Part - II

Chapter – V
Compliance Audit observations relating to PSUs other than Power Sector

Chapter-V

Compliance Audit observations relating to PSUs other than Power sector

Audit of Transactions

Important audit findings emerging from test check of transactions made by the State Government companies and Statutory corporations have been included in this chapter.

Punjab Agro Foodgrains Corporation Limited and Punjab State Warehousing Corporation

5.1 Damaged wheat

Inadequate storage arrangements, improper storage conditions, poor preservation of stock, storage of fresh wheat with infested wheat resulted in loss of ₹ 607.57 crore during 2014-15 to 2017-18 in disposal of damaged wheat. There was non-reimbursement of up-gradation expenses of ₹ 1.04 crore and revenue foregone on account of carry over charges amounting to ₹ 4.15 crore. Further, the delay in disposal of damaged wheat resulted in incurring an expenditure of ₹ 8.57 crore on rent and security of storage spaces where damaged wheat was kept.

5.1.1 Introduction

Punjab Agro Foodgrains Corporation Limited (PAFCL) and Punjab State Warehousing Corporation (PSWC) procure wheat on behalf of Food Corporation of India (FCI) for Central pool of Government of India (GoI). Besides PAFCL and PSWC, there are three other SPAs who perform the same activities. These State foodgrain procuring agencies (SPAs) store the procured wheat which is left after direct delivery to FCI godowns from mandis. It is the responsibility of the PAFCL and PSWC to maintain the health of the wheat stock till its delivery to FCI. The wheat that gets damaged in storage is disposed-off by PAFCL and PSWC through e-tendering after categorization of the damaged wheat and fixing of reserve price. Declaring infested wheat as damaged and disposal thereof is an ongoing process. During the period 2014-15 to 2017-18, 2.83 lakh MTs of wheat pertaining to previous crop years was declared as damaged.

The present audit was conducted to assess the wheat stocks preservation activity of PAFCL and PSWC, extent of damage of stored wheat, reasons thereof and subsequent disposal of the same during the period 2014-15 to 2017-18. The audit examination involved scrutiny of records at the head offices of PAFCL and PSWC and seven[1] district offices (four offices of PAFCL and three offices of PSWC) selected on the basis of probability

[1] PAFC Amritsar/Tarn Taran, PSWC Amritsar, PAFC Bathinda, PAFC Moga, PSWC Moga, PAFC Shri Muktsar Sahib and PSWC Shri Muktsar Sahib.

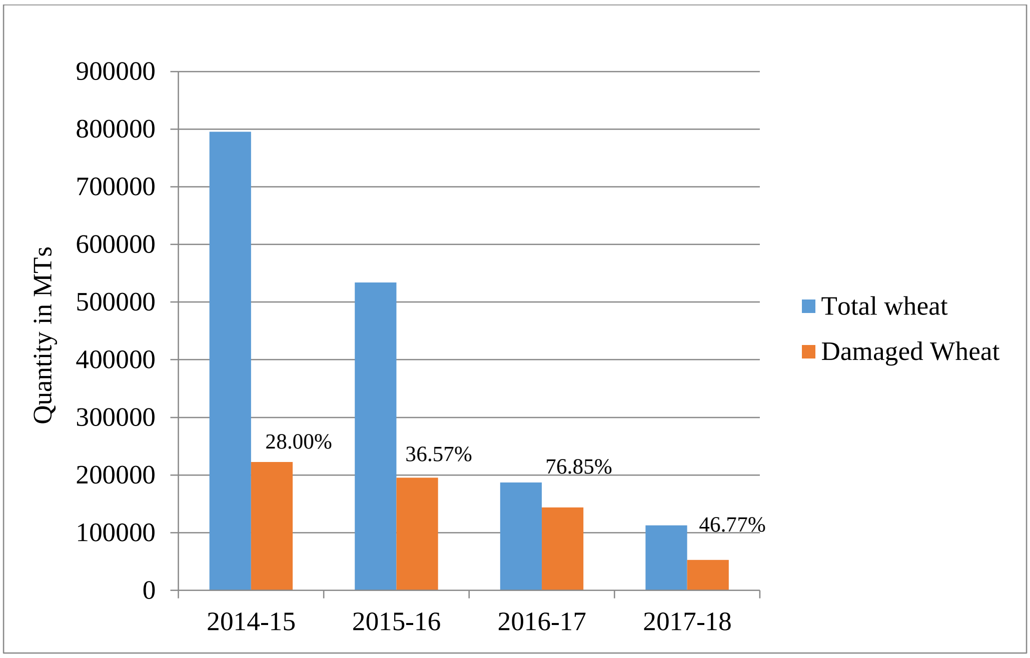
proportional to size (PPS) method of sampling taking quantity of damaged wheat disposed as size measure. These seven offices cover 54.17 *per cent* of the total damaged wheat disposed off during the period 2015-16 to 2017-18 (December 2017).

The Audit Report of C&AG of India for the year 2010-11 (Commercial) – Government of Punjab at Paragraph no. 3.7, had in respect of PAFCL observed improper storage of wheat, damage of wheat stock valuing ₹ 64.91 crore due to negligence and inadequate fumigation. The Committee on Public Undertakings (COPU) of State Legislature in discussing the paragraph had recommended (March 2016) in their 112th Report that proper storage spaces should be arranged and proper fumigation[2] of wheat undertaken which shall prevent its damage. Audit observed that these lapses are still persisting in PAFCL and also in PSWC as discussed in the following sections.

5.1.2 Damage of wheat and its disposal

Proportion of damaged wheat to total quantity stocked in PAFCL was as high as 76.85 *per cent* at the end of 2016-17. Performance of PSWC was better as damaged wheat as proportion of total quantity in stock was below 5 *per cent* during the period 2014-15 to 2016-17.The better performance of PSWC was due to the fact that major portion (up to 79 *per cent*) of their wheat stock was kept in covered storage, availability of qualified staff[3] and better quality control mechanism (as discussed in sub paragraph nos. 5.1.5, 5.1.12 and 5.1.13).

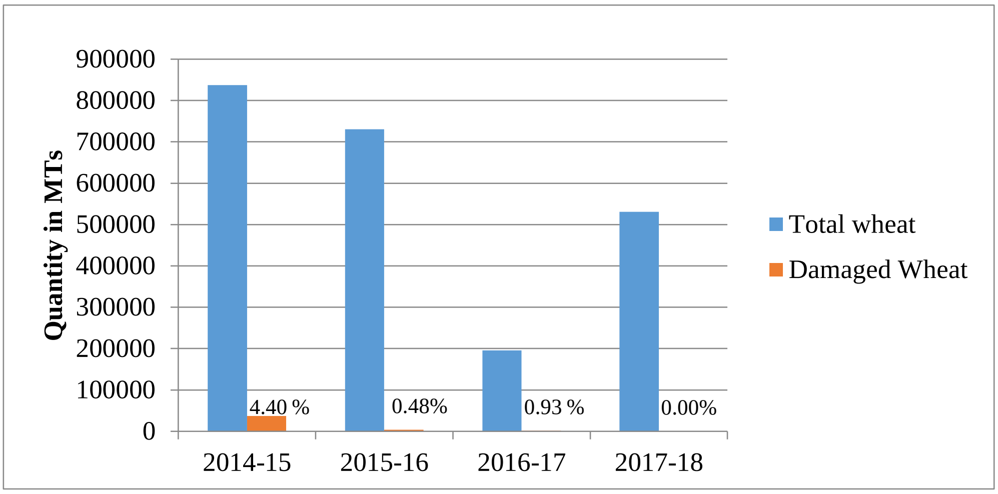
Chart 5.1: Proportion of damaged wheat to total quantity stocked in PAFCL



[2] Fumigation is a method of pest control wherein the storage space is completely filled with gaseous pesticides to suffocate or poison the pests.

[3] The basic education qualification for a Warehouse Manager is M.Sc. (Agriculture) and B.Sc. (Chemistry) for a Technical Assistant.

Chart 5.2: Proportion of damaged wheat to total quantity stocked in PSWC



Prior to April 2015, the disposal of damaged stocks was done by the State Government. Although PAFCL and PSWC had damaged wheat yet no disposal of the same was done by State Government during October 2013 to March 2015 owing to non-finalisation of tenders for disposal of damaged wheat. Resultantly, during this period, the damaged wheat available for disposal with PAFCL and PSWC increased from 0.20 lakh[4] MT in October 2013 to 2.60[5] lakh MT in March 2015. Tenders for disposal of damaged wheat were floated by PAFCL and PSWC in June 2015 and August 2015 respectively. The delay in disposal of wheat led to incurring expenditure of ₹ 8.57 crore on rent (₹ 4.67 crore) and security (₹ 3.90 crore) of the storage spaces by the selected district offices during April 2014 to December 2017.

