

Chapter 7 Allotment, Lifting and Distribution

7.1 Allocation and Distribution

The process of allocation broadly consists of two main components namely:- (i) Actual allocation of Commodities based on the number of identified beneficiaries; and (ii) Consumption Reporting.

Based on the availability and requirements, allocation is made to the Districts and Blocks from one level to the next lower level i.e. State allocates to Districts, Districts to Blocks and Blocks to FPS. Consumption reporting on closing balance under different targeted groups starts from the FPS level and moves through the Blocks and Districts finally to the Director, FCS who consolidates the district-wise information and arrives at the total consumption.

The ratio of Rice and Wheat, in the allotment of foodgrains under BPL/APL, was streamlined by the GOI effective from August 2005 keeping in view the food habits of each State. The norm for the State of Nagaland was fixed at 28 kg rice and 7 kg wheat per month per card holder to the targeted beneficiaries except Annapurna Scheme. The beneficiaries under Annapurna were provided 10 kg rice per month per card holder.

The Department conveyed the requirement of rice and wheat to the GOI on a static basis without either a periodical survey or obtaining the inputs from the lower formations in respect of all the targeted beneficiaries.

Results of audit findings are discussed below:-

7.2 Delay in lifting of foodgrains from FCI

The time limit prescribed for lifting of foodgrains from FCI, Dimapur was 50 days starting from the first day of the month preceding the month of allocation and ending on the 20th day of the allocation month. The average delay in lifting by the Department during the last six years is detailed below:

Table No. 7.1

(In MT)

Targeted beneficiaries	Total allocation during last six years		Delay in lifting during the last six years							Quantity lapsed and not lifted	
	Rice	Wheat	Rice				wheat			Rice	wheat
			1	2	3	4	5	6	7		
			1-3 months	4-6 months	7-12 months	Above one year	1-3 months	4-6 months	7-12 months		
BPL	166288	40058	4834	0	0	0	517	0	0	854	277
AAY	92904	22740	1691	0	0	0	333	0	0	593	7
Annapurna	4036.24	0	7403	2019	3365	0	0	0	0	343	0
Gross Total	263228.24	62798	13928	2019	3365	0	850	0	0	1790	284
APL	346635	175058	16835	0	0	10874	9875	654	654	26038	2764
Net Total	609863.24	237856	30763	2019	3365	10874	10725	654	654	27828	3048
Sugar	86022	28231	10748	4147	0	0	NA	NA	NA	5613.53	0

(Source: Departmental records)

- As could be seen from the above, out of 847719.24 MT foodgrains (609863.24 MT rice and 237856 MT Wheat) allocated by GOI during 2005-11, the Department failed to lift 30876 MT foodgrains (27828 MT rice and 3048 MT wheat) even after extension of maximum time limit granted by GOI. Thus, the Department failed to lift 30876 MT of foodgrains which deprived the beneficiaries to that extent.
- There was delay in lifting of 59054 MT foodgrains ranging from one month to more than one year. The delay in lifting of foodgrains resulted in delay in distribution to the beneficiaries which are also discussed in paragraph 8.1 & 12.3.
- Similarly, against the allocation of 86022 MT levy sugar for the last six years, the Department authorised the stockist to lift only 80408.47 MT sugar resulting in lapse of 5613.53 MT of sugar. The Department attributed the lapse to non-availability of levy sugar with FCI, Dimapur. Besides, during the last six years 43126 MT (50 per cent) sugar was lifted after a delay ranging from one to eleven months.

While accepting the facts, the Department stated (October 2010 and December 2011) that the period of delay in lifting of commodities had reduced substantially from 2008 onwards after operation of closed FSDs at Tuensang, Mon and Mokochung.

7.3 Distribution- Below Poverty Line

The identified BPL beneficiaries were entitled to 35 Kgs foodgrains (28 kg rice and 7 kg wheat or 35 kg rice or 35 kg wheat) per month at a price of ₹6.15 and ₹6.25 per kg of rice and wheat (atta) respectively. The requirement, allocation and quantity of foodgrains lifted and lapsed are detailed below:

Table No. 7.2

year	Targeted BPL beneficiaries	Requirement for the targeted group		Quantity allocated by GOI through FCI		Total foodgrains lifted from FCI		Quantity not lifted/lapsed		Remarks
		Rice	Wheat	Rice	Wheat	Rice	Wheat	Rice	Wheat	
		3	4	5	6	7	8	9	10	
2005-06	86400	21773	5443							Variation in allocation & non-lifting was due to switch over of 9900 beneficiaries from BPL to AAY.
2005-06	76500	6426	1606	29160	7116	28306	6909	854	207	
2006-07	76500	25842	6288	25824	6288	25824	6218	0	70	
2007-08	76500	25926	6204	25908	6204	25908	6204	0	0	
2008-09	76500	25926	6204	25908	6204	25908	6204	0	0	
2009-10	76500	25926	6204	25908	6204	25908	6204	0	0	
2010-11	76500	25926	6204	25908	6204	25908	6204	0	0	
Total	545400	157745	38153	158616	38220	157762	37943	854	277	

(Source: GOI orders and Departmental records)

As could be seen from the above table, a total of 195898 MT foodgrains (157745 MT rice + 38153 MT wheat) were required for distribution at the prescribed scale against which the GOI allocated 196836 MT foodgrains (158616 MT rice + 38220 MT wheat) to the State for distribution during 2005-11. Against the GOI allocation, the Department lifted

only 195705 MT and therefore 1131 MT foodgrains valued at ₹59.74 lakh were allowed to lapse.

