

This inspection report has been prepared on the basis of information provided by Uttarakhand Seeds and Tarai Development Corporation Ltd. Pantnagar. The Office of the Accountant General (Audit) Uttarakhand, Dehradun disclaims any responsibility for any misinformation, non-submission or submission of incomplete records.

Audit inspection of accounting records of Uttarakhand Seeds and Tarai Development Corporation Ltd. Pantnagar for the period from April 2014 to March 2016 was carried out in exercise of the power conferred by section 19 of the C&AG, DPC Act 1971 read with section 619(3)(b) of the Companies Act 1956 & section 143 of Companies Act 2013. Audit of the Corporation was conducted by Shri Ghanshyam Das Pal, AAO and Dr. Satish Pal, AAO under the supervision of Shri Sohrab Husain, Sr. AO during the period from 09.12.2016 to 27.12.2016.

Part-I

1. **Introduction:-** The last audit of this Corporation was carried out by Shri Amit Kumar ,AAO, Shri Khub Chand, AAO Sh. Anuj Kumar Singhal, Ar. and Sh. Sunil Garg, Ar from 12.05.2014 to 4.06.2014 under supervision of Shri B.C. Suyal Sr. AO in which accounting records of the period from April 2013 to March 2014 were generally examined. In current audit, accounting records of the period from April 2014 to March 2016 were examined.

2. (i). **Functions and geographical jurisdiction of the Corporation:**

The main functions of Corporation are carrying out production, processing and marketing of certified seeds of food grains and vegetables across India. The jurisdiction of the Corporation is all over India.

(ii) **Auditing methodology and scope of audit:**

This inspection report is based on findings of audit and October 2014 & November 2015 month was selected for detailed examination.

(iii) Revenue, Expenditure and Profit & Loss of the Corporation for last five years are as under:

(` in lakh)

Year	Revenue	Expenditure	Profit
2011-12	1026149	10131.30	1016017.7
2012-13	11449.86	11129.03	320.83
2013-14	9432.87	9291.97	140.90
2014-15	10467.33	10900.20	-432.87
2015-16	9841.56	11432.73	-1591.17

(iv) Organisation structure of the Corporation and reporting lines.

Organisation structure of the Corporation is enclosed.

Part II (A)

Para 1: Loss of `14.25 crore due to production of defective certified seeds.

Uttarakhand Seeds and Tarai Development Corporation (UKS &TDC) has emerged as a leading State Seed Corporation which has diversified its activities to meet the nation's requirement of quality of seeds production processing, marketing, storage and distribution across the country. In order to increase the yield of wheat, paddy and vegetables, Corporation produces the certified seeds and to sell these seeds to the farmers through distributors and dealers. As per terms and conditions of agreement made with the distributors, the certified seeds should be sold to distributors on cash basis not on credit basis.

Scrutiny of relevant records revealed that during the year 2015-16 Corporation produced certified seed of wheat 278579.60 quintal. In order to sell this certified seed the price was fixed ranging between `3310 to `3175 per quintal for different states. On this fixed rate 168255 quintal seed was sold. Out of it 8145.60 quintal certified seed valuing `2.42 crore was sold to farmers of Bihar through 09 distributors and 40 quintal seed valuing `0.01 crore was sold to farmers of U.P. through one distributor aggregating `2.43 crore Certified seed was sold on credit basis which was against the terms and conditions of the agreements made with the distributors. The farmers to whom this seed was sold lodged the complaints to the distributors that this seed did not germinate. The complaints of the farmers were forwarded to Corporation by the distributors and on this ground distributors refused to make the payment of `2.43 crore. On being received, the complaints regarding not germination of seed, this matter was enquired by the Corporation and found that due to heavy rain embryo of the seed (wheat) had been affected and seeds could not be germinated. Thus, it would be observed from the above that Corporation suffered a loss of `2.43 crore due to sale of defective certified seeds on credit basis. In addition, goodwill of the Corporation has also been affected.

