

## **Chapter 3**

# **Performance Audit on Procurement, Storage and Delivery of wheat to Food Corporation of India**

## Chapter 3

### Food, Civil Supplies and Consumer Affairs Department

#### Performance Audit on Procurement, Storage and Delivery of Wheat to Food Corporation of India

#### 3.1 Introduction

The Government of India (GoI) extends price support to farmers for wheat through the Food Corporation of India (FCI) and State Agencies. The wheat procurement policy provides that whatever wheat is offered by farmers, within the stipulated period and conforming to the quality as notified through Rabi Marketing Season (RMS) guidelines by GoI, would be procured at Minimum Support Price<sup>1</sup> (MSP) for Central Pool. The main objective of the policy is to ensure that farmers get remunerative prices for their produce and do not have to resort to distress sale.

During the period 2017-18 to 2021-22, the FCI procured a total of 1,830.75 lakh metric tonne (MT) of wheat for the Central Pool, out of which, Haryana State contributed 414.36 lakh MT (22.63 *per cent*). Year-wise detail of wheat procured for the Central Pool by the FCI from top five contributor States is given in **Table 3.1**.

**Table 3.1: State wise procurement of wheat made by FCI during 2017-22**

(in lakh MT)

RMS	Punjab	Haryana	Uttar Pradesh	Madhya Pradesh	Rajasthan	Others	Total
2017-18	117.06	74.25	36.99	67.25	12.45	0.16	308.16
2018-19	126.92	87.57	52.94	73.13	15.32	2.06	357.94
2019-20	129.12	93.6	37.00	67.25	14.11	0.21	341.29
2020-21	127.14	74.01	35.77	129.42	22.25	1.33	389.92
2021-22	132.22	84.93	56.41	128.16	23.40	8.32	433.44
<b>Total</b>	<b>632.46</b>	<b>414.36</b>	<b>219.11</b>	<b>465.21</b>	<b>87.53</b>	<b>12.08</b>	<b>1,830.75</b>

**Source:** Figures provided by the Food, Civil Supplies & Consumer Affairs Department.

##### 3.1.1 Procurement Process in Haryana

State Government is involved in procurement of foodgrains for the Central Pool, its storage and delivery to Food Corporation of India (FCI). The Director, Food, Civil Supplies and Consumer Affairs Department, Haryana (FSD) exercises general superintendence over all the procurement agencies. Other agencies involved in the procurement process are Haryana State Co-operative Supply and Marketing Federation Limited (HAFED), Haryana State Warehousing Corporation (HSWC), Agriculture and Farmers' Welfare Department (A&FWD) and Haryana

<sup>1</sup> MSP is the guaranteed price to be paid to the farmers for their produce which is declared by GoI on the recommendations of Commission of Agricultural Costs and Prices (CACP).

State Agricultural Marketing Board (HSAMB). Main functions of each agency in procurement operations are given in **Appendix 3.1**.

There were two online portals for facilitating wheat procurement process i.e. (i) “*Meri Fasal Mera Byora*” (MFMB) on which farmers were required to register themselves giving details of land under cultivation, crops being grown, detail of bank account, etc; and (ii) *E-Kharid* an integrated portal that managed the entire procurement process by retrieving data from MFMB portal. *E-Kharid* portal facilitated every step of procurement i.e. from generating gate pass on farmer’s entry into the *mandi* to the payment to the farmer for the wheat procured.

The procurement process of wheat starts from the declaration of MSP by the GoI for each RMS and fixing target for procurement for each State. At the State level, the FSD fixes the *mandi* wise targets and allocates the *mandis* to each procurement agency. The State Procurement Agencies (SPAs) are responsible for making all arrangements for procurement including arrangement of fund, packaging material, lifting, storage, dispatching of wheat to FCI and raising of bills.

### 3.1.2 Audit Objectives and Scope of Audit

The Audit was conducted from November 2022 to September 2023, covering the period from April 2017 to March 2022 (RMS 2017 to RMS 2021) in eight districts<sup>2</sup> (out of total 22 districts) to assess whether:

- i) pre-arrangements for wheat procurement were made efficiently and economically;
- ii) wheat procurement process and storage was efficient and economical; and
- iii) the claims were raised with FCI timely and accurately.

Audit methodology included test-check of records, discussions with auditee units<sup>3</sup> and analysis of responses to audit queries. Audit also test-checked and analysed data of wheat procurement available on *E-Kharid* portal and MFMB portal.

An Entry Conference was held on 3 March 2023 with the Additional Chief Secretary (ACS), Government of Haryana, Food and Civil Supplies Department (FSD) and Managing Directors of other State Procurement Agencies (SPAs). The replies received from the FSD and other SPAs have been incorporated in the Report. An Exit Conference was also held on 26 July 2024 and the views expressed in the meeting have been suitably incorporated in the Report.

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<sup>2</sup> (i) Ambala, (ii) Fatehabad, (iii) Hisar, (iv) Karnal, (v) Kurukshetra, (vi) Panipat, (vii) Sonapat, (viii) Yamunanagar.