The Department while accepting the facts (December 2011) stated that this was due to switching over of 9900 BPL beneficiaries to the category of AAY, the transition period for which took 9 months during which period the allocation lapsed.

7.3.1 As against the authorised foodgrains of 9437.40 MT for BPL beneficiaries under Tuensang during the period covered in audit, the three test checked PDCs received 4682.10 MT of foodgrains of which the six test checked FPS were entitled to receive 4207.76 MT of foodgrains (*Appendix-I*).

Scrutiny of the six test checked FPS however revealed that against their entitlement of 4207.76 MT, the FPS received only 926.65 MT resulting in short receipt of 3281.11 MT foodgrains valued at ₹ 1.73 crore during 2005-11. The short receipt of foodgrains not only deprived the beneficiaries of availing 35 kgs foodgrains per month by 1302 BPL families but was also fraught with the risk of diversion to open market.

The Department in reply (December 2011) stated that full materials were received and distributed by the FPS/Village Council and also enclosed the certificates to that effect stating only delay in receipt and poor maintenance of records. The fact however, remains that the same FPS/Village Councils reported short receipt in October 2010 and July 2011, for the commodities received under PDS during 2005-11. The matter therefore, requires further investigation.

7.4 Distribution- adhoc additional Below Poverty Line

GOI allocated adhoc additional 9510 MT BPL foodgrains (7672 MT rice and 1838 MT wheat) under TPDS during 2010-11. The adhoc additional allocation was meant to be provided @ 35 Kgs foodgrains (28 kg rice and 7 kg wheat or 35 kg rice or 35 kg wheat) in six phases at Central Issue Price to those BPL households which were not covered in the existing list of BPL beneficiaries.

As per the guidelines issued by the GON, ADS/SOS of respective districts were required to identify the BPL beneficiaries who were not covered in the existing BPL list.

Scrutiny of records in four test checked districts revealed that out of 9510 MT of foodgrains, 3595.59 MT were earmarked for 8576 beneficiaries in four districts of Dimapur (2780), Peren (1720), Zunheboto (2144) and Tuensang (1932). Against the earmarked allocation, the four districts received and distributed only 2690.50 MT of foodgrains resulting in short receipt of 905.09 MT.

7.5 Distribution- Antyodaya Anna Yojana

The Department provides 35 kgs foodgrains per family per month with effect from April 2002 at the rate of ₹2 per kg for wheat and ₹3 per kg for rice to 37600 AAY identified families which was increased to 47500 families since January 2006.

The scale of foodgrains @28 kg rice and seven kg wheat per month per beneficiary was approved by the GOI considering the food habit of the State. The requirement, allocation and quantity of foodgrains lifted and lapsed are detailed below:

Table No. 7.3

(In MT)

Year	Targeted AAY beneficiaries	Requirement for the targeted group		Quantity allocated by GOI through FCI		Total foodgrains lifted from FCI		Quantity not lifted /lapsed		Remarks
		Rice	Wheat	Rice	Wheat	Rice	Wheat	Rice	Wheat	
1	2	3	4	5	6	7	8	9	10	11
2005-06	37600	9475	2369	12672	3132	12151	3125	521	7	Variation in allocation and non-lifting was due to transfer of 9900 beneficiaries from BPL to AAY
2005-06	47500	3990	998							
2006-07	47500	15990	3960	16008	3960	15990	3960	18	0	
2007-08	47500	16038	3912	16056	3912	16038	3912	18	0	
2008-09	47500	16038	3912	16056	3912	16038	3912	18	0	
2009-10	47500	16038	3912	16056	3912	16038	3912	18	0	
2010-11	47500	16038	3912	16056	3912	16038	3912	18	0	
Total		93607	22975	92904	22740	92293	22733	611	7	

(Source: GOI orders and Departmental records)

A total of 116582 MT foodgrains were required for distribution at the prescribed scale and the GOI allocated 115644 MT foodgrains to the State against which the Department lifted 115026 MT leaving 618 MT foodgrains unlifted/lapsed which deprived 246 AAY beneficiaries.

The Department in reply (December 2011) stated that the process of switching over of 9900 BPL to AAY took nine months which resulted in non-lifting of foodgrains.

7.5.1 As against the authorised foodgrains of 9992.43 MT for AAY beneficiaries under Tuensang during the period covered in audit, the three test checked PDCs received 5560.69 MT of foodgrains of which the six test checked FPS were entitled to receive 4849.40 MT of foodgrains (*Appendix-II*).

Scrutiny of the six test checked FPS however, revealed that against their entitlement of 4849.40 MT, the FPS received only 442.92 MT resulting in short receipt of 4406.48 MT valued at ₹ 1.20 crore during 2005-11. The short receipt of foodgrains not only deprived the beneficiaries of availing 35 kgs foodgrains per month to 1749 AAY families but was also fraught with the risk of diversion to open market.

The Department in reply (December 2011) stated that full materials were received and distributed by the FPS/Village Council and also enclosed the certificates to that effect stating only delay in receipt and poor maintenance of records. The fact however, remains that the same FPS/Village Councils reported short receipt in October 2010 and July 2011, for the commodities received under PDS during 2005-11. The matter therefore, requires investigation.

7.6 Distribution - Annapurna

Indigent senior citizens in the age group of 65 years and above, who were eligible for old age pension under the National Old Age Pension Scheme (NOAPS) but were not in receipt of the pension, were covered under “Annapurna Scheme”. They were entitled to receive 10 kgs of rice per person per month free of cost under the scheme.

