

Chapter 2

Audit Approach and Methodology

2.1 Audit Objectives

This audit assesses the status of preparedness for implementation of NFSA with reference to following specific objectives:

- i) Whether the States/UTs identified the eligible households and issued ration cards to all the identified eligible beneficiaries.
- ii) Whether the States/UTs had the requisite infrastructure and were augmenting the same for increased requirement in transportation and storage capacity.
- iii) Whether the States initiated reforms in the Targeted Public Distribution System with regard to doorstep delivery and computerization.
- iv) Whether the States/UTs had put in place a grievance redressal system including Food Security Allowance as per the provisions of NFSA and whether an effective monitoring mechanism was put in place.

2.2 Scope of Audit and Audit Sampling

The proposed audit covered the period from July 2013 to March 2015 and involved scrutiny of Cabinet notes and other records and other evidence in the Ministry of Consumer Affairs, Food and Public Distribution and the corresponding department in selected States. Eight States and one Union Territory were selected considering location and status of preparedness as detailed below:

Fully implemented ⁴	Partially implemented ⁵	Not implemented
Chhattisgarh	Delhi	Assam
Karnataka	Bihar	Jharkhand ⁶
Maharashtra	Himachal Pradesh	Uttar Pradesh

The following statistical framework was used for selection of sample:

- Each selected State was divided into regions on the basis of geographical contiguity.

⁴ States/UTs that have claimed to have identified all the beneficiaries are considered as fully implemented States/UTs.

⁵ States/UTs that have not identified all the beneficiaries are considered as partially implemented States/UTs.

⁶ Jharkhand Government has started implementing NFSA w.e.f October 2015.

- 20 *per cent* of the districts subject to a minimum of two districts were chosen using Probability Proportionate to Size Without Replacement (PPSWOR) method independently from various regions with size measure as the total quantity of foodgrains (in 100 tonne) released to respective District during the year 2013-14.
- In each sample district, two blocks/circles/talukas were selected using Simple Random Sampling Without Replacement (SRSWOR).
- In each sample block/circle/taluka, four Fair Price Shops (FPSs) were selected again using SRSWOR.

Thus, in each selected district, two blocks/circles/talukas and 8 FPSs were audited. In all, 42 districts, 84 Blocks and 336 FPSs were selected for audit. Details of sample selection are given in **Annex 2.1**.

2.3 Sources of Audit criteria

The implementation of various preparatory works was audited with reference to the criteria derived from the following sources of documents:

- i. Cabinet Notes.
- ii. National Food Security Act, 2013.
- iii. Public Distribution System (Control) Orders of 2001 and 2015
- iv. Scheme Guidelines of End-to-End Computerisation of TPDS operations
- v. Instructions issued by the Ministry to State/UT Governments.
- vi. Recommendations of Standing Committee of Ministry of Consumer Affairs, Food and Public Distribution.
- vii. Instructions issued by the State/UT Governments for implementation from time to time.
- viii. Correspondence of Ministry with States/UT Governments.

2.4 Audit methodology and response of the Ministry

The performance audit commenced with an Entry Conference with the Ministry on 18 May 2015 where the audit objectives, scope and methodology were explained. Entry conferences were also held at the State level.

The audit teams scrutinized the records relating to the implementation of NFSA at

Report No. 54 of 2015

the Ministry of Consumer Affairs, Food and Public Distribution, districts, blocks and fair price shops in nine selected States/UTs. After the completion of audit, Exit conferences were held in the States during September 2015 to November 2015, while it was held in the Ministry on 9 November 2015. The draft Audit Report was issued to the Ministry on 30 October 2015. The reply of the Ministry was received on 26 November 2015. The replies received from the Ministry and States have been considered and suitably incorporated while preparing this Report.

The Report contains six chapters. Chapter 1 and 2 of this report provide background information on NFSA and our audit approach. Chapters 3, 4, 5 and 6 provide audit findings on identification of beneficiaries and issuance of ration cards, preparedness in logistics, reforms in TPDS, grievance redressal mechanism and monitoring respectively.

2.5 Acknowledgement

Audit acknowledges the cooperation and assistance extended by the Ministry, State Departments/agencies and their officials during conduct of this audit.