

CHAPTER II
PERFORMANCE AUDIT

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This chapter contains Performance Audit on 'Implementation of Public Distribution System in the Union Territory of Puducherry'.

CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

2.1 Performance Audit on 'Implementation of Public Distribution System in the Union Territory of Puducherry'

Executive Summary

The Public Distribution System (PDS) was implemented in Union Territory of Puducherry with the aim of providing essential commodities to the poor at subsidised rate. Performance Audit on implementation of PDS was conducted to assess the effectiveness of Civil Supplies and Consumer Affairs Department in identifying eligible beneficiaries, supply of ration goods in timely manner, adequacy of financial arrangements and proper monitoring system to ensure proper distribution of food grains and to avoid diversion of essential goods. Performance Audit revealed the following significant audit findings:

Though Government of India (GOI) had identified only 83,600 Below Poverty Line (BPL) families as eligible for coverage under PDS with entitlement of 35 kg of food grains per family, the Union Territory Government identified more number of BPL families (1,44,658) leading to scaling down of rice entitlement of BPL families in order to match food grains allotment by GOI.

The Firm selected for implementation of Smart Ration Card system was not technically qualified resulting in delayed implementation. Follow up action for removing ineligible cards identified for enrollment under Smart Ration Card was incomplete.

Diversion of kerosene allotted under PDS was noticed while wheat was not supplied to beneficiaries in Yanam region despite availability of allocation.

Shortfall in inspection of Fair Price Shops was noticed and the State, District and Block level vigilance committees were not formed.

2.1.1 Introduction

The Union Territory (UT) Government introduced “Targeted Public Distribution System” (TPDS) with effect from June 1997, which envisaged that every family would be entitled to a certain quantity¹ of food grains at prescribed scales at specially subsidised prices. GOI also fixed the scale of issue to Antyodaya Anna Yojana (Poorest of poor) (AAY) families at 35 kg of food grains per family per month. This quantity is issued as rice or wheat or combination of both. With a view to provide food security to all, the UT government introduced Universal Public Distribution System (UPDS) with effect from January 2010 under which Below Poverty Line (BPL) families would get rice free of cost. Further UT Government also procured Single Boiled Rice (SBR) from open market and supplied 10 kg of rice free of cost to all cardholders in Puducherry and Karaikal regions with effect from November 2013. The distribution of ration goods viz., rice, wheat, sugar and kerosene was done through 516 Fair Price Shops (FPS) to 3,32,268² ration card holders.

2.1.2 Organisational set up

The Civil Supplies and Consumer Affairs Department is headed by the Secretary to Government. Director of Civil Supplies and Consumer Affairs (DCS) is the administrative head of the Department and is responsible for implementation of PDS. The Deputy Director, Karaikal and the Regional Administrators of Mahe and Yanam are the Heads of Office for Civil Supplies units in respective regions. The UT government had nominated Puducherry Agro Products, Food And Civil Supplies Corporation Limited (PAPSCO), a Government Company and M/s Yanam Co-operative Stores Ltd. (YCSL) as authorized agencies for lifting and transporting food grains from the Food Corporation of India (FCI) based on the permits issued by Department and delivery of ration goods to FPS.

2.1.3 Audit Objectives

The Performance Audit was conducted to evaluate whether

- the financial management was effective and economical to ensure that adequate food grains were lifted and only eligible beneficiaries were covered under PDS
- the system for identification of beneficiaries ensured issue of ration cards only to eligible families
- the system prescribed by the department for allocation, lifting, storage arrangements was effective and transparent to ensure

¹ Every BPL and AAY family is entitled to 35 kg of food grains

² 1,12,458 BPL, 32,200 AAY and 1,87,610 APL cards

availability of food grains at FPS and PDS items were distributed at specified quantities/rates in timely manner

- monitoring arrangements were adequate to ensure issue of food grains to all eligible beneficiaries and to avoid diversion

2.1.4 Audit Criteria

The audit findings were based on the criteria sourced from the following:

- Guidelines prescribed by GOI relating to identification of beneficiaries
- Provisions of PDS (Control) Order, 2001
- Orders of UT Government for streamlining PDS from time to time
- General Financial Rules

2.1.5 Audit scope and coverage

The Performance Audit was conducted (March-August 2014) covering the period from 2009-14 by test checking records relating to implementation of PDS at Secretariat, Directorate of Civil Supplies and Consumer Affairs, office of Deputy Director of Karaikal region, Civil Supplies units in Mahe and Yanam regions. Audit scrutinized the records relating to PDS in the offices of PAPSCO and YCSL and test checked records of 52 out of 516 FPS that were selected as sample units based on random sampling method.