Further scrutiny of records revealed that on receiving the complaints regarding non-germination of seed, remaining seed was not lifted by the distributors. Then Corporation

revised the rate of certified seed i.e. `2150 and `2350 per quintal and in order to promote the sale of defective seed it was also decided by the Corporation that on purchase of two bags of certified seed one bag would be given free. Thus actual cost of one bag was worked out by the Corporation as `1533.00 per bag. Under this scheme 87298.45 quintal of seed was sold. Corporation itself worked out the loss to the Corporation of `11.82 crore due to sale of seed under this scheme. Thus due to production of defective seed Corporation suffered the loss of `14.25 crore ($\text{`2.43 crore} + \text{`11.82 crore} = \text{`14.25 crore}$)

Corporation accepted the audit observation and stated that on receiving the complaints from the distributors' enquiries at Corporation level as well as Government level are being conducted which are pending.

Matter is brought to the notice of higher authority of the Corporation

Para 2: Unfruitful expenditure on construction of Tissue Culture Lab: `40.76 lakh.

In order to achieve the following objectives, Uttarakhand Seeds & Tarai Development Corporation Ltd. decided to establish a Tissue Culture Lab:

1-To take up large Scale micro/macro- propagation of plants of various high value crops in order to fulfil requirement of small farmers in hill & valleys of Uttarakhand including Tarai & Bhawar regions of the state.

2- To improve upon agriculture and socio-economic condition of the farmers of the hilly areas by providing them quality seed materials through the intervention of well-established biotechnical tools

3- Development of quality saplings of improved varieties of crops for farmers.

For construction of Tissue Culture Lab. civil works were awarded to M/s Nandan Trading, U.S. Nagar vide agreement No.UAS& TDC/Engg./70 (A) /2007 dated 29.10.2007 at the cost of `9.59 lakh. As per terms and conditions of the agreement, date of start of work was 7.10.2007 and date of completion of work was 6.1.2008. These works were actually completed on 16.5.2008 and actual payment to the contractor was made `9.46 lakh against tendered value of `9.59 lakh. After completion of Tissue Culture Lab and in order to operate lab, equipments for Lab of `31.30 lakh have also been purchased and installed in this Lab. Lab was physically inspected by the Audit Party on 21.12.2016 and found that Lab is not in operation till that date. As more than 8 years have been elapsed from the date of completion of Lab, however it is not in operation, consequently whole amount of `40.76 lakh incurred on this lab (Construction cost of lab `9.46 lakh + Cost of equipments purchased for Lab `31.30 lakh = `40.76 lakh) incurred on this lab has become unfruitful and envisaged objectives have also been defeated.

In turn Corporation accepted the audit observation stated that after completion of Tissue Culture Laboratory, Corporation tried to operate the laboratory on commercial lines but did not complete the training part in tissue culture technique. However, because of non-availability of demand of production, Corporation could not initiate the commercial production. And absence of any demand was the main constraint. Corporation also tried to operate it through PPP mode, but there also Corporation did not get any useful partner for that.

Audit observed that if establishment of Tissue Culture Lab was considered after ensuring the demand of product then this expenditure of `40.76 lakh could have been avoided.

Matter is brought to the notice of higher authority of the Corporation

Para 3: Wasteful expenditure of `39.38 lakh.

In order to procure Two Automatic Weight Fill and Seal Machines having capacity 2 gm to 100gm and 50gm to 1000gm, a purchase order No Beejnigam /1568/06/285/2009 was placed to M/s WEB TECHE Engineering Pvt. Ltd. Faridabad on 1 December 2009. Value of the purchase order was `22.74 lakh. As per terms and conditions of the purchase order 60 percent cost of the machines will be paid immediately after receipt of the machines and 30 percent cost of the machines would be paid after 30 days of installation and commissioning of these machines subject to satisfactory performance and balance 10 percent will be released after 3 months from the date of installation and commissioning subject to satisfactory performance of the machines.

Clause 6 of the purchase order regarding Guarantee and AMC provided that the above machines shall be guaranteed for 12 months from the date of installation and commissioning against any manufacturing defects and AMC will be provided 2 years free of cost after guarantee period. Machines were satisfactorily installed and commissioned on 3.5.2010. Corporation also gave certificate of satisfactory commissioning and installation of these machines on 3.5.2010. As per terms and conditions of the purchase order, Corporation also made 80% payment of the purchase order. It was also noticed that Corporation has retained the amount of supplier of `4.55 lakh (.i.e. 20% of the cost of machines).