The overall position of allocation, lifting and distribution of foodgrains by the State Government against the funds received from the GOI under the programme is detailed below:

Table No. 7.4

year	OB	Targeted Annapurna beneficiaries	Requirement of rice for the targeted group (MT)	Quantity allocated by GOI through FCI (MT)	Total foodgrains lifted from FCI (MT)	Quantity not lifted /lapsed (MT)	Distributed to targeted group (MT)	Funds released by GOI during the year (₹ in lakh)	Expenditure(₹ in lakh)			Total (₹ in lakh)	Balance (₹ in lakh)
									FCI	Printing of RC	others		
1	2	3	4	5	6	7	8	9	10	11	12	13	14
2005-06	5.32	6727	807.24	807.24	807.24	0	807.24	51.00	45.61	0	0	45.61	10.71
2006-07	10.71	6727	807.24	807.24	464.24	343	464.24	74.94	26.23	0.90	23.08	50.21	35.44
2007-08	35.44	6727	807.24	807.24	807.24	0	807.24	101.98	45.61	0	3.69	49.30	88.12
2008-09	88.12	6727	807.24	807.24	807.24	0	807.24	0	45.61	0	9.00	54.61	33.51
2009-10	33.51	6727	807.24	0	0	0	0	53.25	0	0	0	0	86.76
2010-11	86.76	6727	807.24	807.24	807.24	0	807.24	0	45.61		19.91	65.52	21.24
Total			4843.44	4036.20	3693.20	343	3693.2	281.17	163.06	0.9	55.68	265.25	21.24

(Source: GOI allocation orders & Departmental records)

As seen from the table, during 2006-07, the Department did not lift 343 MT rice for five months (July to November 2006) due to non-deposit of cost of rice to FCI within the time frame fixed (May 2006) by GOI. Further, GOI did not allocate rice for 2009-10 (12 months) due to the delay in submission of UC for 2008-09 by the State Government though the funds against both the above allocations were provided by GOI. Thus, due to ineffective management by the Department, 6727 beneficiaries were deprived of the benefit of free rice for 17 months.

The Department in reply (December 2011) stated that failure on the part of the Planning Department in submission of UCs in time to GOI had resulted in non-receipt of foodgrains.

7.6.1 According to Annapurna Scheme guidelines, GOI would provide the funds for the foodgrains and the State Government was required to provide funds for manpower and transportation for subsequent distribution of foodgrains to the end beneficiaries. During the period from 2005-11, the Department received ₹281.17 lakh from GOI being the cost of foodgrains. Out of the funds released by GOI, the Department incurred an expenditure of ₹28.15 lakh for procurement of one truck (TATA), two mini trucks and a Bolero vehicle during 2006-07 and 2008-09 in contravention of scheme guidelines. Besides, the Department retained ₹21.24 lakh in the bank account till March 2011.

The Department accepted the facts (December 2011).

7.6.2 To verify the distribution of rice under Annapurna Scheme, four districts were test checked in audit which revealed the following:

- Out of the total allocation of 443.85 MT rice in Tuensang district (*Appendix-III*) for the period from 2005-11, the three test checked PDCs were allocated 229.90 MT. of which, the six test checked FPS were allocated 139.06 MT. However, test check revealed that the six FPS received only 77.90 MT resulting in short receipt of 61.16 MT rice valued at ₹ 3.45 lakh by the FPS.

The Department in reply (December 2011) stated that full materials were received and distributed by the FPS/Village Council and also enclosed the certificates to that effect. The fact however, remains that the same FPS/Village Councils reported short receipt in October 2010 and July 2011, for the commodities received under PDS during 2005-11. The matter, therefore, requires investigation.

Thus, the Department incurred ₹28.15 lakh in contravention of Scheme guideline. Short distribution of 61.16 MT rice to the FPS not only deprived 111 beneficiaries for 55 months but was also fraught with the risk of diversion of foodgrains to the open market.

7.7 Lapse of foodgrains allocated for Above Poverty Line families

Provision for distribution of foodgrains was extended to APL families at a scale of 35 kgs per month. On receipt of applications, the Department was required to verify the authenticity of the applicants and issue APL ration cards at a cost of ₹15 which were to be renewed every two years on payment of ₹13 per card. Considering the prevalent food habit of the people in the State, the scale of foodgrains was fixed at 28 Kg rice and 7 Kg wheat per month per beneficiary.

The allocation and lifting of foodgrains to APL beneficiaries are detailed in the table below:

Table No. 7.5

(In MT)

Year	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Total
Allocation-Rice	71640	52428	56706	52320	52320	52320	337734
Allocation-Wheat	50400	24576	25550	22476	24349	22476	169827
Total Allocation of foodgrains	122040	77004	82256	74796	76669	74796	507561
Lifting of Rice	50426	52307	54574	52320	52320	52320	314267
Lifting of Wheat	50400	24576	22899	22476	21665	22476	164492
Total Lifting	100826	76883	77473	74796	73985	74796	478759
Lapsed-Rice	21214	121	4703	0	0	0	26038
Lapsed-Wheat	0	0	80	0	2684	0	2764
Total quantity Lapsed	21214	121	4783	0	2684	0	28802

As can be seen from the above, out of the total allocation of 507561 MT foodgrains for APL during 2005-11, the Department lifted only 478759 MT foodgrains. Due to non-lifting of foodgrains from the FCI within the time frame fixed by GOI, the Department

allowed 28802 MT of foodgrains (26038 MT rice and 2764 MT wheat) valued at ₹23.30 crore¹⁸ to lapse.

While accepting the facts (December 2011) the Department stated that non-lifting of APL rice during 2005-07 was due to the price of rice at FCI remaining almost equal to the price in the open market during the period.