Table no. 5.1: Statement showing wheat declared damaged and its disposal during the period 2014-15 to 2017-18 in respect of Punjab Agro Foodgrains Corporation Limited.

(Quantity in MTs)

Year	Opening balance of damaged wheat	Wheat declared damaged during the year (percentage of wheat declared damaged during year to opening balance)	Total	Damaged wheat offered for sale through tenders[6]	Damaged wheat disposed off (percentage of wheat disposed to offered for sale)	Closing Balance
1	**2**	**3**	**4**	**5**	**6**	**7**
2014-15	137303	85407 (62.20)	222710	0	0	222710
2015-16	222710	88479 (39.70)	311189	492154.08	115848 (23.54)	195341
2016-17	195341	59616 (30.50)	254957	344682.09	111214 (32.27)	143743
2017-18	143743	19707 (13.71)	163450	290514.22	110616 (38.08)	52834
Total		**253209**			**337678**	

Source: Information supplied by the PAFCL.

4 PAFCL: 19686 MT and PSWC: 1 MT wheat.

5 PAFCL: 2.23 lakh MT and PSWC: 0.37 lakh MT.

6 The figures represent cumulative quantity offered in various tenders during respective financial year. More than one tender was floated in the year and quantity unsold of a tender was carried forward in the next tenders (detailed in ***Annexure 14)***.

Table no. 5.2: Statement showing wheat declared damaged and its disposal during the period 2014-15 to 2017-18 in respect of Punjab State Warehousing Corporation.

(Quantity in MTs)

Year	Opening balance of damaged wheat	Wheat declared damaged during the year (percentage of wheat declared damaged during year to opening balance)	Total	Damaged wheat offered for sale through tenders	Damaged wheat disposed off (percentage of wheat disposed to offered for sale)	Closing Balance
1	**2**	**3**	**4**	**5**	**6**	**7**
2014-15	13642	23161 (170)	36803	0	0	36803
2015-16	36803	5704 (15.5)	42507	47643.07	39006 (81.87)	3501
2016-17	3501	112 (3.20)	3613	2390.52	1793 (75.00)	1820
2017-18	1820	1182 (65.95)	3002	3002.00	2977 (99.17)	25
Total		**30159**			**43776**	

Source: Information supplied by the PSWC.

The tender-wise damaged wheat put to sale and disposed off by both SPAs is given in ***Annexure 14***. The analysis of success rate of tenders revealed that percentage of disposal to total quantity offered ranged between 12.86 *per cent* and 44.36 *per cent* in case of PAFCL and between 49.86 *per cent* and 100 *per cent* in case of PSWC. In case of PSWC there were reductions in the reserve price from time to time after considering further deterioration in the health of damaged stock, however, in case of PAFC reduction of reserve price was carried out only in March 2018, as a result of which the success rate of disposal of damaged stock in PAFCL was less than PSWC.

Out of total 4.34 lakh MT damaged wheat available, PAFCL and PSWC had disposed 3.81 lakh MT wheat upto March 2018, through open tenders, leaving undisposed balance of 0.53 lakh MT. As against the economic value[7] of ₹ 789.75[8] crore (PAFCL: ₹ 697.68 crore and PSWC: ₹ 92.07 crore) of the damaged wheat, only ₹ 182.18 crore (PAFCL: ₹ 155.56 crore and PSWC: ₹ 26.62 crore) could be realized (23.07 *per cent* of the economic value). Thus, there was loss of ₹ 607.57[9] crore (PAFCL: ₹ 542.12 crore and PSWC: ₹ 65.45 crore).

The reasons for damage of wheat were inadequate and improper storage conditions, employment of poor preservation techniques, slow up-gradation of infested wheat, storage of fresh wheat with infested stock as discussed in the following paragraphs.

[7] Acquisition cost plus carry over charges upto the month of disposal of damaged wheat (Value was provided by PAFCL and PSWC).

[8] In respect of 3.61 lakh MT wheat. Calculation of economic value of remaining quantity is under process by PSWC and PAFCL.

[9] Including shortages of 1.28 lakh MT (PAFCL: 1.15 lakh MT and PSWC: 0.13 lakh MT) wheat valuing ₹ 280.12 crore.

5.1.3 Upgradation of wheat stock

FCI conducts inspection of the condition of wheat stocks on monthly intervals and at the time of delivery of stock. If any infestation or *atta* formation etc. is found at the time of inspection, it declares wheat stocks as upgradable and stops carry over charges (COC)[10] forthwith. Upgradation process involves segregation and retrieval of good quality grains from the upgradable stocks**.** The expenses of upgradation are not reimbursed by the FCI. Timely upgradation of the stock can save the stock from being declared as non-issuable (damaged) stock. FCI prescribed (July 2014) three months' period for upgradation of the wheat stock. If the stocks are not upgraded within the stipulated period, the stocks are to be shifted to non-issuable (damaged) category. Such non-issuable stock unfit for human consumption, can be used for industrial purpose, animal feed or manure based on its feed category considering contents[11] of sound wheat in it.

FCI repeatedly pointed out (December 2013 to March 2017) the slow pace of upgradation of the upgradable wheat stock by these two agencies. In selected district offices of the PAFCL and PSWC, during April 2014 to December 2017, FCI stopped carry over charges of ₹ 4.15[12] crore relating to upgraded and delivered wheat. The failure of the SPAs to maintain the stock in despatchable condition resulted in revenue foregone on account of COC to the extent of ₹ 4.15 crore by FCI.

In selected district offices of PAFCL, the percentage of stock upgraded ranged between 12.02 *per cent* and 87.35 *per cent* of upgradeable stocks of wheat during 2014-15 to 2016-17 **(*Annexure 15*)**. In PSWC the percentage of stocks upgraded ranged from 46.86 *per cent* to 97.74 *per cent* during the same period **(*Annexure 16*)**. These agencies incurred an expenditure of ₹ 1.04 crore for upgradation during April 2014 to December 2017 which was not reimbursable.

In the absence of properly maintained records relating to upgradation due and done, Audit could not analyze the extent of delay in upgradation of damaged wheat and its value.

5.1.4 Categorisation of wheat and fixation of reserve price

The Government of India guidelines for sale of damaged wheat advise disposal at or above the reserve price fixed as per guidelines on the best commercial terms after inviting open bids. The reserve price to be fixed is dependent on the degree of damaged grains. Categorisation is therefore an essential pre-requisite for disposal of damaged wheat. There are five

---

10 Carry over charges are the costs which are paid by FCI to the procuring agencies for such of its stocks which remain in their custody and whose delivery is delayed by FCI itself beyond 30 June of respective crop year.

11 For Feed I: Sound grain 85 *per cent* to less than 95 *per cent*; Feed II: Sound grain 70 *per cent* to less than 85 *per cent*; Feed III : Sound grain 55 *per cent* to less than 70 *per cent*; Industrial use - Sound grain 30 *per cent* to less than 55 *per cent* and Manure : Sound grain 10 *per cent* to less than 30 *per cent*

12 PAFCL: ₹ 3.72 crore (Moga: ₹ 0.51 crore, Sri Muktsar Sahib: ₹ 0.09 crore, Amritsar: ₹ 0.39 crore, Tarn Taran: ₹ 1.77 crore & Bathinda: ₹ 0.96 crore) and PSWC: ₹ 0.43 crore (Moga: ₹ 0.01 crore & Amritsar: ₹ 0.42 crore)

categories of damaged wheat - Feed-I, Feed-II, Feed-III, Industrial Use and Manure. The process involves drawal of samples from damaged wheat and its analysis at a Laboratory of FCI. The recommendations of the test report forms the basis for fixation of reserve price of damaged wheat[13]. After categorization of wheat, tenders are invited for disposal of damaged wheat based on reserve price fixed for each category. For early disposal of damaged wheat, the FCI relaxed (July 2014) the guidelines for its disposal by implementing a single tier process[14] of categorisation[15] in place of earlier system of three tier process. However, despite relaxation in the guidelines, the progress of the SPAs in categorisation of non-issuable (damaged) wheat was slow.