Scrutiny of records revealed that trial test of the machines was carried out on plain L.D.P. roll instead of Multicolor Printed Natural Polyester Laminated LDP Roll because that point of time this packing material was not available in the Corporation. Multicolor Printed Natural Polyester Laminated LDP Roll of different size of ₹21.38 lakh was purchased in 2014 i.e. after four years from the date of commissioning of these machines. When trial test was carried out on the packing material then trial test of both machines failed. Till that time guarantee period and AMC period had been elapsed. Since vigorous pursuance has been made with the supplier but nothing has been responded by the supplier. These machines are not in operation since date of installation. While more than 6 years have been elapsed from the date of purchase of these electronic machines. Thus due to passage of time these machines have been deteriorated. Further, during discussion with the concerned officers of the Corporation it was told that now there is no need of these machines and purchased packing material in question.

Thus due to gross negligence on the part of Corporation whole expenditure incurred on purchase of machines ₹18.19 lakh (₹22.74 lakh- ₹4.55 lakh=₹18.19lakh) and cost of packing material of ₹21.38 lakh=₹39.57 lakh have become wasteful.

Corporation accepted the audit observation and stated in its reply that at the time of commissioning of these machines printed roll (packing material) was not available in the Central Store of the Corporation, trial test of these machines was carried out on plain LDP roll on 02.5.2010. Printed LDP Roll was purchased in 2014 by the Corporation. Till that time guarantee period and AMC of the machines were elapsed. Since vigorous pursuance was being made with the supplier but nothing has been responded by the supplier.

Thus fact remains that due to gross negligence on the part of the Corporation, Corporation suffered a loss of ₹39.57 lakh.

Matter is brought to the notice of higher authority of the Corporation

Para 4: Undue benefit to Dealers by `43.09 lakh.

Review of price structure of wheat for the years 2014-15 to 2015-16 revealed that the selling price was determined by the Corporation after considering its total cost including sales commission payable to its distributors and dealers. As per terms of contracts entered into with the distributors, distributor's commission was payable on ex-plant rate whereas dealer's commission was on ex-godown rate.

Test check of price structure of wheat seed for Uttarakhand, Uttar Pradesh and Bihar for the year 2014-15 to 2015-16 revealed that by considering distributor's commission as part of the purchase price instead of considering it as selling and distribution expenses resulted in fixation of dealers' commission as well as retail price to the farmer, higher by `8.38/10.31 per quintal (*Annexure- 1*).

Review of records relating to three states¹ where wheat seeds were sold during the period 2014-15 to 2015-16 revealed that dealers' commission was paid in excess by the Corporation amounted to `43.09 lakh (*Annexure- 2*).

¹Uttarakhand, Uttarpradesh and Bhiar

In turn corporation stated that price of seeds is determined on the basis of past practice. In case competent authority of the corporation considers to change the structure of price in the interest of corporation then action would be taken accordingly.

Matter is brought to the notice of higher authority of the Corporation.

Part II (B)

Para 1: Avoidable expenditure of `90.86 lakh

Audit scrutiny revealed that Seed Processing Plant at Bazpur of Uttarakhand Seeds and Tarai Development Corporation Ltd. (UKS&TDC) was established in hired godown, the rent of the hired godown was `17.92 lakh per year. In order to avoid rent of hired godown, Corporation sent a proposal of `2.44 crore to Dy. Commissioner (seeds) Government of India, Ministry of Agriculture , Department of Agriculture & Corporation, New Delhi (12.11.2007) for establishing Seed Processing Plant at Bazpur. In response to the Corporation's proposal, Department of Agriculture and Cooperation , Ministry of Agriculture sanctioned the grant of `100.125 lakh (1st Instalment i.e. 50%) for establishing a new seed processing plant of 9000 MT capacity in December 2009 subject to following terms and conditions:

(i) The fund only will be utilised for the purpose it has been released and no diversion of fund will be allowed in any case.

(ii) Corporation will submit quarterly physical and financial progress report.

(iii) The implementing agency will submit Utilisation Certificate in prescribed proforma (GFR-19A)

Further, scrutiny of records revealed that Corporation could not arrange the suitable land for establishing Seed Processing Plant at Bajpur till December 2013 then Ministry of Agriculture asked for furnishing the utilisation certificate or refund of amount of grant along with interest earned on it. Corporation was not serious to arrange the suitable land for establishing the Seed Processing Plant and after 5 years from receiving the grant, grant of ₹100.125 lakh was refunded to the Government of India, Ministry of Agriculture, Department of Agriculture & Cooperation, New Delhi vide cheque dated 18.12.2014. Besides, fund of Government of India was also blocked from December 2009 to December 2014 which could be otherwise utilised for fruitful results.

