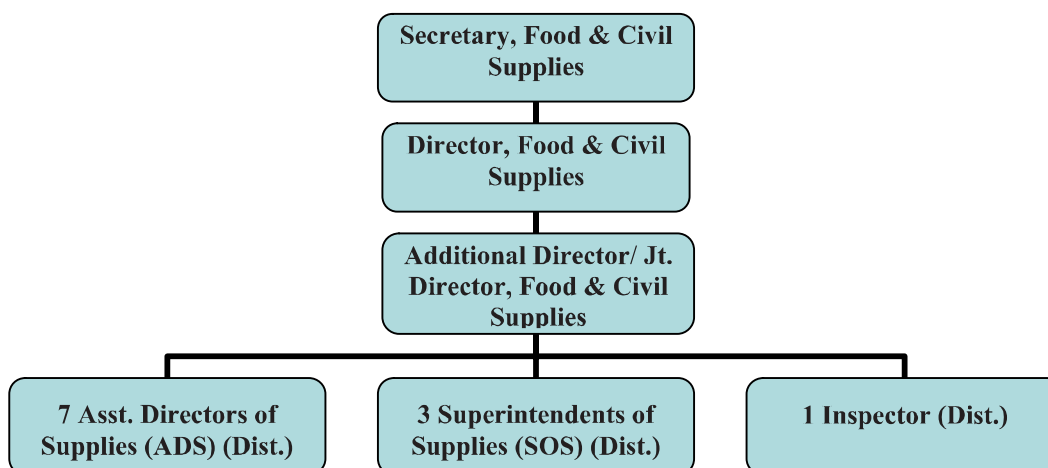


Chapter 2 Framework of Audit

2.1 Organisational Setup

The Secretary, Food and Civil Supplies (FCS) is the administrative head of the Department and the Director, FCS is in charge of implementation of PDS in the State. He is assisted by Additional Director/Joint Director at the directorate level supported by the Assistant Directors/Superintendents of Supply/Inspectors at the district level.



The Assistant Director of Supplies/Superintendent of Supplies/Inspectors at district level are under the administrative control of Deputy Commissioners/ Sub-Divisional Officers (Civil) of respective Sub-Divisions. The utilisation certificates of the foodgrains are countersigned by the Deputy Commissioners/ Sub-Divisional Officers at district/sub-divisional level.

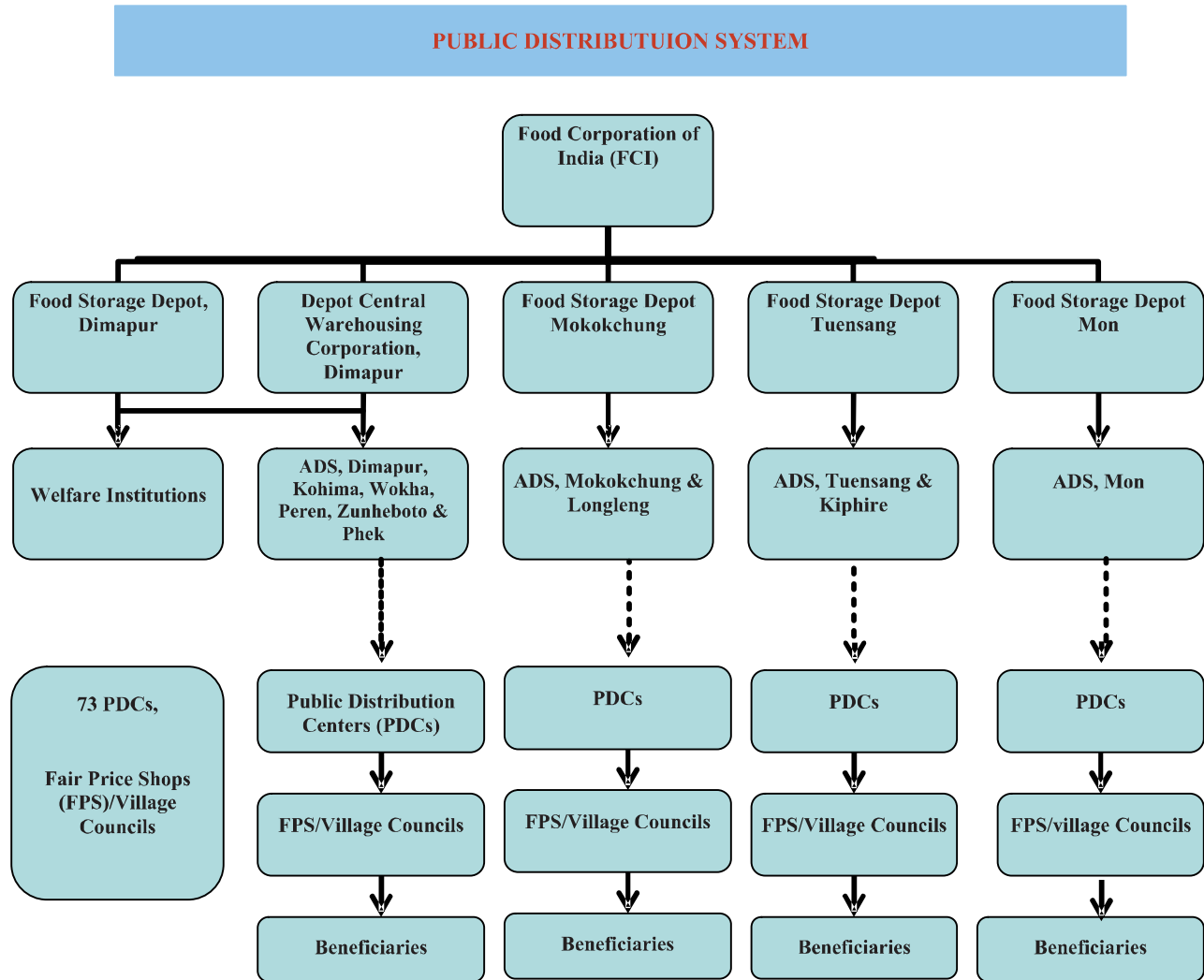
2.2 Flow chart of distribution of foodgrains