Audit observed that due to non-disposal of the wheat during October 2013 to June/August 2015, there was further deterioration in the condition of damaged wheat, however, timely efforts were not made by the SPAs for re-categorisation of the damaged wheat stock and lowering the reserve price. This had cascading effect and further delayed disposal of damaged wheat stock on account of poor response of bidders due to high reserve price. Prolonged storage of damaged wheat led to further downgradation of category resulting into loss in value due to reduction of the reserve price by ₹ 8.64 crore in respect of 60 lots (PAFCL: ₹ 8.16 crore in 33 lots and PSWC: ₹ 0.48 crore in 27 lots) on 20310.33 MT (PAFCL: 17607.10 MT and PSWC: 2703.23MT) wheat. The lot wise details of loss in value due to reduction[16] in reserve price of damaged wheat stock are given in ***Annexure 17*** and ***Annexure 18***. Audit further observed that after categorization and disposal of damaged wheat, disposal sheet/ loss assessment statements indicating the loss suffered on account of damaged wheat are prepared by SPAs which forms basis for initiation of disciplinary proceedings against the employees. It was also observed that no time bound frame work was prescribed by the SPAs to ensure timely categorization and disposal of the damaged wheat stock.

The FCI intimating (September/October 2017) its concern over slow pace of disposal of damaged wheat pointed out that staff of the SPAs was not making efforts to categorise and dispose of the damaged wheat which was a significant cause of cross infestation (sound wheat stock getting infested due to being stored adjacent to non-issuable / damaged wheat). In the absence of properly maintained records relating to categorization due and done, Audit could not do detailed analysis of the delay in categorization of damaged wheat.

---

[13] For Feed I: 60 *per cent* of MSP of the crop year, Feed II: 50 *per cent* of the MSP of the crop year, Feed III: 40 *per cent* of the MSP of the crop year, Industrial use-30 *per cent* of the MSP of the crop year and Manure: 10 *per cent* of the MSP of the crop year.

[14] Earlier system where categorization was done in three stages, at District level, regional level and zonal level but now being done by only one Joint Technical Committee having members from FCI and SPAs at district level.

[15] A process where depending upon the percentage of sound grain, grade/ end use of damaged foodgrain is determined.

[16] In case of PSWC there were revisions (February 2016 and December 2016) in the reserve price after considering further deterioration in the health of damaged stock, whereas in the case of PAFC reduction of reserve price was carried out only in March 2018, as a result of which the success rate in case of PAFCL was less than PSWC.

5.1.5 Inadequate storage arrangements

GoI guidelines (June 2005) for storage of wheat provide that wheat procured should ordinarily be stored in covered godowns and storage in open/ cover at plinth (CAP) storage should be arranged only in unavoidable circumstances.

Requirement of storage space is assessed on the basis of free storage space available before the start of procurement season and expected quantum of procurement during the year and shortfall is met by hiring of storage space.

Mention was made in the paragraph 3.7.2 of the Audit Report (Commercial) Government of Punjab for the year 2010-11 about improper storage of wheat by PAFCL. The COPU recommended (March 2016) that before procurement, proper storage arrangements should be made by PAFCL.

It was seen that PAFCL and PSWC did not have adequate covered storage for its wheat stocks. The open/ CAP storage and covered capacity available with PAFCL and PSWC are given below:

Table no. 5.3: Overall Open/ CAP/ Covered storage capacity available with PAFCL and PSWC during 2012-13 to 2017-18

(Figures: lakh MTs)

Year	Punjab Agro Foodgrain Corporation Limited			Punjab State Warehousing Corporation		
	Open /CAP	Covered (*per cent* of total capacity)	Total capacity	Open /CAP	Covered (*per cent* of total capacity)	Total capacity
2012-13	23.27	1.59 (6.40)	24.86	6.22	6.05 (49.31)	12.27
2013-14	20.94	1.51 (6.73)	22.45	5.49	4.50 (45.05)	9.99
2014-15	21.89	1.42 (6.09)	23.31	4.70	7.18 (60.44)	11.88
2015-16	20.12	2.73 (11.95)	22.85	3.93	9.08 (69.79)	13.01
2016-17	17.12	3.25(15.95)	20.37	4.25	9.58 (69.27)	13.83
2017-18	12.08	2.84 (19.03)	14.92	3.47	12.88 (78.78)	16.35

Source: Information supplied by the PAFCL and PSWC.

Chart 5.3: Proportion of covered storage to total storage in PAFCL

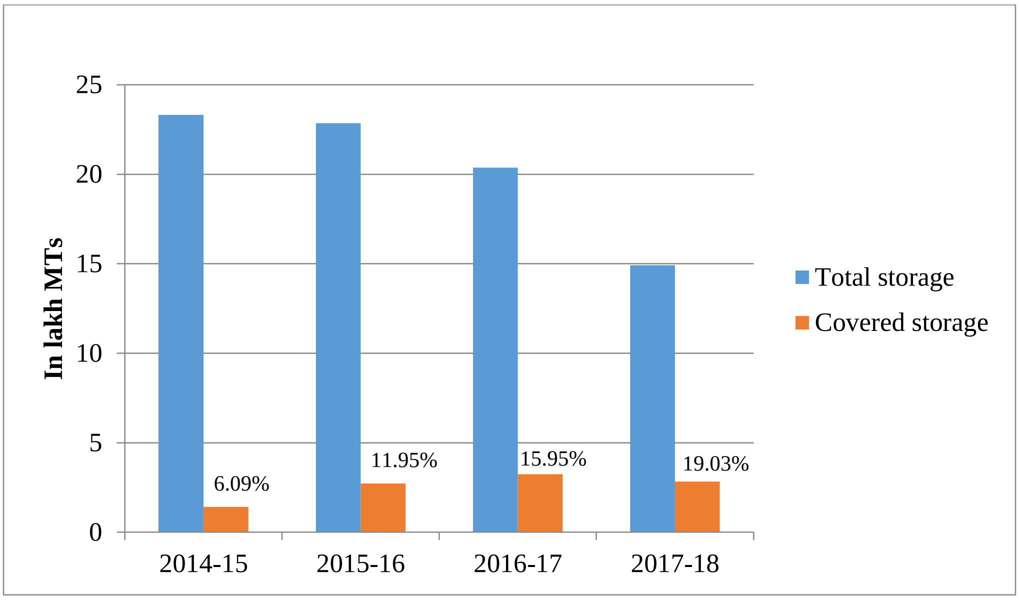
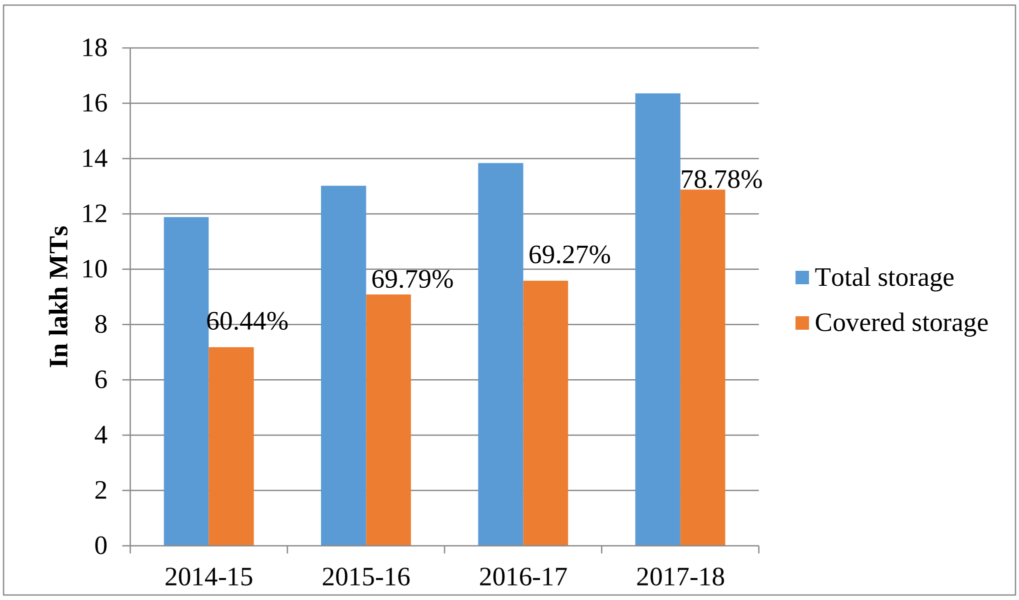


Chart 5.4: Proportion of covered storage to total storage in PSWC



The percentage of covered storage capacity to total capacity ranged between 6.09 *per cent* and 19.03 *per cent* in PAFCL and 45.05 *per cent* and 78.78 *per cent* in PSWC during the period 2012-13 to 2017-18.