7.7.1 Diversion of foodgrains to the open market out of allocation for APL families

The Director, FCS issued 59751 Above Poverty Line (APL) ration cards to the districts during 2005-11, out of which the district authorities had issued 42051 APL ration cards valid for two years during the aforementioned period.

The lifting vis-à-vis requirement of foodgrains in the State during the period from 2005 to 2011 is detailed in the following table:

Table No.7.6

	(In MT)
<i>Allocation of Rice</i>	337734
<i>Allocation of Wheat</i>	169827
<i>Total Allocation of foodgrains</i>	507561
<i>Requirement of Rice</i>	84774.82
<i>Requirement of Wheat</i>	21193.70
<i>Total requirement of foodgrains</i>	105968.52
<i>Lifting of Rice</i>	314267
<i>Lifting of Wheat</i>	164492
<i>Total lifting of foodgrains</i>	478759
<i>Excess lifting of rice as compared to the requirement</i>	229492.18
<i>Excess lifting of wheat as compared to the requirement</i>	143298.30
<i>Total excess lifting of foodgrains as compared to the requirement</i>	372790.48

It is evident from the above that the Department lifted 478759 MT of foodgrains (314267 MT rice and 164492 MT wheat) for 189983 APL beneficiaries against the requirement of 105968.52 MT of foodgrains (84774.82 MT rice and 21193.70 MT wheat) for 42051 beneficiaries during 2005-11. Thus, the Department lifted 372790.48 MT of foodgrains (229492.18 MT¹⁹ rice and 143298.30 MT²⁰ wheat) costing ₹277.89 crore²¹ in excess of actual requirement from GOI. The possibility of diversion of excess foodgrains with an estimated value of ₹479.49 crore²² (₹14000 per MT in respect of rice and ₹11040 per MT in respect of wheat²³) to the open market and resultant unintended benefit of ₹201.60 crore (₹479.49 crore - ₹277.89 crore) to the state stockists cannot be ruled out. Further, considering the food habits of the people of Nagaland where rice is predominantly consumed, the possibility of 143298.30 MT of wheat being diverted for sale outside the

¹⁸ 26038 MT rice x ₹8300 per MT + 2764 MT wheat x ₹6100 = ₹23.30 crore

¹⁹ 42051 x 28Kgs. x 12 months x 6 years / 1000 = 84774.82 MT

²⁰ 42051 x 7Kgs. X 12 months x 6 years / 1000 = 21193.70 MT

²¹ 229492.18 MT rice x ₹8300 per MT + 143298.30 MT wheat x ₹6100 = ₹277.89 crore

²² 229492.18 MT rice x ₹14000 per MT + 143298.30 MT wheat x ₹11040 = ₹479.49 crore

²³ The minimum wholesale price during the period covered by audit as available from the weekly report (March 2007) of the Department of Food and Civil Supplies, Nagaland to the Ministry of Consumer Affairs, New Delhi have been considered to arrive at the money value of foodgrains.

State valuing ₹ 70.79 crore²⁴ seems to be strong. Therefore, the entire matter requires thorough investigation.

In order to substantiate the above diversion, an attempt was made to analyse the actual distribution of foodgrains in the test-checked districts. As against 42051 APL beneficiaries in the State, 30351 beneficiaries comprising 72 per cent were covered in the four test-checked districts.

The position of requirement, allocation and distribution of foodgrains in the four test checked districts for the period from 2005 to 2011 is given in the Table below:-

Table No. 7.7

(In MT)

Name of the district	Total number of beneficiaries as per APL ration cards	Requirement of foodgrains		Allocation of foodgrains made by the Department		Receipt and distribution of foodgrains made by the ADS/SOS		Short distribution of foodgrains		Total quantity of short distribution of foodgrains
		Rice	Wheat	Rice	Wheat	Rice	Wheat	Rice	Wheat	
Dimapur	19101	38508	9627	40320	17280	7300	0	33020	17280	50300
Peren	8250	16632	4158	28800	7200	9600	0	19200	7200	26400
Zunheboto	3000	6048	1512	25200	10800	3631.78	0	21568.22	10800	32368.22
Tuensang	0	0	0	32400	14400	4800	0	27600	14400	42000
Total	30351	61188	15297	126720	49680	25331.78	0	101388.22	49680	151068.22

(Source:-Departmental figures)

As would be seen from the table, against the requirement of 76485 MT of foodgrains (61188 MT rice plus 15297 MT wheat) during the above period, the Department allocated 176400 MT of foodgrains (126720 MT rice plus 49680 MT wheat), i.e. an excess of 99915 MT representing 131 per cent above the requirement. Against this allocation of 176400 MT of foodgrains (126720 MT rice and 49680 MT wheat), the Department lifted 165926 MT²⁵ rice and 48675 MT wheat²⁶ from the FCI for distribution to the four test-checked districts during the above period.

Though the Department had allocated 131 per cent more than the requirement and also lifted 117 per cent more than the requirement, the distribution to the beneficiaries was only 25331.78 MT thus depriving the needy of 51153.22 MT (67 per cent) of foodgrains. Surprisingly, against the requirement of 15,297 MT of wheat, distribution of this foodgrains was nil.

Further, this strengthens the finding of audit in the previous para as the possibility of diversion of excess 91919.22 MT²⁷ rice and 48675 MT wheat costing ₹105.98 crore²⁸ to the open market for ₹182.42 crore²⁹ (₹ 14000 per MT in respect of rice and ₹ 11040 per MT in respect of wheat³⁰) and estimated unintended benefit of ₹76.44 crore (₹182.42

²⁴ (143298.30 MT wheat x ₹11040) minus 143298.30 MT wheat x ₹6100 = ₹ 70.79 crore

²⁵ 126720 MT rice – 9469 MT rice which was lapsed quantity against the 4 test checked districts) = 117251 MT rice

²⁶ 49680 MT wheat – 1005 MT which was lapsed quantity against the 4 test checked districts) = 48675 MT wheat.

