

## CHAPTER XIX

# OBSERVATIONS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

### Report No. 3 of 2006

#### **National Institute of Fashion Technology, Kolkata (Avoidable Expenditure)**

Unrealistic fixation of quantum of contract demand led to avoidable expenditure of Rs.27.16 lakh towards payment of electricity charges by the National Institute of Fashion Technology, Kolkata.

The Action taken note is under finalisation.

### Report No. 8 of 2006

#### **The Cotton Corporation of India Limited**

The National Commissioner of Agriculture recommended (1975) that the Corporation should endeavour to purchase about 25 to 30% of the total production of the country by strengthening its network of offices. However, the Corporation's Market share during the six years ending March, 2005 ranged from 4.31 to 11.91 per cent.

#### **Action taken by the Ministry**

Yes, subject to explanation given below:-

The Govt. Audit has agreed to submissions on commercial operations and how CCI ensures remunerative prices to farmers through its regular and continuous presence in the market yards. However, Govt. Audit has not found reply tenable on two counts:

- (i) Insufficient number of network of purchase centres to cover all the market yards.
- (ii) Purchase ceilings were not flexible.

Govt. Audit has illustrated the number of procurement centres operated by the CCI in various branches in the last three years, observing that number of purchase centres in various states is not in proportion to the total production in the respective states and during season 2003-2004, CCI operated only 227 centres out of existing 4000 market yards in the country.

The number of centres under any particular branch depends upon the crop production and viability of operations in the area. In respect of states with higher production levels, the arrivals at various centres is also large in comparison to arrivals at centres falling under states with less crop production for example, the cotton arrivals in centres in Gujarat may be much larger than centres located in Karnataka state because of the difference in cotton production in the two states. In addition to this, centres are located taking into account the geographical location of the cotton track and feasibility of administrative control from the Branch Office.

As per CCI's estimates, the market yards where viable cotton arrivals take place in various cotton growing states, its number could be around 400 only. As against this, CCI has operated 227 centres which had the necessary infrastructure and where cotton arrivals were also found viable.

The number of centres to be operated under a particular branch cannot be directly in proportion to the cotton production in the state because wherever



cotton production is higher, the kapas arrivals in the centres is automatically higher and where cotton production is less, the cotton arrivals at such centres, in that state, are comparatively less. Procurement centres in various cotton growing states are opened taking into account the commercial viability of operations and availability of minimum infrastructure.

CCI is carrying out its operations, MSP or commercial as per the role assigned to it through Textile Policy of 1985. Hence listing of recommendations of Committee on Public undertakings (COPU) may not be relevant in the context of prevalent circumstances and role assigned to the CCI in Textile Policy. It may be further clarified that the Textile Policy of 1985 does not assign the role of price stabilization. According to this policy, CCI undertakes MSP operations without any quantitative limits as and when prices touch the level of MSP and in the absence of MSP, it undertakes commercial operations at its own risk. While carrying out these operations, CCI strives to help the cotton farmers through timely market intervention.

As already submitted, purchase ceilings are decided in the Purchase & Sales Committee on daily basis taking into

account the cotton scenario as a whole so that purchase centres do not end up in making purchases at escalated prices. This is a self imposed discipline and taking into account the expected demand from mill sector and viability of operations, purchase ceilings are fixed strategically to ensure commercial viability of operations. The purchase ceilings are fixed keeping in view the prevailing market rates of particular varieties/grades at which the cotton could be sold to the mills.

It may be again reiterated that as a policy, CCI make purchases in the market yards only under the supervision of respective APMCs and it cannot help in respect of such kapas stocks which do not arrive in the market yard and are transacted at village level itself. Incidentally, it may be informed that the cotton farmers making sales at village level do get price which are in close proximity to the prevailing kapas prices and sometimes even better prices through pooling and bargaining and these prices are normally above the MSP level. However, it is for the State Governments and local APMCs to educate the farmers to bring their kapas produce to the market yards for better sales realization.

***(The ATN has been sent to C&AG for vetting).***

## Statement showing details of outstanding audit para (Commercial)

S. No.	Report No.	Audit Para No.	Subject	Date of reply Sent for vetting	Current Status
1	2 of 2005 (Commercial)	1.4.50	Over Statement of profit	29.03.2006	Pending with Audit
2		2.1.54	Deficiencies were noticed in timely recording of daily receipts etc.	29.03.2006	Pending with Audit
3		2.6.47	Internal audit system needs to be improved	29.03.2006	Pending with Audit
4	3 of 2005 (Commercial)	21.1.1	Irregular payment of ex-gratia	27.05.2005	Pending with Audit
5		21.1.2	Avoidable expenditure on regularization of contract labour	27.05.2005	Pending with Audit
6	4 of 2005 (Commercial)	14.5.1	Sale of surplus land and building	14.06.2005	Pending with Audit
7		14.5.2	do	14.06.2005	Pending with Audit
8		14.6.1	do	14.06.2005	Pending with Audit
9		14.6.2	do	14.06.2005	Pending with Audit
10		14.6.3	do	14.06.2005	Pending with Audit
11		14.7.1	do	14.06.2005	Pending with Audit

**Statement showing details of outstanding audit para (Commercial)**

S. No.	Report No.	Audit Para No.	Subject	Current Status
1.	11 of 2006 (Commercial)	1.4.27	Piling up of stock by The Cotton Corporation of India of India Limited	Pending
2.		1.5.31	Overstatement of sales and purchases by The Handicrafts & Handlooms Exports Corporation of India Limited	Pending
3.		1.5.32	Non deposit of PF, ESI etc by National Textile Corporation (APKK&M) Limited	Sent to C&AG on January 16, 2007.
4.		1.5.33	National Textile Corporation (MP) Limited, Total liabilities exceed total assets.	Pending
5.		1.5.34	Non-provision of bonus advance by National Textile Corporation (TN&P) Limited	Pending
6.		2.1.9	The Handicrafts and Handlooms Exports Corporation of India Limited, delegation of financial powers needs to be reviewed and timely recovery of outstanding dues needs to be improved.	Pending
7.		2.1.10	The National Handloom Development Corporation, outstanding amount more than three years had not been made.	Sent to C&AG on February 5, 2007.
8.		2.4.11	The Handicrafts and Handlooms Exports Corporation of India Limited, frequency of physical verification needs to be improved.	Pending
9.		2.6.15	The Handicrafts & Handlooms Exports Corporation of India Limited, internal audit system needs to be improved.	Pending

*Contd.*

**Statement showing details of outstanding audit para (Commercial)**

<b>S. No.</b>	<b>Report No.</b>	<b>Audit Para No.</b>	<b>Subject</b>	<b>Current Status</b>
10.		2.6.16	National Center for Trade Information, internal audit system needs to be improved.	Pending
11.		2.7.3	The Handicrafts and Handlooms Exports Corporation of India Limited, Non-adoption of any security policy for software/hardware.	Pending

