

OVERVIEW

This report contains detailed observations on three areas i.e. Debt Management, Labour Management & Incentive Payment and Implementation of Private Entrepreneurs Guarantee Scheme (PEG) in Punjab region and five individual observations (two of which relate to fraudulent payments amounting to ₹ 72.28 crore) amounting to ₹ 2,772.98 crore.

The total expenditure incurred by FCI increased by 35 *per cent* from ₹ 1,05,355 crore to ₹ 1,42,487 crore during 2011-16; the food subsidy claimed by FCI increased by 53 *per cent* from ₹ 67,694 crore in 2011-12 to ₹ 1,03,383 crore in 2015-16; the interest burden on FCI increased by 65 *per cent* from ₹ 5,227 crore to ₹ 8,647 crore during the period 2011-16.

Corrections to the tune of ₹ 1,072 crore as Inter-Head adjustment and ₹ 1,976.67 crore as Intra-Head adjustment were carried out in the accounts at the instance of Audit.

HIGHLIGHTS

The major findings in this report are mentioned below:

Debt Management

- Subsidy received every year by FCI was lower than claimed for from the GoI. On an average only 67 *per cent* of subsidy claimed was released by the GoI over the last five years because of which FCI had to borrow from other costlier means of finance *viz.* Cash Credit (CC), Short term loans etc. resulting in heavy interest burden of ₹ 35,701.81 crore during 2011-16.
(Para No. 2.3)
- An amount of ₹ 2,897.17 crore was outstanding from various Ministries/Departments and State Governments.
(Para No. 2.4)
- FCI also failed to comply with the instructions of the Ministry of Consumer Affairs, Food and Public Distribution to conduct efficiency analysis after every two quarters. No analytical study was conducted of the monthly Cash Credit used by FCI on the subsidy released by the GoI.
(Para No. 2.9)
- The risk management policy of FCI also did not sufficiently address the complex financial needs of the Corporation.
(Para No. 2.10)

Labour Management and Incentive Payments

- Non-rationalization of surplus departmental labour, deployment of costlier labour at depots and non-pooling of departmental labour resulted in excess expenditure of ₹ 237.65 crore.
(Paras No. 3.2.1 to 3.2.3)
- The labour at various depots were found, as per records, to be handling very high number of bags per day ranging from 998 to 1776 as against the norm of 105 bags per day. This was indicative of existence of proxy labour in depots leading to exorbitant incentive being paid to some labourers, a problem which FCI has not been able to tackle.
(Para No. 3.2.4)
- Inadmissible payments worth ₹ 435.18 crore were made in violation of the applicable laws such as The Gratuity Act, 1972, Contributory Provident Fund, Productivity Link Incentive and judgement of the Hon'ble Supreme Court on the issue.
(Paras No. 3.3.1 to 3.3.4 and 3.3.6)
- Suspected excess payment (₹ 12.12 crore) by way of improbable stack formation, treatment of one activity (standardization work) as two or three different activities (refilling/rebagging and weighment/stacking), excess certification of refilling work, wrong certification of lead distance etc. were also detected.
(Paras No. 3.4.1 to 3.4.4)
- Deficient controls in the maintenance of booking-cum-output slips at the depots were noticed which increased the risk of irregular practices.
(Paras No. 3.5.1 to 3.5.5)

Implementation of Private Entrepreneur Guarantee Scheme for Construction of Godowns in Punjab

- Delay in award of contracts for construction of godowns to Private Entrepreneurs (PEs) led to negligible implementation of the scheme in XI Plan (2007-12).
(Para No. 4.2.1)
- A substantial quantity of food grains was lying in open areas with State Government Agencies (SGA) and hence 4.72 Lakh Metric Tonne (LMT) of wheat valuing ₹ 700.30 crore deteriorated and was declared as non-issuable to Targeted Public Distribution Scheme. Moreover, despite huge quantities of wheat lying unprotected in Covered and Plinth (CAP)/kacha plinth capacity of six LMT was dehiere by FCI in two districts during the period September 2012 to March 2016.
(Para No. 4.2.2)
- As ineligible bidders were awarded contracts for construction of godowns, undue benefit of ₹ 21.04 crore as rent during the period 2012-13 to 2015-16 was passed on to the PEs.
(Para No. 4.3.1)
- Handling cost of ₹ 9.77 crore was incurred during the period from 2012-13 to 2015-16 due to taking over of godowns without railway sidings.
(Para No. 4.3.2)

- Incorrect measurement of distance by Punjab Grains Procurement Corporation Limited (PUNGRAIN) and FCI resulted in excess expenditure of ₹ 8.36 crore on transportation of food grains over the excess distance.

(Para No. 4.3.3)

Compliance Audit Paragraphs:

- i. Recoveries relating to excess/irregular payments etc. to the tune of ₹ 32.18 crore were made during 2015-16, at the instance of Audit.
- ii. Undue payment of ₹ 23.02 crore was made to a handling contractor for fictitious work upto 2014-15 due to non-adherence to the provisions of standing instructions/manual regarding payment to handling contractors. Internal Audit and Vigilance teams deputed subsequently reported fraudulent payment totaling ₹ 71.75 crore to the same contractor and loss of interest of ₹ 13.39 crore on these fraudulent payments.

(Para No. 5.1)

- iii. Fraudulent excess payments of ₹ 14.73 lakh and ₹ 37.89 lakh were made to the transport contractors on account of payment on higher rate and for bills for longer distance than actual for transportation of food grains.

(Para No. 5.2)

- iv. Excess payment of ₹ 24.96 crore was made to the Uttar Pradesh Government and its Agencies on account of cost of gunny bags and gunny depreciation for procurement of paddy and delivery of rice during Kharif Marketing Season (KMS) 2014-15. FCI recovered ₹ 2.96 crore after Audit pointed out the excess payment and recovery of the balance ₹ 22.00 crore was yet to be made.

(Para No. 5.3)

- v. FCI sold wheat to bulk consumers at a rate below cost under open market sale scheme during 2013-14 leading to non-recovery to the tune of ₹ 38.99 crore.

(Para No. 5.4)

- vi. FCI could not adjust input Value Added Tax (VAT) while making payment of output VAT due to improper collection/maintenance of Tax documents and made an avoidable payment of ₹ 25.01 crore on account of output VAT in Uttar Pradesh. Non refund/adjustment of this avoidable payment also led to consequential loss of interest amounting to ₹ 13.02 crore on credit being availed by FCI.

(Para No. 5.5)