²⁷ 117251 MT rice – 25331.78 MT rice = 91919.22 MT rice

²⁸ 91919.22 MT rice x ₹8300 plus 48675 MT wheat x ₹ 6100 = ₹ 105.98 crore.

²⁹ 91919.22 MT rice x ₹14000 per MT plus 48675 MT wheat x ₹ 11040 per MT = ₹182.42 crore

³⁰ The minimum wholesale price during the period covered by audit as available from the weekly report (March 2007) of the Department of Food and Civil Supplies, Nagaland to the Ministry of Consumer Affairs, New Delhi have been considered to arrive at the money value of foodgrains.

crore -₹105.98 crore) to the state stockists in the four test-checked districts itself cannot be ruled out. The estimated unintended benefit in the remaining seven districts was ₹125.16 crore.

The Department in its reply (December 2011) stated that GOI did not take the requirement of the State but made assessment on the basis of the off take of foodgrains in the previous year and the Department issued the excess allocation to non-card holders. The reply itself indicates that the foodgrains were diverted to open market.

7.7.2 Distribution- adhoc- additional Above Poverty Line families

GOI allocated adhoc additional 14132 MT APL foodgrains (8901 MT rice and 5231 MT wheat) under TPDS during 2010-11 to all the accepted number of families (AAY, BPL & APL) at a price of ₹11.85 per kg rice and ₹8.45 per kg for wheat in three phases @ 35 kg foodgrains (28 kg rice and 7 kg wheat or 35 kg rice or 35 kg wheat). The Government of Nagaland did not frame any guidelines to identify the additional beneficiaries.

Scrutiny of records of four test checked districts revealed that though 5402 MT foodgrains (3398 MT rice and 2004 MT wheat) were earmarked and stated to be released to the districts, none of the districts received the allocated foodgrains under this special programme. Instead the foodgrains were distributed through the allottees/permit holders in violation of Scheme guidelines.

Thus, the Department diverted 5402 MT foodgrains valued ₹ 5.48 crore³¹ provided at subsidised rate to the open market.

The Department while accepting (December 2011) stated that keeping in view the requirement of the public, foodgrains under adhoc additional was made through allottees/permit holders of respective districts nominated by the Government.

7.8 Distribution of Levy Sugar

Government of India fixed the annual allocation of 14148 MT of levy sugar in respect of Nagaland since 2001. The Department fixed the district-wise allocation on lump sum basis and continued to allot without any change. Levy sugar (six kg per month per card holder) is distributed through the FPS irrespective of distinctive ration cards at an average end user price of ₹ 15/kg fixed by GON. However, the ration cards do not have a column for recording the sugar consumption of card holders except in APL cards. In the absence of such vital records, audit could not verify the actual receipt of sugar by the beneficiaries.

The position of allocation, lifting and distribution of levy sugar for the period 2005-11 is detailed in the table below:

³¹ Average cost of foodgrains(₹ 11.85+₹ 8.45 per Kg)/2 X 5402 MT=₹ 5.48 crore

Table No. 7.8

(In MT)

Year	Total allocation by GOI	Lifted	Non - lifted/lapsed	Allocation made to					Receipt and Issue/distribution reported at					Short in supply to Districts
				Dimapur	Peren	Tuensang	Zunheboto	TOTAL	Dimapur	Peren	Tuensang	Zunheboto	Total	
2005-06	14192	14192	0	1200	312	1344	960	3816	50	0	26.10	0	76.10	3739.90
2006-07	14334	14334	0	1800	540	1980	1440	5760	50	15	65	0	130	5630.00
2007-08	14148	14148	0	1243.2	393.6	556.8	868.8	3062.4	103.60	15	40.00	0	158.60	2903.80
2008-09	14148	8578.47	5569.53	684	180	732	588	2184	120	25	66.40	0	211.40	1972.60
2009-10	14880	14836	44	2400	1200	3360	2400	9360	50	0	187.50	160	397.50	8962.50
2010-11	14320	14320	0	1770	1296	1014	1254	5334	250	150	40	250	690	4644.00
Total	86022	80408.47	5613.53	9097.2	3921.6	8986.8	7510.8	29516.4	623.6	205	425	410	1663.6	27852.8

(Source: Departmental records)

- Out of the allocation of 86022 MT levy sugar by GOI during 2005-11, the Department lifted 80408.47 MT levy sugar for 11 districts and allowed 5613.53 MT to lapse due to non-availability of the commodity with FCI, out of the allocation made.
- Further, against 80408.47 MT of levy sugar lifted, the Department furnished UC to GOI for 67093.60 MT levy sugar for the period from 2005-11. The Department could not furnish any records in connection with the issue/distribution of 13314.87 MT of levy sugar valued at ₹ 19.97 crore which remained unaccounted.

In reply the Department stated (July 2011) that levy sugar was directly distributed to the allottee/permit holders by the Government.

The fact however, remained that distribution of sugar through the permit holders was against the Scheme guidelines and resulted in diversion of sugar to open market. This also indicates that there was no proper monitoring mechanism in the Department.

- Scrutiny of the UCs in four test-checked districts also revealed that against the allocation of 29516.40 MT levy sugar, the ADSs/SOS of the four test checked districts received only 1663.60 MT levy sugar resulting in short receipt of 27852.80 MT levy sugar valued at ₹ 41.78 crore which needs proper examination.