Table no. 5.4: Percentage of utilization of covered storage capacity in selected district offices Tarn Taran and Moga of PAFCL during 2014-15 to 2017-18

(Figures: MTs)

Financial Year	Utilisation of storage capacity in PAFCL Tarn Taran District office			Utilisation of storage capacity in PAFCL Moga District office		
	Hired Covered storage capacity available	Hired Covered storage capacity utilised	Percentage of utilisation	Hired Covered storage capacity available	Hired Covered storage capacity utilised	Percentage of utilisation
2014-15	5000	198	3.96	4500	4106.30	91.25
2015-16	5000	198	3.96	9900	4232.55	42.75
2016-17	5000	0	0	9900	4202.55	42.45
2017-18	0	0	NA	4050	4487	110.79[17]

Source: Information supplied by district offices of PAFCL.

Of the covered storage facility available in the selected district offices, in Tarn Taran district office of PAFCL the entire wheat stock was stored in the open despite having availability of covered storage during 2016-17, thereby exposing the foodgrain to high risk of damage. In Moga district office of PAFCL, utlisation of the covered capacity ranged between 42.45 to 91.25 *per cent* during 2014-17. Further, no efforts were made by the SPAs to subsequently shift the wheat stored in open space to covered space upon their future availability as expenditure incurred on such shifting is not reimbursed to the SPAs by FCI. This was cited as the reason for not shifting wheat stock to covered storage area. It is recommended that management should take up the matter for allowing such reimbursement with FCI/GOI.

[17] The stacks of wheat stored at godown were more than the standard size of 150 MT resulting in utilisation of storage capacity beyond 100 *per cent* during 2017-18.

Pictures dated 15 November 2018 showing wheat at open plinth (Satkartar Open Plinth) and vacant space at covered godown (Mandeep covered godown) in Nihal Singh wala centre of PAFCL Moga.

Source: Pictures provided by PAFCL.

Table no. 5.5: Owned and hired (Open and Covered) storage capacity available with PAFCL and PSWC during 2014-15 to 2017-18

(Figures: lakh MTs)

Owned / hired	Open/ covered	Punjab Agro Foodgrain Corporation Limited				Punjab State Warehousing Corporation			
		2014-15	2015-16	2016-17	2017-18	2014-15	2015-16	2016-17	2017-18
Owned storage capacity	Open	Nil	Nil	Nil	Nil	1.29	1.34	1.42	1.55
	Covered	Nil	Nil	Nil	Nil	5.73	6.60	6.98	10.59
Total		**Nil**	**Nil**	**Nil**	**Nil**	**7.02**	**7.94**	**8.4**	**12.14**
Hired storage capacity	Open	21.89	20.12	17.12	12.08	3.41	2.59	2.83	1.92
	Covered	1.42	2.73	3.25	2.84	1.45	2.48	2.60	2.29
Total		**23.31**	**22.85**	**20.37**	**14.92**	**4.86**	**5.07**	**5.43**	**4.21**
Total storage capacity	Open	21.89	20.12	17.12	12.09	4.70	3.93	4.25	3.47
	Covered	1.42	2.73	3.25	2.83	7.18	9.08	9.58	12.88
Grand Total		**23.31**	**22.85**	**20.37**	**14.92**	**11.88**	**13.01**	**13.83**	**16.35**

Source: Information supplied by the PAFCL and PSWC.

In the selected district offices the total damaged wheat was 2.23 lakh MT (PAFCL: 1.94 lakh MT and PSWC: 0.29 lakh MT), of which 2.17 lakh MT (97.31 *per cent*) was stored in open/ CAP and only 0.06 lakh MT (2.69 *per cent*) in covered storage. This is indicative of the fact that a major factor for damage of wheat was its storage in open/ CAP space.

Hiring of storage space was made without inviting open tenders. The storage space was hired on the basis of recommendation of District Managers, on offers received from private parties. Adequate efforts by way of inviting open tenders or giving wide publicity through newspapers were not made to ensure availability of covered space by inviting open tenders.

5.1.6 Improper storage conditions

FCI on monthly basis conducts inspection of plinths where its wheat stocks are stored and intimates shortcomings noticed to the concerned agency. District Managers were required to take remedial measures and address the concerns. In addition, quality control staff of SPAs also conducts inspection of plinths on regular basis. However, the frequency for inspection has not been fixed.

Mention was made in paragraph no. 3.7.2 of the Audit Report (Commercial) Government of Punjab for the year 2010-11 that PAFCL should take effective steps to ensure that the foodgrains are fully utilised for human consumption and not be allowed to deteriorate in godowns due to prolonged and improper storage. However, PAFCL did not ensure the proper storage of foodgrains. During their inspection (October 2013 to June 2016) of godowns and plinths, FCI pointed out deficiencies in storage and poor conditions of godowns and plinths from time to time and advised PAFCL and PSWC to take timely corrective action. The inspection reports pointed towards poor hygiene condition, growth of wild vegetation, improper aeration[18] of the plinths, stocks lying low, poor texture of gunnies and non-issuable wheat lying adjoining to fresh wheat causing cross infestation and storage of wheat procured in polypropylene (PP) bags in open space. SPAs however failed to ensure time bound compliance of the FCI observations as these observations were found to have been repeated in subsequent FCI inspection reports.

Pictures showing damaged wheat at Pahuwind plinth and Guru Nanak Rice Mills plinth of PAFCL, Tarn Taran stored in Jute bags and PP bags with wild vegetation in open.

Source: Pictures provided by PAFCL.

[18] To allow air to circulate through the stack

Wheat stored in polypropylene (PP) bags was to be stored in covered storage space to avoid damage due to exposure to sun. However, covered storage for wheat stored in PP bags was not arranged and these were stored in the open which caused further damage due to exposure to elements of weather.

5.1.7 Preservation of wheat stock

The preservation norms prescribe timely prophylactic[19] and curative treatment of stored wheat to protect it from infestation. For preservation, chemicals like Aluminium Phosphide[20] (ALP), Dichlorovinyl Dimethyl Phosphate[21] (DDVP) and Malathion[22] should be used as per prescribed periodicity.

Review of records maintained at selected district offices did not indicate stack-wise and date-wise details of treatments due and undertaken as per prescribed norms. Therefore, Audit could not derive assurance that preservation measures as per norms were undertaken. Inspection teams of SPAs and FCI in their report in respect of District offices Moga and Bathinda of PAFCL and Moga and Muktsar of PSWC indicated (September 2014 and June 2016) that timely prophylactic and curative treatment was not carried out and sufficient chemicals for fumigation of wheat stock were not used by PAFCL and PSWC.

Damaged wheat was stocked in 62 plinths in the selected districts. Damage rate of wheat in as many as 26 plinths out of these 62 plinths ranged between 26.97 *per cent* to 100 *per cent* **(*Annexure 19*)**. In these 26 plinths, 1.86 lakh MTs of wheat was stored out of which 0.88 lakh MTs (47.31 *per cent*) was damaged. The Director, Food Civil supplies and Consumer Affairs was informed of the state of affairs by FCI who also directed (October 2015) the agencies to adhere to the storage guidelines.

5.1.8 Damage of fresh wheat due to storage with infested stock

As per standard instructions issued (December 2004) by FCI, for safe storage of foodstocks, non-issuable (damaged) stock is required to be kept in segregated zones away from fresh stock to avoid the possibility of their affecting fresh stocks. The selected district offices of PAFCL and PSWC violated the instructions of FCI and there was damage of 1.05 lakh MTs of fresh stock of subsequent crops in 31 storage spaces where infested upgradeable/ non-issuable (damaged) wheat of previous crop years was stored **(*Annexure 20*).**

---

19 Prophylactic and curative treatment is spraying of chemicals on foodgrains and in storage spaces.

20 Minimum three times i.e. 1st during Pre-monsoon, 2nd during September/October and 3rd during February/March.

21 Every 15 days.

22 Every 15 days during March to October and every three weeks during November to February.

5.1.9 Deduction from sale bills

After delivery of wheat to FCI, the district offices of PAFCL and PSWC raise sale bills as per the rates fixed by the GOI. While making payments thereof, FCI makes deductions on the basis of quality complaint like excess moisture, infestation, weevilled grain etc. received from the destinations[23]. In selected district offices of PAFCL and PSWC, FCI deducted ₹ 0.94 crore[24] during April 2014 to December 2017 on account of quality[25] complaints received from destination due to poor preservation of wheat stocks.