2.1.6 Audit Methodology

An entry conference was held with the Secretary to Government during March 2014 where the audit objectives, audit criteria and analysis methods were discussed. Exit conference was held during November 2014 and audit findings were discussed with the audited entity. Response of Government (November 2014) to Audit points was also included with suitable comments. Audit also undertook a questionnaire-based survey of beneficiaries in sample FPS to ascertain efficacy of PDS, level of consumer satisfaction and reach of benefit to the public under the existing PDS. In total, 1,145³ beneficiaries participated in the survey and the results of survey were suitably included wherever necessary.

³ Puducherry-867, Karaikal-216, Mahe-11 and Yanam-51

Audit findings

2.1.7 Fund Management

Against the Budget provision of ₹ 278.84 crore, an amount of ₹ 277.53 crore was incurred on account of Public Distribution System during 2009-14. The Audit findings regarding fund management are discussed below:

2.1.7.1 *Excess expenditure due to lifting APL Rice instead of BPL Rice*

GOI allocates rice under AAY, BPL and APL at Central Issue Price (CIP) of ₹ 3,000/M.T, ₹ 5,650/M.T and ₹ 8,300/M.T respectively. The States/UTs were permitted to draw this allocation within a period of 50 days⁴. During September 2013, the requirement of BPL rice for Puducherry region was 1,688.600 MT and GOI allotted 1,344 MT. Out of this allotment PAPSCO lifted only 481.930 MT and allowed the balance quantity 862.07 MT of BPL allotment to lapse. However, in order to meet the balance requirement of 1,206.67 MT (1,688.600 – 481.930) under BPL category, PAPSCO lifted 169 MT of AAY rice and 1,037.670 MT of APL rice.

Thus, PAPSCO failed to lift the entire quantity of BPL allotment and met the balance requirement by lifting AAY/APL rice. Though the cost of AAY rice was lower than BPL rice, the cost of APL rice was much higher than BPL rice and this led to avoidable excess expenditure of ₹ 22.84 lakh⁵ being the differential cost between APL and BPL rice.

When pointed out, Government replied that PAPSCO was instructed to explain the reasons for incorrect lifting and in case of any discrepancy, differential cost would be recovered from it.

2.1.7.2 *Avoidable expenditure due to non-adoption of differential scale in supply*

While introducing UPDS (January 2010) the entitled scale⁶ of rice for BPL families was fixed as 10 kg per month free of cost for single member cards and 20 kg per month free of cost for more than single member cards. During July 2011, UT Government increased the scale of food grains for BPL families to 25 kg per month (20 kg rice and five kg wheat) free of cost without differentiating single or more than single member card. As a result, the single member cards were also distributed 20 kg of rice per month

⁴ From 1st of the month prior to the month of allocation to 20th day of the allocation month

⁵ 862.07 MT * ₹ 2,650/MT

⁶ Entitled scale as per GOI norms was 35 kg for BPL and AAY families

instead of 10 kg rice thus leading to excess distribution of food grains and avoidable expenditure.

A test check of 301 FPS in Puducherry region showed that as of March 2014 there were 4,762 single member BPL cards. Considering distribution of free rice from July 2011 to October 2013, the avoidable expenditure on procurement and distribution of 20 kg instead of 10 kg rice to 4,762 single member cards worked out to ₹ 99 lakh⁷.

When pointed out, Government replied that efforts would be taken to fix the quantity in accordance with number of family members.