The Department while accepting (December 2011) stated that the lapse of sugar was due to non-availability of sugar with the FCI. Further, it stated that sugar being a perishable item was distributed through allottees/permit holders of respective districts nominated by the Government. However, the fact remains that this is in violation of the prescribed guidelines.

7.9 Other Operational programmes

7.9.1 Superior Kerosene Oil (SKO)

7.9.1.1 Allocation and lifting of SKO

The Director, FCS on receipt of allocation of Superior Kerosene Oils on quarterly/monthly basis from Ministry of Petroleum and Natural Gas, GOI, allocates the same to the districts on the basis of number of household position (both urban and rural areas) submitted by the district supply authorities. The distribution of SKO is limited to three litres for single LPG cylinder holder (urban) and five litres for non ration card holders (rural) per month through FPS. Distribution was, further, revised (February 2008) to 4.71 litres per household per month through APL ration cards.

The position of allocation and lifting of SKO during 2005-11 is shown in the table below:

Table No. 7.9
Allocation and lifting of SKO for the State during 2005-11

<i>(In Kilo Litres)</i>		
Year	Allocation	Lifting
2005-06	17100	17064
2006-07	17487	17475
2007-08	17100	17073
2008-09	17100	17100
2009-10	17100	17103
2010-11	17100	17088
Total	102987	102903

Source: Director, FCS, Nagaland and SLC, Nagaland

7.9.1.2 Utilisation Certificates

Though the Department claimed lifting of 102903 KL SKO from the IOC and showed distribution to the districts, the Department could not furnish to audit the consolidated consumption reports and records relating to subsequent distribution to the beneficiaries. In the absence of detailed consolidated utilisation reports, the authenticity of actual distribution to the beneficiaries could not be ascertained in audit.

The Department while accepting stated that the UCs were misplaced due to poor attention at the initial stage of reporting (December 2011).

7.9.1.3 Monthly allocation of SKO to the districts

With effect from February 2008, the Department distributes the SKO lifted from the IOC to 11 districts as per the monthly requirements as detailed below:

Table No. 7.10

Name of the District	Monthly Requirement (4.71 litre per household) (KL)	Distribution		Total distribution	Excess (+)/ Short (-) in distribution (2-5) (KL)
		by the Department	Permit holders		
1	2	3	4	5	6
Dimapur	10849.00	6555.00	11172.00	17727.0	(+)6878.00
Peren	2687.74	1881.00	1368.00	3249.00	(+)561.26
Phek	4410.66	3249.00	4104.00	7353.00	(+)2942.34
Kohima	5237.92	4788.00	1026.00	5814.00	(+)576.08
Total (A)	23185.32	16473	17670	34143	(+)10957.68
Kiphire	2794.14	1539.00	1026.00	2565.00	(-)229.14
Zunheboto	4088.42	2736.00	0	2736.00	(-)1352.42
Tuensang	4943.42	2736.00	0	2736.00	(-)2207.42
Mon	5910.90	3420.00	0	3420.00	(-)2490.90
Mokokchung	6405.28	4275.00	0	4275.00	(-)2130.28
Longleng	2766.40	1368.00	0	1368.00	(-)1398.40
Wokha	4056.12	2907.00	0	2907.00	(-)1149.12
Total (B)	30964.68	18981	1026	20007	(-)10957.68
Total (A+B)	54150.00	35454.00	18696.00	54150.00	0

(Source: Director, FCS, Nagaland)

As could be seen from the table, against the requirement of 23185.32 KL in four districts of Dimapur, Phek, Peren and Kohima, 34143 KL was distributed to these districts by diverting the allocation meant for the remaining seven districts during the period from February 2008 to March 2011. Irregular diversion of 10957.68 KL of SKO deprived 173071 households in seven districts to avail the benefits of SKO.

In the absence of accurate and regular data regarding actual lifting and distribution of SKO at district level, the position of actual intake of SKO at the end level could not be ascertained. The Department also irregularly diverted 10957.68 KL of SKO to four districts.

The Department in reply (December 2011) stated that allocation was made on the basis of floating population from rural to urban areas. The reply is not acceptable as the Department could not furnish records indicating the quantum of migrating beneficiaries from rural to urban and from one district to another district during 2008-11.

7.10. Allocation and distribution of SKO through Agencies in the test-checked districts.

Audit scrutiny of the allocation and distribution of SKO in the four test checked districts disclosed the following:

1. Dimapur

In Dimapur district, the allocated SKO was distributed through five agencies during the last six years. Test check of three agencies (out of five agencies) disclosed the following:

Performance Audit on Public Distribution System

Table No. 7.11

(In Kilo Litres)

Year	Total lifting of SKO through 3 ³² agencies	Distribution through the test checked 3 agencies												Total reported distribution
		RBCA				NSC				PCTC				
		ADS/FPS	Administration	Permit holders	Total	ADS/FPS	Administration	Permit holders	Total	ADS/FPS	Administration	Permit holders	Total	
<i>1</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>	<i>11</i>	<i>12</i>	<i>13</i>	<i>14</i>	<i>15</i>	<i>16</i>
2005-06	2556	125.52	306.48	144	576	97.5	233.05	533.45	864	171.12	260.88	684	1116	2556
2006-07	3468	109.2	247.8	288	645	141.97	177.84	796.19	1116	171.12	260.88	1275	1707	3468
2007-08	3726	131	202	279	612	130.08	244.2	705.72	1080	0	0	2034	2034	3726
2008-09	4239	203	121	324	648	147.72	604.32	543.96	1296	0	0	2295	2295	4239
2009-10	4293	0	0	936	936	113.28	483.96	392.76	990	290.52	357.48	1719	2367	4293
2010-11	4470	48	168	546	762	129.12	734.88	351	1215	331.44	100.56	2061	2493	4470
Total	22752	616.72	1045.28	2517	4179	759.67	2478.25	3323.08	6561	964.2	979.8	10068	12012	22752

(Source: Departmental figure & Agency figure)

Out of the total reported distribution of 22752 KL SKO by the three agencies, 2340.59 KL (Column 4+8+12) SKO was distributed through FPS, 4503.33 KL SKO was distributed directly by the District Administration and 15908.08 KL SKO was distributed by the unlicensed permit holders during 2005-11.