The Central Government shall make foodgrains available through Food Corporation of India (FCI) to the State for distribution under the PDS since Decentralised Procurement scheme³ (DCP) is not adopted in Nagaland.

The objectives of the Department of Food and Civil Supplies (DFCS) are to ensure availability and distribution of essential commodities and check malpractices in supply and trade of commodities notified by the Government. The FCS has to ensure supply of essential commodities to the targeted population i.e. people living Below Poverty Line (BPL).

³ The policy of procurement and distribution of foodgrains from farmers by the State

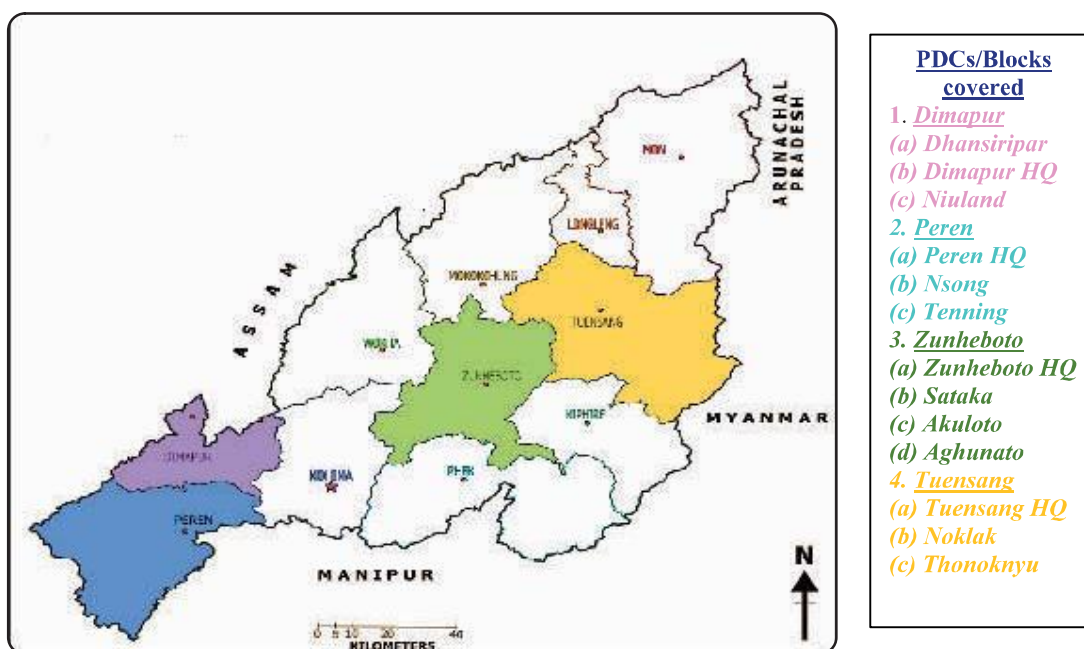
The flow of allocated foodgrains from FCI to beneficiaries through different stages is projected below:



2.3 Scope of Audit

Performance Audit on Public Distribution System in Nagaland was conducted in the year 1999 and the findings of audit were incorporated in the Audit Report of the Comptroller and Auditor General of India for the year 1998-99 which were also discussed by the Public Accounts Committee (PAC) in June 2005 but their report is awaited. The Performance Audit on Food Security, Subsidy and Management of Foodgrains incorporated in the Audit Report of the Comptroller and Auditor General of India for the year 2004-05 contained a paragraph⁴ on delay in identification of families living below poverty line (BPL). The PAC discussed the Performance Audit in June 2009 and recommended for identifying all BPL, AAY and Annapurna families and to submit the list of beneficiaries to the Committee within 6 months from the date of laying of the recommendations on the table of the House. However, the Department had not finalised the list of beneficiaries identifying all BPL, AAY and Annapurna families as recommended by the PAC (September 2011).

The instant Performance Audit covered the period from 2005-2010 through test check of records of the Director of FCS, four ADS/SOS, 13 PDCs and 24 FPS⁵ in the four sampled districts during May 2010 to October 2010. The Performance Audit was updated upto March 2011 and the receipt and issue of Superior kerosene Oil was included during the period from April 2011 to August 2011. The details of coverage are indicated in the map below:



(Source: National Sample Survey of India)

⁴ Paragraph 3.3.9

⁵ Dimapur(7), Peren(4), Zunheboto(7) and Tuensang(6)

Audit also covered the convergent foodgrains based welfare schemes viz, Wheat Based Nutrition Programme (WBNP), Department of Social Security and Welfare, Mid Day Meal (MDM), Department of School Education and National Programme for Adolescent Girls (NPAG), Department of Women development in the selected four districts.

2.4 Audit Objectives

The broad objectives of the Performance Audit of PDS were to evaluate whether:

- Identification of different categories of beneficiaries and issue of ration cards was efficient;
- Infrastructure for storage of essential commodities was developed effectively;
- Allocation and distribution of foodgrains by Government were effective to ensure that all targeted groups had access to foodgrains in time at prescribed rate and quantity;
- Convergence with other foodgrains based welfare schemes was operational and effective in the State; and
- Adequate and effective monitoring systems were adopted.

2.5 Audit Criteria

The following audit criteria were adopted for the performance audit:

- GOI orders/guidelines on identification of beneficiaries;
- The Public Distribution System (Control) Order 2001;
- Guidelines on measures adopted for implementation of TPDS;
- Circulars issued by GON from time to time; and
- Essential Commodity Act, 1955.

2.6 Audit Methodology

Apart from the inspection of records of Directorate of FCS in the State, four districts were selected through a simple random sampling without replacement (SRSWOR) method, considering the factors viz. number of beneficiaries, number of FPS, backwardness and off take of foodgrains.

Audit methodology employed in conducting the Performance Audit included:

- ❖ Briefing the management of the objective of the review through a power point presentation in an entry conference (9 June 2010). An entry conference was held during updation of the Performance Audit (8 April 2011);

- ❖ Issuing questionnaires and collecting information and clarification to audit observations;
- ❖ Conducting beneficiary survey of the ration card holders to ascertain the satisfaction level of existing PDS delivery system by analysing replies to questionnaire issued to the public; and
- ❖ Analysis of data, documentary evidence and physical verification.

Audit findings were communicated to the management and a presentation was made on the findings which were also discussed in an exit meeting held on 21 November 2011. The Department formally furnished their replies in December 2011. The views expressed by the Department have been considered while finalising the Report.

2.7 Acknowledgement

The Indian Audit and Accounts Department acknowledges the cooperation extended by the Department of Food and Civil Supplies, Department of School Education, Department of Social Welfare and Department of Women Development, Nagaland during the course of audit.