2.1.7.3 *Avoidable excess payment towards Sales Tax*

According to provision of Taxation laws (Amendment) Act, 2007 made by Ministry of Finance, GOI either Central Sales Tax (CST) or State Sales Tax/VAT whichever is less would be levied on inter State sale. While CST on rice was two *per cent*, as per Kerala Government Finance Act, the effective rate of sales tax for rice and wheat was one *per cent* upto 2012-13. From 2013-14 the sales tax was revised as zero *per cent* for rice while one *per cent* sales tax continues for wheat.

PAPSCO purchased PDS rice and wheat from FCI, Kerala for distribution to FPS in Mahe region and FCI should collect only the Sales tax of Kerala as it is less than CST. However, while raising invoices FCI included two *per cent* as CST and the same was paid by PAPSCO without verifying tax rates, which resulted in excess payment of ₹ 3.04 lakh on 2,145.30 MT of rice and 958 MT of wheat lifted during November 2011-March 2014.

When pointed out, Government replied that Government of Kerala would be addressed for refund of excess amount or to adjust against future procurement.

2.1.7.4 *Failure to avail GOI subsidy under Decentralised Procurement System*

GOI introduced Decentralised Procurement (DCP) system of food grains during 1997-98 for PDS with a view to encourage local procurement to maximum extent thereby extending benefits of Minimum Support Price to local farmers and to reduce transportation costs. Under DCP, the State Government undertakes direct purchase of paddy, wheat and procurement of levy rice as per its' requirements and GOI undertakes to meet the entire expenditure. In the event of total quantity of rice thus procured falling short of total allocation made by GOI for meeting the requirement of PDS, GOI would meet the deficit out of Central Pool Stocks. GOI requested (January 2011) UT Government to consider adoption of DCP. However, DCP was not introduced in UT and UT Government approached GOI only

⁷ 4,762 @10 kg *28 months @ ₹ 7.45 per kg

in June 2014 for signing Memorandum of Understanding to declare UT as a DCP State. The consequences of not implementing DCP in UT are discussed below:

As there was continuous demand for distribution of SBR in Puducherry and Karaikal regions, the UT government decided (July 2012) to purchase SBR from open market and distribute 10 kg each to all card holders in Puducherry and Karaikal region and implemented it from November 2013. While approving the proposal for open market purchase (September 2013) UT Government decided to approach GOI either to declare Puducherry as a DCP State and or to revive the scheme of millers levy⁸ and procure SBR through FCI itself. While the proposal for declaring UT as a DCP state is yet to be approved, UT Government purchased 14,871.73 MT SBR from open market at a cost of ₹ 39.10 crore from November 2013 to March 2014. Had UT Government taken this action immediately on advice of GOI in January 2011 itself, the expenditure incurred for procurement of SBR would have been reimbursed by GOI resulting in savings of ₹ 23.94 crore⁹ (approx.).

TPDS aimed at providing food grains to poor families at subsidised rate. UT Government also issued (July 2013) an appeal to APL card holders requesting for voluntary surrender of their rights to draw ration free of cost and opt for Non-PDS cards to minimise wasteful expenditure and curb illegal diversion of PDS commodities. However, under the above scheme of procurement of SBR from open market, APL card holders were also provided rice at 10 kg per month free of cost from November 2013 causing additional financial burden of ₹ 21.51 crore during November 2013 to March 2014.

When pointed out, Government replied that suitable action would be taken after analyzing the facts furnished by Audit.

2.1.8 Identification of beneficiaries under PDS

Identification of eligible BPL families was a prerequisite for effective implementation of PDS. With a view to identify the eligible poor and vulnerable section of society for issue of essential commodities at subsidised rate, GOI prescribed (September 2002) 13 economic and social indicators which were to be considered for ranking and the method of ranking. However, the shortfalls in identifying the eligible beneficiaries to be covered under PDS in UT are discussed below.

⁸ Millers deposited SBR with FCI at the rate fixed by GOI and SBR was delivered under PDS quota at CIP fixed for each category (i.e AAY, BPL and APL categories)

⁹ 14,871.73 MT X ₹ 16,100 per MT (₹ 26,200 (cost of SBR) - ₹ 10,100 (issue price of APL rice))

2.1.8.1 Identification of more BPL families resulting in reduced entitlement

Mention was made in paragraph 5.1.7.2 of Report of the C&AG for the year ended 31 March 2007 regarding non-compliance of GOI orders to limit BPL cards to 83,600 as per Planning Commission estimates and instead identifying 1,34,027 cards as BPL. As GOI made BPL rice allocation only for 83,600 BPL cards at the rate of 35 kg per BPL family, it is essential for UT Government to identify the eligible BPL families and limit their number to 83,600 to ensure that allotted entitlement was distributed. However, UT Government did not restrict the number of BPL card holders and as of March 2014 had 1,44,658 BPL cards.