In connection with the distribution of 15908.08 KL of SKO allotted to the unlicensed permit holders, neither the Department nor the District Administration of Dimapur could furnish records showing the details of distribution to the households. The possibility of diversion of the SKO allotted to the unlicensed permit holders valued at ₹ 13.52 crore³³ to open market cannot be ruled out. Diversion to open market is also fraught with the risk of adulteration.

2. Peren

The position of allocation and distribution of SKO in Peren district through M/s B. Zeliang during the last six years is as given below:

Table No. 7.12

(In Kilo Litres)

Year	Total allocation made by IOC for the district	lifting and distribution made through agency	Distribution through the test checked B.Zeliang				Total reported distribution		
			ADS/FPS	Administration	Others ³⁴	Total			
2005-06		1647		1647	339	228	1080	1647	1647
2006-07		1548		1548	366	228	954	1548	1548
2007-08		999		999	366	228	405	999	999
2008-09		1026		1026	366	228	432	1026	1026
2009-10		1026		603	357	228	18	603	603
2010-11		864		540	300	240	0	540	540
Total	7110	6363		6363	2094	1380	2889	6363	6363

(Source: Departmental figure & Agency figure)

Against the allocation 7110 KL of SKO by the IOC, the agency lifted and distributed 6363 KL during 2005-11 of which, 2094 KL was distributed through the FPS, 1380 KL

³² Rai Bahadur Chunilal (RBC), National Service Centre (NSC), Phul Chand Trilok Chand (PCTC)

³³ Average cost of ₹ 8.50 x 15908080 litres = ₹ 13.52 crore

³⁴ Permit holders, private schools, individuals etc

by the District Administration and 2889 KL distributed to the unlicensed permit holders, individuals, private schools etc.

In connection with the distribution of 2889 KL of SKO distributed to the unlicensed permit holders, individuals and private schools, neither the Department nor the District Administration of Peren could furnish records showing the details of distribution to the households. The possibility of diversion of the SKO valued ₹ 2.45 crore allotted to the unlicensed permit holders to open market cannot be ruled out. Diversion to open market is also fraught with the risk of adulteration.

3. Zunheboto

The position of allocation of SKO in Zunheboto district through Rai Bahadur Chunilal Agency during the last six years is given below:

Table No. 7.13

(In Kilo Litres)

Year	Total allocation made by IOC for the district	Lifting and distribution made through agency	Distribution through the test checked RBCA				Total reported distribution
			ADS/FPS	Administration	Others	Total	
2005-06	864	864	173.40	513.6	177	864	864
2006-07	864	864	288	535.2	40.8	864	864
2007-08	945	945	288	616.2	40.8	945	945
2008-09	864	864	288	535.2	40.8	864	864
2009-10	864	864	288	535.2	40.8	864	864
2010-11	864	864	396.60	385.8	81.6	864	864
Total	5265	5265	1722	3121.2	421.8	5265	5265

(Source: Departmental figure & Agency figure)

Out of the total reported distribution of 5265 KL of SKO during 2005-11, 1722 KL was distributed through the FPS, 3121.2 KL by the District Administration, Zunheboto and 421.80 KL distributed to the unlicensed permit holders, individuals, private schools etc.

In connection with the distribution of 421.80 KL of SKO distributed to the unlicensed permit holders, individuals and private schools, neither the Department nor the District Administration of Peren could furnish records showing the details of distribution to the households. The possibility of diversion of the SKO valued at ₹35.85 lakh allotted to the unlicensed permit holders to open market cannot be ruled out. Diversion to open market is also fraught with the risk of adulteration.

The Department while accepting that the SKO was issued to non-card holders stated that (December 2011) UCs were misplaced. However, the Department did not furnish any reply in respect of the audit observation on diversion of SKO through unlicensed permit holders.

7.11 Procurement of SKO at non-subsidised rate from IOC Agents

The GON/GOI fixed the wholesale price at ₹ 12.93 per litre by the IOC in respect of agency at Tuensang effective from July 2010. However, the District Administration irregularly issued an order (July 2010) fixing the retail rate for FPS owners at ₹14.70 per

litre which resulted in putting an extra burden of ₹15.29 lakh on the FPS owners against the lifting of 864 KL during 2010-11. Subsequently, the FPS owners charged ₹16.70 per litre instead of ₹ 14.937 (wholesale price of ₹ 12.937 plus margin of ₹ 2) which in turn put an additional extra burden of ₹15.23 lakh on the beneficiaries.

While accepting the facts (December 2011) the Department stated that the DC fixed the rate above the Government approved rate due to oversight which has since been rectified. The fact remains that the beneficiaries had already been burdened with extra cost.

7.12 Interesting points on distribution of SKO

Against the annual allocation of 432 KL SKO for Longleng district, 264 KL were annually reserved for VIPs which deprived the public of the district. As the beneficiaries of the district were deprived of getting the SKO, the public of Longleng lodged a complaint to cancel the allocation of SKO to the VIPs. Based on the complaint, the Governor of Nagaland reviewed the complaint and cancelled (January 2008) the quota reserved for VIPs and directed the Department to streamline the distribution system through FPS. In spite of the directive issued by the Governor, the Deputy Commissioner, Longleng allotted only 282 KL through FPS and 150 KL was being distributed by the District administration. Such random violation of the directives of the constitutional authority resulted in denial of quota meant for the public.

