹ 1,135 to 1,177 per quintal. The average cost realised (₹ 1,090.76 per quintal) was though more than the provisional economic cost (₹ 1,061.44 per quintal) and the Corporation earned ₹ 0.63 crore but the Corporation incurred ₹ 4.05 crore on account of storage and interest charges. Thus, the Corporation incurred loss of ₹ 3.42 crore (₹ 4.05 crore-₹ 0.63 crore) on this transaction.

During exit conference the ACS stated that bajra had a very short shelf life and FCI did not take the delivery of bajra. The reply is not acceptable as the Corporation had not procured the bajra as per the required specifications.

2.2.12 Manpower

The restructuring of staff of the Corporation was approved by the State Government in August 2003. The detailed staff position of the Corporation during the last five years up to 2012-13 is tabulated below:

Table 2.2.3

Category	Sanctioned position	Men in position as on 31 March				
		2009	2010	2011	2012	2013
Group A	10	7	8	9	6	5
Group B	21	13	14	13	14	14
Group C	707	425	534	511	470	434

It would be seen from the above table that as on 31 March 2013, 5 posts of Group A, 7 posts of Group B and 273 posts of Group C were vacant. The major vacancies in Group A and B were of the posts of Manager (S&T), Manager (Business), Legal Advisor, Senior DM, DMs, SDE(C) and DM (QC). Similarly in Group C, major vacancies were of Managers, Technical Assistants (TA/ Jr. TA)), godown keepers and Accountants. We observed that in the absence of posts of Managers, TAs/ JTAs and Accounting staff, the work of circle offices in the field relating to procurement and storage of food grains and their accounting was being looked after by junior officials. Database to prepare management information system though developed by the Corporation had not been put to use so far due to lack of manpower and infrastructure.

During exit conference the Management stated that efforts were being made to fill up the vacancies at all levels but this would take some time.

2.2.13 Internal control and internal audit

2.2.13.1 Internal control

Internal control is a management tool used to provide reasonable assurance that the management's objectives are being achieved in an efficient, effective and orderly manner. Audit scrutiny however showed as under:

- The Corporation was not having any manual for accounts, purchase, construction and audit functions clearly specifying the systems in place and duties/ responsibilities at each level of Management;
- Internal control procedures were not commensurate with the size and nature of activities of the Corporation. This was also commented upon by the Statutory Auditors repeatedly in their reports on annual accounts;
- The system of timely claiming of dues from FCI was lacking in the Corporation.
- As per Haryana Warehousing Corporation General regulations, 1981 (Regulation 3), at least four meetings each of Board of Directors (BoDs) and Executive Committee (EC) were required to be held in a year. However, the BoDs and EC met 17 and 13 times respectively in the last five years up to March 2013 against required 20 meetings each.
- During April 2008 to March 2013, only one MD completed the term of three years while the tenure of other three MDs ranged between four days and 29 months.

2.2.13.2 Internal Audit

Though the internal audit cell had been functioning since 1983-84 yet the Corporation had neither prepared any Internal Audit Manual nor had prescribed the scope and extent of checks to be exercised by internal audit. Internal audit of head office where major decisions are taken had never been conducted. During the five years period up to 2011-12, internal audit of total 72 field units out of annual 115 units was conducted. During 2011-12, only one warehouse (Ambala city) out of 107 was audited and no DM office was audited since 2009-10. The internal audit reports were restricted to areas like cash, storage bills and maintenance of books of accounts.

During exit conference the MD assured to strengthen the internal audit system of the Corporation.

Conclusion

The Corporation had not forwarded the annual reports and audit reports for the years 2010-11 to 2012-13 to the State Government for presenting to the State

Legislature. It had not prepared its accounts as per the accepted accounting principles/ standards. The value of closing stocks of wheat and gunny bags were not reconciled with physical balances since 2008-09. Capital budgets and annual budgets prepared by the Corporation were not linked with the availability of land. The Corporation suffered loss during the year 2012-13. The Corporation did not work out the profitability of each warehouse to know its performance. The loss making warehouses ranged between 6 and 15 during last four years up to 2012-13. The Corporation had not made serious efforts to recover its long outstanding dues on account of storage charges from various State Government agencies, which had resulted in blockage of funds. Irregularities were noticed in awarding of contracts of construction of roofing of godowns with galvalume sheets. The Corporation had failed to act as per the provisions of the work orders for construction of godowns and not levied penalties on the contractors for delayed completion of works. Non-submission of required documents to FCI for reimbursement of bonus resulted in loss of interest to the Corporation. The Corporation suffered loss on account of damage of stocks due to floods and rains. There was shortfall in achieving procurement targets of paddy in four years up to 2011-12. There were deficiencies in internal audit and internal control system of the Corporation.

Recommendations

The Corporation may consider:

i) to prepare its accounts as per accounting principles and accounting standards and fix time frame for reconciliation of value of closing stock of wheat and gunny bags;

ii) fixing breakeven point for each of its godowns to ascertain their profitability for better control and management;

iii) adherence to the established norms for awarding of contracts and enforcing the contractual terms in its construction activities; and

iv) Strengthening its internal control system by preparation of manuals, pursuing timely claims with FCI, holding of regular BoDs meetings and conducting regular internal audit.