As GOI continued to make allocation only for 83,600 BPL cards, UT was forced to extend this limited allocation to all the 1,44,658 BPL families identified and as a result the quantity of PDS food grains supplied to BPL cards was limited to 25¹⁰ kgs instead of the entitled quantity of 35 kgs.

When pointed out, Government replied that BPL families were identified based on the enumeration conducted during 2003-04. However, the fact remains that BPL card holders were deprived of 10 kg of PDS food grains every month which was also confirmed by 46 *per cent* of BPL beneficiaries during beneficiary survey.

2.1.8.2 Discrepancy in number of AAY cards

GOI launched Antyodaya Anna Yojana (AAY) in December 2000 to provide food security to the poorest of the poor who were not in a position to buy food grains even at BPL rate. The CIP for AAY was fixed (December 2000) at ₹ two per kg for wheat and ₹ three per kg for rice, which was substantially lower than the BPL rates¹¹. GOI fixed (May 2005) a target of 32,200 families for coverage under AAY and DCS also submitted reports to GOI during September 2009 to March 2014 stating that 32,200 families were covered under AAY. Based on this, GOI continued to allocate rice under AAY category for 32,200 AAY cards. However as per break up of BPL cards available, only 22,000, 26,134 and 26,178 AAY families were covered in UT as of March 2005, March 2011 and March 2014 respectively.

Thus, the quantity allocated by GOI under AAY quota was in excess of requirement and UT Government by providing incorrect details to GOI regarding AAY cards, diverted the excess quantity.

When pointed out, Government replied that a fresh exercise would be carried out to identify eligible AAY families.

¹⁰ 10 kg/20 kg for single/more than single member BPL card from January 2010 and 25 kg from August 2011 for all BPL cards

¹¹ Rice – ₹ 5.65 per kg and Wheat – ₹ 4.15 per kg (CIP)

2.1.8.3 Failure to eliminate ineligible ration cards

The PDS (Control) Order 2001, stipulates that States/UTs were required to get the lists of APL/BPL/AAY families reviewed every year for the purpose of deletion/inclusion of ineligible/eligible families. It was, however, noticed that only one survey was undertaken (August 2010) during 2009-14 and 29,000 cards were identified as doubtful cards. No action was taken to verify these cards. Besides, when camps were held to capture the biometric data of ration card holders for preparation of Smart Ration Cards (SRC), it was found that 40,348 card holders did not come for registration as of October 2013. Out of this, 18,313 cards were deleted and 5,398 cards were re-inducted after verification as of August 2014. Action to verify the balance cards is yet to be completed.

When pointed out, Government stated that discrepancies in ration card figures would be verified and necessary corrections would be made. It was further stated that though squad wings were routinely verifying the card details, annual verification as stipulated would be carried out and on completion of SRC system, eligible cards alone would be covered under PDS.

2.1.9 Implementation of Smart Ration Card

2.1.9.1 Delay in introduction of Smart Ration Cards

In order to implement PDS in a transparent manner and to eliminate bogus cards, DCS proposed (February 2009) to replace paper ration cards with Smart Ration Cards (SRC) containing biometric details of card holders and issue smart card readers (Point of Sale (POS) equipment) to FPS with supporting servers and software. SRC was planned to be introduced from January 2011. It was envisaged that once SRC system was rolled out, it would empower the Department to monitor effective implementation of PDS right from allocation and issue of permits to FPS/lifting agencies, lifting of commodities by agencies from FCI godowns, transportation to FPS and final distribution to beneficiaries.