5.1.10 Shortage of wheat stocks

The wheat declared as non-issuable (damaged) by FCI, after categorization of the same, is put to auction by PAFCL and PSWC on the basis of quantity available in the record books known as book weight. Out of 3.81 lakh MT wheat offered for disposal during the period from April 2015 to March 2018, shortage of 1.28[26] lakh MT wheat valuing ₹ 280.12[27] crore was noticed at the time of lifting of damaged wheat by successful bidder. On analysing the position of shortage of stocks in selected district offices, it was observed that the percentage of shortages ranged between 9.26 *per cent* to a high of 79.85 *per cent*, reasons for which were not analysed by PAFCL and PSWC.

The two procurement agencies have the accounting policy of valuing the damaged wheat stock at par with sound stock in their financial statements till their disposal. It is only after disposal that they take note of the losses suffered on account of damaged wheat and show such loss as recoverable from the concerned employee.

5.1.11 Damage of wheat procured under State Pool

During crop years 2008-09 and 2009-10, PAFCL procured 0.79 lakh MT and 0.53 lakh MT wheat respectively under State pool for Atta Dal Scheme[28] after availing cash credit limit of ₹ 160.00 crore from banks. The State Government was to issue release orders for delivery of wheat by the PAFCL. Audit observed that due to non-issuance of release orders by the State Government, 0.08 lakh MT wheat was not lifted and ultimately got damaged due to prolonged storage.

The PAFCL requested (December 2011) the State Government to intimate the process for disposal of this damaged stock. The State Government after a delay of 18 months prescribed (July 2013) the procedure and PAFCL

---

[23] FCI office of the concerned State where wheat has been received.

[24] For 49.76 lakh MTs wheat during the period April 2014 to December 2017.

[25] Moisture in excess of 12 *per cent* and upto 14 *per cent* if discounted at full value, in case of living infestation cut @ ₹ 2.00 per quintal, weevilled grains cut @ ₹ 2.00 per quintal, etc.

[26] In respect of 3.61 lakh MT wheat. Calculation of economic value of remaining quantity is under process by PSWC and PAFCL.

[27] Value of shortages = (Economic value / total quantity) * quantity of shortages i.e. PAFCL: ₹ 252.42 crore (for 1.15 lakh MT) and PSWC: ₹ 27.70 crore (for 0.13 lakh MT).

[28] Aimed to provide food at subsidised rate to poor families of the State.

categorised the damaged wheat in October 2014 after a delay of 14 months. In two selected[29] district offices (Bathinda and Amritsar), the Company suffered a loss[30] of ₹ 6.50 crore[31] on disposal (June 2015 to July 2017) of 0.03 lakh MT[32] damaged wheat through open bids.

5.1.12 Deployment of staff and fixation of responsibility

In PSWC, a Warehouse Manager (WM) is incharge of a storage centre. A WM is assisted by a Technical Assistant (TA)/ Godown Assistant (GA) and Godown Attendant (GDA). In PAFCL, only a single employee is posted in a storage centre as a custodian of the entire stock stored in all the plinths/godowns under the centre.

In the test checked district offices Moga, PSWC has five storage centres consisting of 12 plinths/godowns. Out of 13 employees posted in these five centres, 11 were having education qualification graduate and above[33] and each centre was having a staff qualified in related field[34]. In PAFCL, there were four storage centres having 10 plinths/godowns where only four persons (one post graduate in Agriculture, one graduate in Agriculture and two Matriculate) each in one centre, are deployed. Further, one of these Matriculate Store man is made custodian of four plinths out of total 10 plinths under the district office. Thus, in PAFCL, deployment of adequate and competent manpower at storage centres was not ensured.

In case of storage loss/ damage of wheat in PSWC, WM is responsible for 50 *per cent* of the loss and for rest 50 *per cent* of loss, remaining staff posted at plinth/godowns is responsible (i.e. TA/GA 30 *per cent* and GDA 20 *per cent* of loss). However, in PAFCL, in case of storage loss/ damage of wheat, full responsibility is of the concerned plinth incharge.

Charge sheets for loss suffered due to damage of wheat owing to negligence are issued after lifting of damaged wheat stock which takes substantial time. In the meantime, the concerned employee may have superannuated or due to other contingencies may no longer be on company payrolls. In such circumstances, the chances of effecting any recovery through imposition of penalty becomes remote.

In selected district offices of PAFCL[35], ₹ 235.25 crore was shown as recoverable in the books of accounts on account of damaged/shortage of wheat etc. from 15 employees (clerical staff[36]) who had since retired/ been dismissed from service or had expired.

---

29 There was no damaged wheat of State pool reported in other selected district offices.

30 Calculated on basis of Economic cost (Acquisition cost plus carry over charges upto the month of disposal of damaged wheat) less total realization on disposal.

31 Including shortages of 987 MT valuing ₹ 2.81 crore (Value provided by PAFCL).

32 Remaining 0.05 MT was disposed by district offices which were not selected.

33 Phd, M.Sc (Agriculture), B.Sc (Chemistry), M.CA, M.Sc (IT), MBA etc.

34 Post graduate in Agriculture and graduate in Chemistry.

35 Except Amritsar.

36 Fertilizer clerk, weaver, auto electrician, store man, Executive-2 etc. who were deployed as godown keeper/ plinth incharge.

In respect of four such employees:

- Charge sheets to three employees having recoverable amount of ₹ 150.42 crore were issued by PAFCL after 22 to 48 months of their dismissal {includes an employee from whom ₹ 99.63 crore was recoverable to whom the charge sheet was issued (February 2017) after 22 months of dismissal on a different ground[37] (March 2015)}.
- Charge sheet to an employee against whom amount of ₹ 38.84 crore was recoverable was issued (March 2017) after 32 months of retirement (June 2014). The employee subsequently expired in February 2018.

5.1.13 Monitoring and control

GoI guidelines (June 2005) for proper storage and timely disposal of wheat stocks require proper monitoring over the preservation activities of wheat stored. The monitoring and control system in these SPAs was reviewed and following weaknesses were noticed:

- PSWC has created a software during 2015-16 for centralised monitoring of the health of the stock in each district, centres and complex on fortnightly basis and the same is called 'fortnightly condition report'(FCR). The FCR contains details like year-wise district-wise, centre–wise health of the stocks. There is a provision in the software for earmarking the quantity of stock found infested during fortnightly inspection and same is reflected in the portal. Physical verification reports are uploaded by District System Analyser (DSA) on PSWC Portal on real-time basis. Scanned copies of inspections conducted by District managers regarding health of stocks are also uploaded. In case of any discrepancy, Quality Branch of Head office immediately sends a caution note to the related storage centre. Fortnightly Condition Report is uploaded after fumigation and spray on real-time basis. Every dispatch and receipt of stocks is uploaded by centres on the portal and balance of stock as uploaded is reconciled with the manually reported figures. Exceptions are automatically shown in web portal as Red mark which is monitored by Head office and one DSA is appointed at district office to reconcile these exceptions immediately. However, no such real time quality monitoring mechanism was in place in PAFCL.
- PAFCL did not have a real time centralised monitoring mechanism in place to ascertain inventory position and health of its stored wheat stock. The results of physical verification and health reports are sent to Head office by the District offices on monthly basis. On the basis of certificate and bills for fumigation and spray of chemicals received from storage centres, the District Manager sends a certificate of successful completion of fumigation to head office. Discrepancies noticed by the district office and head office are intimated to concerned storage centre incharge.

[37] Misappropriation of paddy of crop year 2010-11.

Conclusion

Inadequate storage arrangements, improper storage conditions, poor preservation of stock, storage of fresh wheat with infested wheat resulted in loss of ₹ 607.57 crore during the 2014-15 to 2017-18. The SPAs spent ₹ 1.04 crore on up gradation of damaged wheat which was not reimbursable. The failure of the SPAs to maintain the stock in despatchable condition resulted in revenue foregone on account of COC to the extent of ₹ 4.15 crore by FCI. Delay in disposal of damaged wheat resulted in incurring an expenditure of ₹ 8.57 crore on rent and security of storage spaces where damaged wheat was kept.