While accepting the facts (December 2011) the Department stated that the issue was settled and no more complaints were received. The fact remains that SKO was being irregularly issued depriving the genuine beneficiaries.

7.13 Poor storage facility for SKO

The Legal Metrology Department and the IOC authorities were required to inspect the storage facility of petroleum products by the IOC agents to ascertain whether that conformed to the safety measures and specifications approved by the Indian Standards Institution to prevent occurrence of disaster and adulteration. However, neither the Legal Metrology Department nor the IOC authorities carried out any inspection to check the storage of SKO through the IOC agency. As could be seen from the photograph given below, the SKO agency in Tuensang district was found to be storing the SKO in over ground iron tank without any safety measures. Such exposure of petroleum products in open entails the risk to human life and to the environment in the case of leakage.



SKO Agency operated at Tuensang Photograph dated 9 July 2011

The Department in reply (December 2011) stated that the matter had been taken up with the IOC authorities. However, it was the responsibility of the Department to ensure adherence to safety standards.

7.14 Iodised Salt

Iodised Salt was distributed through the PDS with an intention to eradicate Goitre by discouraging sale of common salt. The yearly requirement of iodised salt in the State ranged from five to seven rakes³⁵. However, the Department did not receive any allocation during the period from 2005-08.

During 2008-09, Director, FCS conveyed the appointment of state stockist to the Salt Commissioner, Jaipur. However, the Department did not appoint sub-stockists to lift the consignment from the state stockists to the districts.

The Department received (March and April 2009) two rakes of Iodised salt consisting 73360 bags (36985 loose and 36375 bags of one kg packets) against the allocation of seven rakes made by the Salt Commissioner. The Department also fixed the selling price of iodized salt (September 2009) at Rs 3.92 per kg and Rs 4.12 per kg for loose and packet type respectively without obtaining the approval of the Salt Commissioner, Jaipur.

The consignments delivered in March 2009 and April 2009 were not tested by any medical authority for quality assessment. The Department did not appoint sub-stockists to lift and distribute the iodised salt to public through FPS. Thus, the perishable iodised salt delivered by the State stockist remained unsold leading to exposure in unhygienic storing facility.

Meanwhile National Iodine Deficiency Programme (NIDCP) reported (June 2010) 49 Goitre cases and confirmed the existence of iodine deficiency in the State. The policy of

³⁵ Rakes are wooden storage boxes with shelves separated from each other.

the Government to eradicate Goitre by banning the sale of common salt and introducing use of iodised salt was also defeated due to improper management by the Department.

The Department in reply (December 2011) stated that none of the stockist or the agencies were willing to procure the subsidised iodised salt brought by the State nominee as it had changed its colour to off-white. The reply is not acceptable as the Department was required to physically inspect the quantity and quality before taking delivery.

Conclusion

There were instances of non-lifting of 30876 MT foodgrains which in turn deprived the scheme beneficiaries.

The Department reported issue of 4207.76 MT BPL foodgrains to FPS in Tuensang district, against which the FPS received only 926.65 MT resulting in short receipt of 3281.11 MT BPL foodgrains. Similarly, against the reported issue of 4849.40 MT of foodgrains to FPS under Tuensang district for implementation of AAY, the FPS received only 442.92 MT resulting in short receipt of 4406.48 MT. The probable diversion of foodgrains to open market deprived 1302 BPL beneficiaries and 1749 AAY beneficiaries during 2005-11

Against the actual requirement of 105968.62 MT of foodgrains for 42051 APL beneficiaries, the Department lifted 478759 MT for 189983 beneficiaries. The exaggerated reporting of APL beneficiaries resulted in excess lifting of 372790.48 MT of foodgrains. However, test check of records in four districts revealed that against the allocation of 126720 MT of rice under APL, the districts received only 25331.78 MT resulting in short receipt of 101388.22 MT of rice.

Against GOI adhoc additional allocation of 14132 MT APL foodgrains during 2010-11, the Department reported release of 5402 MT to four districts. Test check in the four districts however, revealed that none of these districts received the foodgrains. Instead, the foodgrains were diverted to permit holders in violation of the scheme guidelines.

During 2005-11, the Department diverted 13314.87 MT levy sugar to unlicensed permit holders in violation of Scheme guidelines. There were instances of short receipt of 27852.80 levy sugar valued at ₹ 41.78 crore in four test checked districts.

Against the requirement of 30964.68 KL of SKO in seven districts, only 20007 KL of SKO was distributed to them resulting in short distribution of 10957.68 KL. The short distribution was diverted to the four districts where against the requirement of 23158.32 KL, the Department distributed 34141 KL.

Due to arbitrary fixation of rate by the District Administration of Tuensang district, the GOI approved wholesale price of SKO at ₹12.93 per litre from IOC by the FPS

were enhanced to ₹14.70 per litre. Thus, the end users were burdened with an additional cost of ₹30.52 lakh as the FPS sold the SKO to the end users at ₹16.70 per litre.

The policy of GOI to eradicate goitre by banning the sale of common salt in the State was defeated due to inefficient management in the Department for distribution of Iodised Salt.

Recommendations

Government should ensure proper and accurate allocation and distribution of all essential commodities through the Department of Food and Civil Supplies. The Department should conduct periodical verification and monitor the distribution of essential commodities under PDS to ensure that the commodities are not misused and diverted to open market.