For implementation of SRC, Service Level Agreement was entered (February 2011) with the selected firm¹² for a value of ₹ 13.84 crore. The scheme was to be implemented in two phases in eight months and the firm had to operate service windows (Beneficiary service centre) for two years. Collection of biometric data had to be completed in three months from the date of signing agreement. The firm, after printing SRC and personalisation had to get it authenticated by departmental authorities and had to complete the issue of SRCs to beneficiaries, after receiving the surrendered paper ration cards for eventual return to DCS, within four months from commencement of printing and personalisation of SRCs.

¹² Madras Security Printers

It was noticed that the Smart Card enrolment process which commenced in March 2011 was yet to be completed (August 2014). As of February 2014, out of 3.32 lakh ration cards, only 2.24 lakh SRCs were generated covering 6.86 lakh persons in Puducherry and Mahe regions and payment of ₹ 2.78 crore was made to firm (March 2014). In respect of Karaikal and Yanam regions, the UT Government decided (January 2012) to utilise the biometric data captured for Aadhaar enrolment for creating SRCs and the firm was instructed to collect KYR data and demographic data only in these regions. The delay for enrolment process was due to the following reasons and selection of ineligible bidder as discussed in para 2.1.9.2:

- Defects like photo/finger print/demographic mismatch were noticed in the SRCs issued. Though it was corrected in some SRCs, no corresponding rectification was done in Master data base.
- As SRC enrolment process was not completed, the Department had two databases in operation viz., smart card and paper card. All additions/ deletions were being carried out in both databases leading to duplication of work and linking these two databases to supply chain management became difficult.
- Supply chain management, i.e., Automatic permit generation based on card strength and permit policy was dispensed with because of inflexibility in software and also due to non-availability of unified master database of beneficiaries and monthly permits continued to be issued based on paper ration cards.
- The service window to receive and process request for addition, deletion, correction, change of address was opened only in August 2013 which was supposed to be opened before June 2011. However, its operation was not user friendly and secured and had a major defect to the extent that change of data without validation was possible.
- Though DCS requested (September 2011/February 2012) the Director of Census Operations to share the biometric data in Karaikal and Yanam regions, the same was not provided so far and SRC remained non-starter in both these regions. As a result 113 POS devices purchased for FPS in both these regions as early as December 2011 at a cost of ₹ 24.86 lakh were held in stock beyond the expiry of their respective warranty period of one year.

Due to the above defects, the firm was served (February 2013) show cause notice. It replied (March 2013) that the delay was due to non-receipt of Aadhaar enrolment data for Karaikal and Yanam regions and low turnout of public during enrolment camps and requested (November 2013) one year extension of contract to complete the project. However, no decision was taken on the request by DCS.

2.1.9.2 Selection of ineligible bidder for implementing SRC

For implementation of SRC, the Department invited (July 2010) Expression of Interest. Five bidders responded, of which four bidders were requested to submit their technical and financial bids and a firm was selected (January 2011) to implement SRC at a cost of ₹ 13.84 crore. The scheme was to be implemented in eight months (in two phases of four months each).

The scope of work *inter alia* included (1) collection of biometrics, ration card data as per Unique Identification Authority of India (UIDAI) standards like capturing photos, finger prints of beneficiaries and Know Your Resident data (2) procurement of smart cards, printing, personalisation (writing data of card holders including finger prints) and issuance of activated cards (3) arrange connectivity in the data entry premises and (4) port data into the Data Centre / Department server either through network or through electronic media. The pre-qualification criteria for award of contract included a condition that tenderer should have commissioned and installed at least one data centre project.

Scrutiny of the records revealed that the selected firm had not commissioned any data centre project, which was one of the pre-qualification criteria. But, the firm's technical bid was considered as responsive and work was awarded to the firm based on overall score obtained by it as its financial quote was lower than other competitors.

Thus, selection of a technically deficient bidder led to delayed implementation of SRC eventually leading to non-completion of scheme even after three years.

When pointed out, Government replied that contract was awarded as per the recommendations of Tender Committee and efforts are being taken to avoid delay by conducting meetings at Secretary level to sort out all the problems. But fact remains that even after three years, implementation of SRC was not completed and the objective of achieving transparency in PDS was yet to be fulfilled.