Recommendations

It is recommended that SPAs should:

- consider to increase covered storage capacity by inviting open tenders;
- ensure proper maintenance of records for strict monitoring over storage conditions and employment of proper preservation techniques for the wheat stock stored;
- timely upgradation of infested wheat stock and speedy categorization of damaged wheat stock for its quick disposal;
- take up the matter regarding reimbursement of expenditure on shifting and upgradation of wheat stock with FCI/GOI;
- timely finalization of disciplinary cases and recovery;
- encourage private parties to install closed circuit television (CCTV) cameras at hired plinths/godowns, Government may consider to make it mandatory to install CCTV cameras at all storage places by all SPAs to keep a watch over the wheat stock; and
- ensure adequate and efficient centralized monitoring and control mechanism.

The matter was referred to the PAFCL/PSWC and the Government (June 2018); their replies were awaited (November 2018).

Punjab State Grains Procurement Corporation Limited, Punjab State Civil Supplies Corporation Limited, Punjab Agro Foodgrains Corporation Limited and Punjab State Warehousing Corporation.

5.2 Non-recovery of driage.

State procuring agencies failed to initiate action for recovering differential amount of driage from the millers resulting in non-recovery of ₹ 141.04 crore and avoidable interest burden of ₹ 27.17 crore.

The State procuring agencies[38] (SPAs) procure paddy on behalf of the Government of India (GoI), to get it milled and deliver rice[39]for central pool to Food Corporation of India (FCI). The GoI, initially, circulates provisional rates of procurement of this Custom Milled Rice (CMR) for each crop year. The District Offices of the SPAs claim it from FCI on the basis of quantity delivered. Later on when GoI finalises the rates of CMR for each crop year, the District Offices claim the differential amount, if any, from the FCI. The various components of CMR cost are minimum support price, statutory charges, transportation charges, milling charges and driage[40]. Further, the Accounting Manual of the Punjab State Civil Supplies Corporation Limited (PUNSUP) provides that particular care should be taken to ensure that all the amounts that are recoverable from the millers were recovered through the milling charges bill i.e. Miller Accounts.

Audit observed (June 2017/ September 2017/ May 2018) that GoI while circulating (December 2003 - October 2008) provisional rates of CMR for the Kharif Marketing Season (KMS) crop years 2003-04 to 2008-09 allowed driage ranging between ₹ 5.80 to ₹ 8.80 per quintal[41] of paddy. But while fixing (July 2014 - September 2015) the final rates of CMR for the crop year 2003-04 to 2008-09, it fixed the driage ranging between ₹ 4.41 to ₹ 5.62 per quintal[42] of paddy. Thus, the SPAs were to recover the difference of driage from rice millers. Despite being pointed out (June 2017/ September 2017/ May 2018) by Audit, the SPAs (PUNGRAIN, PUNSUP, PAFCL and PSWC) did not initiate action for recovering the differential amount of ₹ 74.37 crore[43]

---

[38] Punjab State Grains Procurement Corporation Limited (PUNGRAIN), Punjab State Civil Supplies Corporation Limited (PUNSUP), Punjab Agro Foodgrains Corporation Limited (PAFCL), Punjab State Warehousing Corporation (PSWC) and Punjab State Cooperative Supply and Marketing Federation Limited (MARKFED – is not under Audit jurisdiction).

[39] 67 *per cent* out-turn ratio of the paddy milled.

[40] Reduction in weight due to reduction in moisture during the process of procurement of paddy to its ultimate milling is termed as driage.

[41] Crop year 2003-04: ₹ 5.80 per quintal, 2004-05: ₹ 5.90 per quintal, 2005-06: ₹ 6.00 per quintal, 2006-07: ₹ 6.10 per quintal, 2007-08: ₹ 6.75 per quintal and 2008-09: ₹ 8.80 per quintal.

[42] Crop year 2003-04: ₹ 4.97 per quintal, 2004-05: ₹ 5.62 per quintal, 2005-06: ₹ 4.68 per quintal, 2006-07: ₹ 4.41 per quintal, 2007-08: ₹ 5.26 per quintal and 2008-09: ₹ 5.29 per quintal.

[43] PUNGRAIN: ₹ 26.88 crore, PUNSUP: ₹ 24.21 crore, PAFCL: ₹ 10.96 crore and PSWC: ₹ 12.32 crore (upto crop year 2008-09).

(final rate of driage minus provisional rate of driage) from the millers (April 2018) even after a lapse of 31 to 45 months from the finalisation of rates.

The rates of driage for crop year's 2009-10 to 2012-13 finalised by GoI were the same as in the provisional rates. However, the GoI while fixing (September 2017) final rates of CMR for the KMS 2013-14, again reduced driage from ₹ 13.45 per quintal of paddy as per provisional rates announced in November 2013 to ₹ 5.89 per quintal of paddy in final rates. The differential amount of driage of ₹ 66.67 crore[44]has not yet been recovered from the millers.

Thus, non-initiation of action to recover differential amount of driage from the millers had resulted in non-recovery of ₹ 141.04 crore[45] (₹ 74.37 crore + ₹ 66.67 crore) and avoidable interest burden of ₹ 27.17crore[46].

The PAFCL stated (August 2018) that the Government of Punjab had decided (July 2018) that the recovery of driage may not be made from the millers till the final decision of the GoI. However, the facts remain that the interest of ₹ 27.17 crore cannot be recovered either from the millers or from the GoI on the recoverable amount of ₹ 141.04 crore.

It is recommended that pending decision of GoI, the State Government may instruct the SPAs to recover the differential amount from the bills of subsequent years of the millers to protect the financial interest of the SPAs.

The matter was referred to the other three SPAs and the Government (January 2018 and May 2018), their replies were awaited (November 2018).

---

44 PUNGRAIN: ₹ 28.10 crore, PUNSUP: ₹ 20.60 crore, PAFCL: ₹ 9.19 crore and PSWC: ₹ 8.78 crore.

45 PUNGRAIN: ₹ 54.98 crore, PUNSUP: ₹ 44.81 crore, PAFCL: ₹ 20.15 crore and PSWC: ₹ 21.10 crore.

46 PUNGRAIN: ₹ 10.03 crore, PUNSUP: ₹ 8.78 crore, PAFCL: ₹ 3.97 crore and PSWC: ₹ 4.39 crore. Upto December 2016, interest burden on ₹ 141.04 crore has been calculated at the rate of 11.27 *per cent* per annum (average CCL interest rate from January 2015 to December 2016). The State Government entered into an agreement with Bank for repaying loan outstanding w.e.f. January 2017 on behalf of SPAs at interest rate of 8.25 *per cent* per annum, hence this rate has been adopted for calculation of interest from January 2017 to April 2018.

5.3 Carry over charges

Non-compliance of instructions of FCI regarding direct delivery of wheat from mandis to their godowns resulted in denial of carry over charges of ₹ 1.62 crore to the State procuring agencies.

The State Procuring Agencies[47] (SPAs) procure wheat for the Central Pool on behalf of the Food Corporation of India (FCI) at the minimum support price fixed by the Government of India (GoI) for each Rabi Marketing Season (RMS). The procured wheat stocks are moved from mandis either directly to FCI godowns/ railheads for further transportation or to the SPA godowns. The minimum support price (MSP) and incidental charges including carry over charges[48] (COC) spent by the SPAs are reimbursed by the FCI on wheat delivered beyond 30 June. No COC are payable by FCI for wheat delivered by SPAs directly from mandis to FCI godowns.

The FCI intimated (May 2015 and April/May 2016) district office Moga of the four SPAs to make direct delivery of wheat of RMS 2015-16 and RMS 2016-17 from mandis to FCI, as sufficient storage space was available with them. FCI reiterated that if direct delivery was not made and space offered remained vacant, the COC would not be paid. However, the SPAs procured from mandis and did not deliver 80,000[49] MTs wheat of RMS 2015-16 and 2016-17 directly to FCI and kept this wheat stored in their godowns. As a result, COC of ₹ 1.62[50] crore claimed by the SPAs was denied by FCI.

A mention of the issue of disallowance of carry over charges by FCI due to non-compliance with instructions for direct delivery of wheat during RMS 2013-14 was also made in paragraph 3.6 of the Report of Comptroller and Auditor General of India – Public Sector Undertakings – Government of Punjab for the year ended 31 March 2016 which has not been discussed in COPU till date. The non-observance of direct delivery instructions given to SPAs by FCI continued as discussed above.

It is recommended that the SPAs should ensure compliance of the direct delivery instructions given by FCI in future and should also check the position of non-compliance of these instructions in other districts.

The matter was referred to the SPAs and the Government (May 2018); their replies were awaited (November 2018).