It was also noticed in the audit that after refunding the grant, Corporation again sent a proposal to Dy. Commissioner (seeds) Government of India, Ministry of Agriculture, Department of Agriculture & Cooperation, New Delhi (5.2.2015) for grant for establishing Seed Processing Plant at Bazpur for same capacity. As the Corporation has again sent the proposal for grant for establishing Seed Processing Plant at Bazpur for same capacity then why the received grant was refunded. Audit observed that if sincere efforts (i.e. open tenders from the parties were called for) were made to arrange the suitable land for establishing the Seed Processing Plant then payment of rent of hired godown of ₹90.86 lakh (leaving two years for establishing the plant) could have been avoided.

Corporation stated that continuous efforts were made for providing land from the State Government but the land provided by the State Government was not found suitable for seed processing plant at Bazpur. After refunding of grant, Corporation invited open tender for land for Seed Processing Plant at Bajpur. In response to tender, various bids from prospective bidders were received. A committee was constituted for selection of suitable L-1 bid but committee recommended for development of Matkota Seed Processing Plant. But due to non-availability of fund, this bid was also cancelled in April 2016.

Matter is brought to the notice of higher authority of the Corporation

Para 2: Likely loss of `11.00 lakh due to gross negligence on the part of Corporation

For the purpose of sale and marketing of certified seeds of wheat in Bhadoi, Jaunpur, Gazipur and Varanasi (in U.P.) M/s MaaVaishnav Seeds Chandwak, Jaunpur was appointed as a distributor vide agreement dated 27.9.2004 for the financial year 2004-05 which was extended upto Rabi crop year 2007-08 on same terms and conditions.

Clause 34 regarding Settlement of Disputes interalia provides as under:

“ In the event of any dispute or differences arising between the Corporation and the distributor in any matter covered by the contract of arising directly or indirectly there from or connected of concerned with the said contract in any manner or the implementation of any other terms and conditions of the said contract, the matter shall be referred to the Chairman, UPS&TDC, who shall act as Sole Arbitrator or nominate a sole arbitrator, whose decision shall be final. The provisions of the Indian Arbitration Act, 1940 shall apply to such arbitration "During the year

2007-08, 6498 quintal certified seeds of wheat was sold to M/s MaaVaishnav Seeds Chandwak, Jaunpur (Distributor), which was lifted from Regional store at Varanasi through Marketing Officer (Sh. Kanchan Singh). Distributor made the payment of seeds leaving the balance of `11.00 lakh. Balance amount i.e. `11.00 lakh was demanded by the Corporation. On being demanded the balance amount from distributor, distributor given the cheques of the same amount which were presented in the concerned bank but the cheques were dishonoured/ bounced with the remarks that there was insufficient amount in account of distributor. Vigorous pursuance was made with the distributor but nothing was paid by the distributor. Then Corporation violating the terms and conditions of agreement made with the distributor filed the case in the Judicial Magistrate court at Varanasi vide case No.2840 dated 18.2008 U/s 138 of Negotiable Instrument Act. While the case was pending in the court, it was challenged by the distributor that as per terms and conditions of the agreement case was to be filed before the arbitrator instead of court. Then case was filed before the Sole Arbitrator/Chairman Uttarakhand Seeds & Tarai Development Corporation Ltd. Pantnagar on 4.9.2010 Since various notices had been issued to the distributor for submitting relevant evidences but he could not submit any relevant evidence. Then a final notice was issued to the Distributor on 5.8.2015 for appearing before the Arbitrator on 24.8.2015 failing which case would be decided Ex-parte. Neither the Distributor appeared before the Arbitrator nor any action taken against the distributor. Even, since no correspondence has been made with distributor. It is evident from the above that due to gross negligence on the part of the Corporation, dues amounting to `11.00 lakh could not be recovered.

Corporation has not given appropriate reply to the Audit Memo. It stated in its reply that no record is available with the Marketing Section. Thus fact remain that due to negligence on the part of Corporation, Corporation deprived itself of revenue of `11.00 Lakh

Matter is brought to the notice of higher authority of the Corporation

Para 3: Excess procurement of Bleached Cloth bags 2 Kg than requirement Consequently, blockade of fund of `15.97 lakh.