2.1.10 Short supply of commodities

2.1.10.1 Non-supply of wheat

An analysis of allotment, lifting and supply of wheat during 2009-14 revealed the following:

- During 2009-14, no wheat was lifted and distributed in Yanam region, though all the 51 card holders who participated in the beneficiary survey at Yanam expressed their willingness to purchase wheat.

- While introducing (November 2013) the scheme of distribution of SBR as discussed in paragraph 2.1.7.4, the UT Government did not fix the rate at which wheat has to be distributed through FPS and hence wheat was not distributed from November 2013 (except for a small quantity in January/February 2014) in Puducherry and Karaikal regions. As a result, 71 MT of wheat valuing ₹ 4.97 lakh distributed to FPS upto February 2014 remained unsold. Besides 74.32 MT of wheat costing ₹ 5.20 lakh was lying in PAPSCO godowns at Puducherry and Karaikal since February 2014 which was found to be unfit for distribution under PDS.

When pointed out, Government replied that consumption pattern of population would be assessed and the ratio of rice and wheat would be determined accordingly and permits would be issued to FPS. It further stated that action is being taken to clear the old stock through auction sale.

2.1.10.2 Short supply of rice to AAY families

Government of India had fixed (April 2002) the quantity of food grains for AAY cards at 35 kg. Scrutiny of records revealed that though AAY card holders were supplied 35 kg upto December 2009, their entitlement was reduced to 25 Kg from January 2010 to December 2010 based on the orders issued by UT Government.

Similarly, in Puducherry region, during November 2013-March 2014, against the requirement of 3,150 MT rice for AAY cards, permits were issued only for 415.9 MT. Against this, 296 MT of rice alone was lifted and distributed to few cards resulting in non-distribution of rice to nearly 90 per cent of AAY cards.

When pointed out, Government replied that though the monthly quota of 35 kg was restored to AAY families from January 2011, permits were issued for lesser quantity from November 2013 due to financial constraint. But, fact remains that AAY families were deprived of their entitled quantity of food grains.

2.1.11 Discrepancies in sale of PDS Kerosene

As per PDS (Control) Order 2001, the authority or person engaged in distribution of essential commodities under PDS should not willfully indulge in diversion of stock from Godowns or from FPS. Out of 22 FPS in Yanam, two shops were selected for sample check. During verification of records in one of the sample shop (FPS No.13 Dommetipeta) the following discrepancies were noticed.

During cross verification of entries in Ration cards (R.C) of beneficiaries with that of entries in 'B' register¹³, it was found that in respect of 25 R.Cs out of 31 R.Cs test checked, the entries relating to kerosene were missing in R.Cs for various months between August 2013 and March 2014, but corresponding entries were made in the "B" register to suggest kerosene was supplied to them. This indicates that though kerosene was not actually supplied, it was shown as distributed to beneficiaries.

During the check of records maintained at civil supply office at Yanam, 15.5 Kl. of kerosene meant for PDS was diverted and sold to Puducherry Tourism Development Corporation (PTDC) through YCSL for operating their tourist boats.

When the above discrepancies were pointed out, Government replied that action would be taken against the errant officials and instructions would be issued to Regional Administrator, Yanam to stop sale of kerosene to PTDC.

2.1.12 Operation of FPS

2.1.12.1 Delay in renewal of FPS license

Mention was made in paragraph 5.1.7.4 of Report of the C&AG for the year ended 31 March 2007 regarding non-renewal/delay in renewal of licenses of FPS every year as per Pondicherry Scheduled Commodities (Regulation of Distribution by Card System) Order, 1975 as amended in 1987 and Pondicherry Kerosene control order, 1969. The UT Government had assured (November 2007) that Department would take necessary action for renewal of licenses in time. Audit scrutiny, however, revealed that there were delays ranging from three to more than 12 months in renewing licenses in respect of all 39 sample FPS in Puducherry region during 2009-13 and none of the 39 sample FPS had licenses for the year 2014. Similarly, no licenses were issued to all the 22 FPS functioning under YCSL in Yanam region.

When pointed out, Government replied that approvals were not given due to shortage of manpower. It was further stated that there was no pending applications and as regards Yanam region, Regional Administrator would be instructed to renew the licenses of FPS.