---

47 Punjab State Grains Procurement Corporation Limited (PUNGRAIN), Punjab State Civil Supplies Corporation Limited (PUNSUP), Punjab State Warehousing Corporation (PSWC), Punjab Agro Foodgrains Corporation Limited (PAFC) and. Punjab State Co-operative Supply and Marketing Federation Limited (Markfed). Markfed is not under audit Purview.

48 COC are Interest and storage charges.

49 Pungrain: 41,718 MTs, PUNSUP: 22735 MTs, PSWC: 3255 MTs, PAFC: 12292 MTs.

50 Pungrain: ₹ 0.90 crore, PUNSUP: ₹ 0.41 crore, PSWC: ₹ 0.10 crore, PAFC: ₹ 0.21 crore.

Punjab State Civil Supplies Corporation Limited.

5.4 Excess purchase of gunny bags.

The Company procured excess gunny bales without assessing its requirement resulting into blockade of ₹ 93.66 crore and avoidable interest burden of ₹ 3.45 crore.

Punjab State Civil Supplies Corporation Limited (Company) procures paddy in each Kharif Marketing Season (KMS) for central pool of Government of India (GoI), gets it milled from millers and delivers the resultant rice to the Food Corporation of India (FCI). The GoI/State Government had been issuing directions year after year to utilise the once used bags[51] available with the millers during the subsequent KMS for procurement of paddy. In line with these instructions, the procurement policy of KMS 2016-17 issued (August 2016) by the Director, Food, Civil Supplies and Consumer Affairs (DFSC), Punjab prescribed that available once used gunny bags of KMS 2015-16 were to be utilised in KMS 2016-17 also.

The DFSC, Punjab assesses the requirement of gunny bales on the basis of foodgrains procurement targets set for State Procuring Agencies (SPAs) and places a consolidated indent on Director General, Supplies and Disposal (DGS&D), Kolkata for supply of gunny bales. The Company avails short term loan from the bank to purchase the gunnies. The Accounting Manual of the Company *inter-alia* provides that supply of gunnies is to be so planned that the funds of the Company are not blocked for unnecessary periods to avoid payment of interest.

Based on the procurement target of 34.50 lakh MT of paddy (increased to 36.80 lakh MTs) for the Company during KMS 2016-17, DFSC, Punjab included (May 2016) a requirement of 1,83,950 gunny bales (each containing 500 bags) and placed a consolidated indent with DGS&D, Kolkata. DFSC also directed the SPAs to intimate the available gunny bales with them so that it could be deducted from the subsequent monthly indent. Further, DFSC, Punjab decided (August 2016) to utilise once used bags of KMS 2015-16 for procurement of paddy of KMS 2016-17. Eventually, indents for the months of May 2016 to July 2016 comprising 1,30,650 bales for the Company were placed by the DFSC with the DGS&D, Kolkata. The Company already had 12,461 new gunny bales of previous crops and 55,523 once used gunny bales. Thus, a total 1,98,634 gunny bales were available with the Company. The Company further placed indents for 26,130 and 12,220 gunny bales on DFSC in August 2016 and September 2016, respectively without communicating the fact that 12,461 new gunny bales of previous year and 55,523 once used bales were already lying with the Company so that the DFSC, Punjab could make the necessary adjustments before placing their indent.

---

[51] Since paddy is lighter in weight and larger in volume than rice, only 37.50 kg paddy can be filled in a gunny bag as against 50 kg of rice. Resultantly, for every 150 kg of paddy four bags are used of which two bags are delivered to FCI by filling 50 kg rice in each bag and two bags remain with the millers. These remaining bags are termed as once used gunny bags.

Against the total indent of 1,69,000 bales (1,30,650+26,130+12,220 for the period May 2016 to September 2016) the Company received 1,66,772 gunny bales. The Company thus had 2,34,756 gunny bales {new: 1,79,233 (1,66,772 + 12,461) *plus* once used: 55,523} for its procurement operations. The Company utilised only 1,48,908[52] new gunny bales and 54,921 once used gunny bales for procurement of 35.75 lakh MT paddy, leaving 30,325 new gunny bales (1,79,233 - 1,48,908) and 602 once used gunny bales (55,523 - 54,921) in stock (December 2016). These 30,325 new gunny bales (i.e. 1.52 crore bags) indented during August/September 2016 were purchased in excess of requirement for ₹ 93.66 crore.

The paddy milling activities of KMS 2015-16 had been completed by May 2016. So, the Company had sufficient time to assess the available stock of once used gunny bales and should have placed indents after due assessment. However, this was not done resulting in excess purchase of gunny bales and resultant blockade of capital of ₹ 93.66 crore from August /September 2016 to December 2016, till the time of placing of indent for next RMS in January 2017. In this process, the Company had to bear avoidable interest burden of ₹ 3.45 crore[53] also.

A mention in this regard was also made in paragraph no. 2.1.10 of the Audit Report (PSUs) Government of Punjab for the year 2012-13 about excess purchase of new gunny bags by the Company despite availability of once used gunny bags, which has not been discussed in COPU till date (November 2018). Despite this observation, the inventory control of gunny bags continues to be weak in the Company as discussed above.

The Management/Government stated (April/September 2018) that the Company, to ensure smooth purchase of paddy during KMS 2016-17, had to place indents on time for purchase of gunny bales and also further stated that the DFSC, Punjab had given their approval for use of once used gunny bags after the start of KMS 2016-17 in October 2016. However, this contention of Management/ Government is not borne out by facts as DFSC, Punjab had communicated in August 2016 its instructions regarding utilisation of once used gunny bales during KMS 2016-17. Moreover, procurement of gunny bales in excess of requirement was also a violation of its own Accounting Manual.

It is recommended that the Company should have a system in place for timely intimating the amended requirement of gunny bales after considering the opening balance of new gunny bales and once used bags to the DFSC Punjab so as to avoid blockade of funds and interest burden.

52 New bales 135815 + 10544 bales given to others SPAs + 2582 damaged/rejected bales + 531 bales consumed in replacement (-) 564 gunny bales taken from other SPAs.

53 Calculated at interest rate of 9.60 *per cent* applicable on short term loan availed by the Company for KMS 2016-17 for procuring gunny bales.

Punjab Small Industries and Export Corporation Limited

5.5 Non-charging of extra price for corner plots

Not charging of additional ten per cent of the price for corner plots caused a loss of revenue of ₹ 3.28 crore.

Punjab Small Industries and Export Corporation Limited (Company) invited applications (July/ October 2015) for allotment of industrial plots in various industrial focal points developed by the Company in the State. As per the terms and conditions governing the allotment, plots/chunks of land above 10 acres were to be allotted at a discount of 10 *per cent* on the reserve price for that area, fixed by the Company and in case of preferential and corner plots[54], 10 *per cent* extra price was to be charged.

The allotment committee of the State Government allotted (August/ November 2015) two plots measuring 35.13 acre and 30 acre to two allottees for setting up units at Industrial Complex, Goindwal Sahib and Industrial Growth Centre, Pathankot respectively. The Company charged the allottees as per terms of allotment applicable for plots of area above 10 acres and gave 10 *per cent* discount. It charged ₹ 1080 per sq. yard and ₹ 990 per sq. yard against the reserve price of ₹ 1200 per sq. yard and ₹ 1100 per sq. yard and issued (August 2015/ December 2015) letters of intent for allotment for these plots at total price of ₹ 18.36 crore[55] and ₹ 14.37 crore[56] respectively. However, the Company while approving the rate for allotment of plot did not charge the stipulated 10 *per cent* extra price of ₹ 1.84 crore[57] and ₹ 1.44 crore[58] from these two allottees, although the plots allotted were corner plots.

Due to not charging the additional ten *per cent* of the price for corner plots there was loss of revenue of ₹ 3.28 crore to the Company.

It is recommended that Company should follow its own quoted terms and conditions in future and fix the responsibility of the delinquent employees who did not charge 10 *per cent* extra price.

The matter was referred to the Company and the Government (April 2018); their replies were awaited (November 2018).

54 A corner plot is one whose boundaries touch more than one road.

55 M/s Kansai Nerolac =35.13 acre x 4840 sq. yards per acre = 1,70,029 sq. yard. 1,70,029 x ₹ 1080 per sq. yard = ₹ 18.36 crore.

56 M/s Varun Beverages = 30 acre x4840 sq. yard per acre = 1,45,200 sq. yard. 1,45,200 sq. yard x ₹ 990 per sq. yard = ₹ 14.37 crore.