A proposal was moved (April 2013) for procurement of 170000 Bleached Cloth bags having capacity of 2 kg. for utilisation during the year 2013-14 involving financial implication of `16.66 lakh. On scrutiny of relevant records it was noticed that while proposal was moved at that point of time 173400 Bleached Cloth bags of 2 Kg, were available in the Central Store of the Corporation . It was also noticed that during the year 2013-14 only 18,500 bags were used. Year wise availability of bags in question and utilisation position is as under:

Year	Availability of Bleached Cloth bags 2 kg	Utilised during the year	Closing balance
2013-14	343400	18500	324900
2014-15	324900	12700	212200

2015-16	212200	126210	185990
2016-17(till 19.12.2016)	185990	23000	162990

It would be observed from the above that at the time of procurement of bags in question for the year 2013-14 availability of bags was not taken into consideration. Thus these bags were procured in excess of the requirement; consequently, Corporation's fund to the extent of `15.97 lakh (162990 X `9.80=`1597302) has been blocked from 2013. If these bags were procured keeping in view the availability and utilisation position of bags then blockade of fund of `15.97 lakh could have been avoided.

In turn corporation accepted audit observation and stated that during the period mentioned by the audit, bleached cloths bags having capacity 2 Kg bags were utilised very less, resultantly these bags are lying in the stores.

Matter is brought to the notice of higher authority of the Corporation

Part III

(In this part, detail of unsettled paras of previous inspection reports to be reported in below given format.)

Detail of unsettled paras of previous inspection reports:-

Inspection Report period and number	Part- II (A) para number	Part-II (B) para number
4/2000 to 3/2001	1 & 2	-
4/2001 to 6/2002	1,2,3,4,5,6 & 7	-
7/2002 to 6/2003	1&2	1 & 2
7/2003 to 12/2004	1,2,3 & 4	-
1/2005 to 9/2007	1	1,2,3,4 & 5
10/2007 to 09/2010	2	2
10/2010 to 3/2013	1, 2 & 3	1,2,3,4 & 5
4/2013 to 3/2014	1,2,3,4 & 5	1,2,3,4,5,6,7,8 & 9

(Apart from this audit party to receive two set of copies of compliance report of previous inspection report in given below format along with their comments reported in Part III to be annexed in original form with inspection report and submitted at headquarters. Inspection report to be submitted to group officer at headquarters after due consideration by concerned sector. Settled paras to be omitted from Part –III while issuing inspection report. Only unsettled paras to be kept in Part-III).

Compliance report of unsettled paras of previous inspection report-

Inspection report period and number	Para No. Audit observation	Compliance report	Comments of Audit Party	Remarks
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For furnishing of reply of the Old Outstanding Paras of Old IR and Audit Memo No. 06 was issued to the Corporation. In turn Corporation stated that replies of these Old outstanding Paras of Old IR are being prepared and same would be furnished as early as possible.

Part IV

Best practices of the unit

(Any good practices or innovations, if noticed, during the course of audit may be mentioned.)

No good practices or innovation noticed during the Course of Audit.

Part V

Acknowledgement

- Office of The Accountant General (Audit) Uttarakhand, Dehradun expresses gratitude towards Managing Director of the Corporation and their officers and employees for promptly providing desired documents and information including infrastructure related co-operation during the course of audit.

Though following documents were not produced during audit:

--Nil--

2. Persistent irregularities.

--Nil--

3. The following officers held the charge of head of the office during the audit period:

Sr. no.	Name	Post
	(i)	Chairman
1.	Sh. B.P. Pandey, IAS from 09.05.2013 to 27.05.2014	
2.	Sh. S. Raju, IAS from 28.05.2014 to 23.5.2015	
3.	Sh. Harak Singh Rawat, Minister 23.05.2015 to 02.05.2016	
4.	Sh. S. Raju, IAS from 04.05.206 to 30.06.2016	
	(ii)	Managing Director
1.	Dr. P.S. Bisht 23.12.2016 to 02.09.2016	
2.	Sh. Shree DharBabuHayanki, IAS 22.09.2016 to till date.	
		General Manager
1.	Sh. P.K. Singh 15.11.2016 to till date.	

Minor and operational irregularities which could not be resolved at the time of audit and have been included in Temporary Audit Note with the request that the compliance report on the same may be sent to Sr. DAG/DAG (concerned sector) within one month of receipt of the letter.

Sr. Audit Officer/ES-1