2.1.13 Monitoring

2.1.13.1 Inspection of FPS

Mention was made in paragraph 5.1.7.5 of Report of the C&AG for the year ended 31 March 2007 that shortfall was noticed in respect of

¹³ Register maintained at FPS in which the issue of PDS items were entered against the name of beneficiaries and on the relevant date

inspection of FPS twice a year as provided in PDS (Control) order 2001 and UT Government had assured to intensify the inspection. The Citizen charter also stated that every FPS would be inspected at least once in a month. However, shortfalls in inspection of FPS were noticed during the performance audit as detailed in **Table 1** below.

Table 1 - Number of inspections conducted

Year	Number of FPS	Target per year	Actually conducted	Shortfall (in percentage)
2009-10	499	998	2,239	Nil
2010-11	506	1,012	846	16
2011-12	514	1,028	287	72
2012-13	516	1,032	360	65
2013-14	516	1,032	1,645	Nil

(Source: Report by the Tahsildar, Squad section)

Though the target was achieved during the years 2009-10 and 2013-14 there was shortfall during the years 2010-13 ranging between 16 and 72 *per cent*. It was noticed in audit that 49 cases of diversion of PDS commodities were booked by the Food Cell during 2009-14 of which eight were disposed off and the remaining were under investigation/pending trial.

When pointed out, Government replied that month and year-wise targets have been fixed now for inspection of FPS.

2.1.13.2 Quality Control and Inspection system of food grains

As per PDS (Control) Order 2001, the representatives of the State Government or their nominees and FCI had to conduct joint inspection of food grains intended for issue to ensure that stocks conform to prescribed quality specifications for which sample of food grains shall also be collected from the FCI.

The Department stated that a Civil Supply Inspector was deputed for monitoring the quality of food grains whenever lifted from FCI godown and also the departmental officers were visiting FCI for verifying the quality of food grains. However, no records were furnished regarding joint inspection conducted and analysis of samples of food grains during the audit period as records were not maintained for this purpose. Further

49 *per cent* of beneficiaries stated that they were not satisfied with the quality of commodities supplied under PDS.

When pointed out, Government stated that goods were lifted after physical verification and in future necessary records would be maintained.

2.1.13.3 *Constitution of Vigilance Committee*

Mention was made in paragraph 5.1.8.2 of Report of the C&AG for the year ended 31 March 2007 regarding non-availability of Vigilance Committee at State, District, Block and FPS level to oversee the functioning of PDS as per PDS (Control) order, 2001 and UT Government had assured to take action to form them. During current audit it was noticed that no Vigilance Committee was formed. When pointed out, Government replied that proposal for nominating non-official members in Vigilance Committee is under consideration.

2.1.13.4 *Non-availability of manual*

Deployment of manpower and fixing of work norms was essential for effective implementation of various activities of the Department. The activities of the department *inter-alia* included administration of various Acts and Rule on implementation of PDS like procurement of essential commodities, issue of permits, distribution of items to FPS, issue of licenses, quality check, inspection of FPS, and accounting of transactions. However, a manual describing procedure and provisions to carry out the activities was not available in the department.

When pointed out, Government replied that neighbouring States and Union Territories would be addressed to obtain Civil Supplies Manual and the same would be formulated with Governments' approval.

2.1.14 *Conclusion*

Though GOI had prescribed limit of the number of BPL cards as per the norms specified, UT Government identified higher number of BPL beneficiaries and consequently scaled down their entitlement which was less than GOI norm. Streamlining of PDS through introduction of Smart Ration Card was not implemented successfully even after three years due to selection of a firm which was not technically qualified and inability of the Department to properly co-ordinate various stakeholders. Though the department identified ineligible families, follow up action to weed them out remained incomplete. Instances of diversion of PDS commodities were noticed and FPSs were allowed to run without license.

2.1.15 Recommendations

Government may consider:

- taking suitable action to ensure effective fund management to extend the benefits of the PDS only to eligible beneficiaries.
- conducting survey for weeding out ineligible and doubtful ration cards yearly for effective implementation of PDS.
- taking steps to complete the Smart Ration Card system to ensure transparency in implementation of PDS.