57 M/s Kansai Nerolac = 1,70,029 x ₹ 108 per sq. yard = ₹ 1.84 crore.

58 M/s Varun Beverages = 145200 sq. yard x 99 per sq yard = ₹ 1.44 crore.

5.6 Non-recovery of charges

The Company extended favour to an allottee in the form of non-recovery of extension fee, change of land use charges and under fixation of ground rent amounting to ₹ 18.16 crore besides incurring interest loss of ₹ 8.26 crore.

Punjab Small Industries and Export Corporation Limited (Company) allots plots in its industrial estates for setting up industries. The Company permitted (February 2006) transfer of an industrial plot measuring 15.01 acre to an allottee[59] at Mohali for setting up an Information Technology (IT) park. As per the terms and conditions of the transfer, the allottee was to implement the project within a period of three years from the date of transfer. The extensions of time in implementation of project was to be allowed subject to payment of extension fee at the rate of one *per cent* per year of current reserve price[60].

The State Government issued (April 2006) letter of intent, in accordance with its Industrial Policy 2003,for granting special package of incentives to the allottee for setting up the IT park in 10 acre (seven acre as industrial pocket and three acres as residential pocket) of this plot (15.01 acre) subject to payment of change in land use (CLU) charges[61]. The allottee deposited (July 2006) ₹ 5.23 crore[62] as CLU charges with the Company. On the remaining 5.01 acre of land (15.01 acre *less* 10 acre), the Company granted (August 2006) permission to the allottee to set up a multiplex in 2.5 acre land subject to surrender of equivalent 2.5 acre of land by the allottee in lieu of CLU charges as per para 3(e) of notification dated 7 March 2005 of State Government. The allottee surrendered (August 2006) the possession of 2.5 acre of land to the Company.

Audit examined (December 2017) the related transactions and observed:

a) The allottee could not implement the project within the permitted period i.e. by February 2009 and sought extensions of time, first upto November 2011 and then upto November 2013 from State Government. The allottee sought further extension upto November 2018 from the State Government which was under consideration (May 2018). However, required fee was not levied by the Company for allowing extension of time in setting up the project in spite of clarifications (July/August 2010 and June 2011) by the State Government that extensions granted by them did not affect the terms and conditions of allotment/ transfer of plots by the Company. During the

---

59 M/s Globus Projects Private Limited

60 Current reserve price is the price at which the Company allots plots to the allottees.

61 CLU charges are levied on the allottee for CLU from industrial purpose to either residential or commercial purpose. The amount of CLU is worked out as the difference in price of industrial plot vis-à-vis residential/commercial plot for the saleable area. Saleable area for residential plots is fixed 60 *per cent* and for commercial plot is fixed 40 *per cent*.

62 Difference between price of residential plot (₹ 8700 per sq. yard) and industrial plot (₹ 2700 per sq. yard) worked out for saleable area of residential plot (60 *per cent*) i.e. ₹ 6000 X 3 acre residential plot X 4840 sq. yard per acre X 60 *per cent* = ₹ 5.23 crore.

period February 2009 to March 2018, neither the allottee approached the Company seeking extension of time nor has the Company raised/levied the extension fee of ₹ 6.80 crore (***Annexure 21***), with a concomitant loss of interest of ₹ 2.63 crore[63] upto March 2018.

b) The State Government modified (June 2009) its earlier permission given in April 2006 for the ten acre plot and converted one acre out of seven acres of industrial land into a commercial pocket. For this, the allottee was required to pay CLU charges for one acre and also to obtain consent of the Company for any change in the purpose for which the plot was allotted to be used. The allottee neither paid the change in land use charges nor obtained the consent of Company and sold (October 2012) this one acre land to a private party for setting up a hotel. It was observed that the Company/ State Government had not yet (May 2018) decided the rate at which recovery of CLU charges was to be made. This resulted in non-recovery of CLU charges amounting to ₹ 8.68 crore[64] (approximately) and interest loss of ₹ 5.63 crore[65] upto March 2018 on CLU charges due but not collected.

c) The allottee sought (January 2011) and obtained the permission of the Company for use of their surrendered 2.5 acre plot of land for keeping construction material on payment basis. The Company fixed (May 2011) the ground rent of ₹ 5.25 lakh per annum by taking the rental value at six *per cent* of reserve price for industrial plots. Audit observed that this ground rent was determined on the basis of reserve price of ₹ 35 lakh per acre fixed in the year 2003. The prevailing (May 2011) reserve price was ₹ 2.90 crore per acre for which the chargeable rent was ₹ 43.56 lakh per annum (six *per cent* of 2.90 crore X 2.5 acres). This led to under recovery of ₹ 2.68 crore[66] upto March 2018.

Thus, the allottee was extended favours by non-recovery of extension fee, CLU charges and under fixation of ground rent amounting to ₹ 18.16 crore (₹ 6.80 crore + ₹ 8.68 crore + ₹ 2.68 crore) besides interest loss of ₹ 8.26 crore (₹ 2.63 crore + ₹ 5.63 crore).

It is recommended that the Company should evolve a system for timely levying/ recovering of extension fee and CLU charges. It should also check such other cases where extension fee and CLU charges have not been recovered.

---

63 Calculated at interest rate of 7.63 *per cent* per annum (average rate of interest earned by the Company on its fixed deposits during 2009-17).

64 The indicative CLU charges are worked out on the basis of commercial land reserve price fixed (July 2011) by another Punjab Government PSU (Punjab Infotech) as ₹ 23.02 crore per acre at IT park, Sector-67, Mohali (Calculated for permitted 40 *per cent* saleable commercial area).

65 Worked out after giving a margin of three months for recovery of CLU charges from October 2009 to March 2018 at rate of 7.63 *per cent* per annum (average rate of interest earned by the Company on its fixed deposits during 2009-17).

66 ₹ 43.56 lakh - ₹ 5.25 lakh = ₹ 38.31 lakh per annum X seven years (2011 to 2018).

The matter was referred the Company and the Government (February 2018); their replies were awaited (November 2018).

5.7 Extra expenditure

Company installed an Effluent Treatment Plant instead of a sewage treatment plant resulting in an extra expenditure of ₹ 1.78 crore.

The Punjab Small Industries and Export Corporation Limited (Company), set up to promote industry and development of industrial infrastructure in the State, developed and allotted plots at industrial estate DeraBassi. The terms and conditions of allotment of plots, amongst others, provided that no effluent or untreated industrial waste was permitted to be discharged in the public sewer. In the event of breach of terms and conditions of allotment, the Company had the right to cancel the allotment of plot. Section 7 of the Environment Protection Act, 1986 provides that no person carrying on any industry, operation or process is to discharge or emit any environmental pollutant in excess of standards prescribed. Thus, the industrial units were to set up their own Effluent Treatment Plant[67] (ETP) for treatment of their industrial waste water before discharging the same into public sewer so that no pollutants reach the industrial area's main Sewage Treatment Plant[68] (STP).

The Company appointed a consultant (April 2012) regarding setting up an STP who in their progress report (July 2012) pointed out that industrial and domestic waste from the industrial units was being discharged to the common sewer without any treatment. The report added that as many as 11 out of 15 polluting industrial units had no/non-functional ETPs. The Company, however, neither insisted upon the polluting industrial units to set up their individual ETPs in compliance with the terms of the allotment of plots, nor took any other action. As a result, the water pollution levels crossed permissible standards and the Company had no option but to install an ETP at its own cost. The Company invited (July 2014) e-tenders for setting up of ETP and awarded (March 2015) the work of construction of ETP at ₹ 3.88 crore which was commissioned in July 2017.

Thus, the inaction of the Company to direct the polluting industrial units to install their individual ETPs, and itself installing the ETP instead of the required STP, resulted in an extra expenditure of ₹ 1.78 crore[69].

---

67 Effluent Treatment Plant is a process design for treating the industrial waste water for its reuse or safe disposal.

68 Sewerage Treatment Plant is a plant for removing contaminants from waste water or household sewage.

69 ₹ 3.88 crore and ₹ 2.10 crore (being the amount of work order for setting up of STP of two MLD at its Industrial Estate, Chanalon of the Company placed in January 2015. This amount is excluding operation & maintenance component).

It is recommended that the Company may consider to recover this expenditure by imposing user charges on the 11 polluting industries who had not set up their ETPs.

The matter was referred (May 2018) to the Company and the Government, their replies were awaited (November 2018).

(PUNAM PANDEY)

Chandigarh | **Principal Accountant General (Audit)**

Dated: 25 AUGUST 2019 | **Punjab**

Countersigned

(RAJIV MEHRISHI)

New Delhi | **Comptroller and Auditor General of India**

Dated: 28 AUGUST 2019