<sup>3</sup> Sampled units of FSD, HAFED, HSWC, HAIC & HSAMB

### 3.1.3 Audit criteria

The audit criteria were derived from the following sources:

- Provisional cost sheets for Rabi Marketing Seasons 2017 to 2021 issued by GoI;
- Instructions and guidelines issued by GoI and State Government in respect of procurement, storage and delivery of wheat; and
- Punjab Agricultural Produce Markets Act, 1961 as applicable in Haryana.

### 3.1.4 Procurement planning

Farmers are required to submit details of land under cultivation and crops on MFMB portal for each Rabi and Kharif season. For wheat (a Rabi crop), the farmers are required to submit details of the area under wheat cultivation by January of each year which is authenticated by the Agriculture Department. Details of total area under wheat cultivation provides the estimated quantity to be produced in a Rabi Marketing Season (RMS). On the basis of production estimates, the State-wise procurement targets are fixed in the meeting of State Food Secretaries under the chairmanship of Secretary, Department of Food and Public Distribution, Government of India in February each year. For RMSs 2017-18 to 2021-22, details regarding area under cultivation, production estimates, procurement targets and actual procurement for the State of Haryana are given in *Table 3.2*.

**Table 3.2: Production estimates, procurement targets and actual procurement of wheat during 2017-22**

Rabi Marketing Season	Area under Wheat cultivation in lakh Hectare	Production estimate in lakh MT (LMT)	Target for procurement (LMT)	Actual Procurement (LMT)	Percentage of procurement against targets
2017-18	25.58	123.84	75	74.25	99
2018-19	25.30	117.80	80	87.57	109
2019-20	25.23	128.00	85	93.60	110
2020-21	23.87	115.55	95	74.01	78
2021-22	25.39	122.36	80	84.93	106
<b>Total</b>		<b>607.55</b>	<b>415</b>	<b>414.36</b>	

Source: Information from FSD Haryana website <https://haryanafood.gov.in/procurement/>

There was no major gap in RMS-wise targets fixed and procurements made except during RMS 2020-21. The procurement was more than the estimated targets except in 2017-18 and 2020-21.

## Audit Findings

### 3.2 Provision of basic facilities in *mandis*

The HSAMB is responsible for establishing markets (*mandis*) with modern facilities for efficient marketing of agricultural produce. As of March 2022, there were 114 market committees (MCs) which supervise 114 principal yards, 172 sub-yards and 204 purchase centers which are designated as *mandis* for procurement of foodgrains.

The details of facilities in 53 *mandis* situated in the selected Districts were obtained from the MCs. It was noticed that basic facilities such as internal and service roads, approach and link roads, light arrangements, drinking water, toilets, water supply and sewerage system, common auction platform, covered platform and boundary wall were available in almost all the *mandis* except one or two *mandis*.

The *mandis* were, however, lacking in facilities such as weighbridges (30), canteens (36), kisan rest houses (25), banks (41) and fire-fighting stations (46). The instances of getting the wheat weighed outside the *mandis* due to non-availability of weighbridges within *mandis* resulted in avoidable expenditure of transportation of wheat as discussed in **Paragraph 3.4.4** of this Report.

During the Exit Conference (July 2024), the ACS directed the departmental officers to make efforts for increasing and augmenting basic amenities in *mandis*.

### 3.3 Funding arrangement for wheat procurement

During the period 2017-22 the FSD incurred a total expenditure of ₹ 24,658.59 crore for wheat procurement. HSWC and HAFED incurred expenditure of ₹ 15,522.14 crore and ₹ 32,874 crore respectively as given in **Table 3.3**.

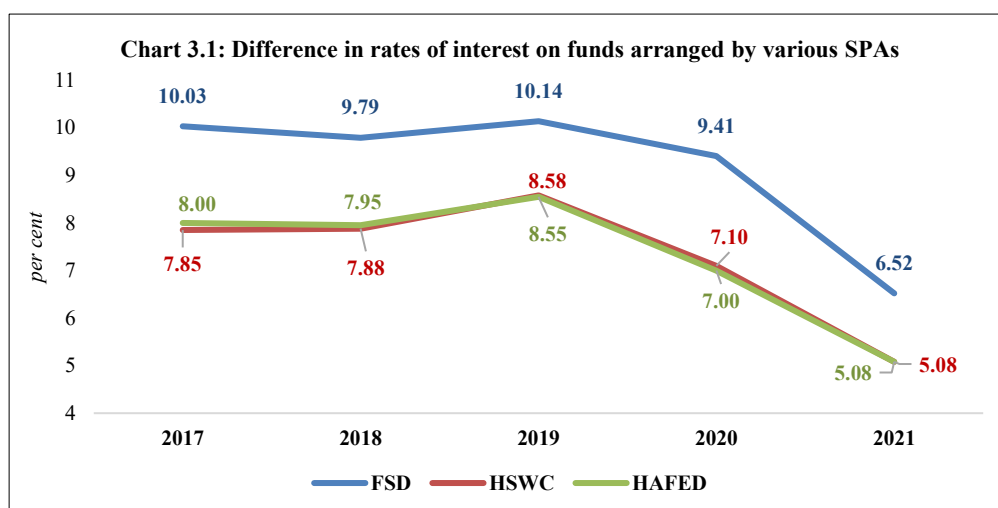
**Table 3.3: Funds arranged by various SPAs**

(₹ in crore)

RMS	FSD	HSWC	HAFED
2017-18	3,312.15	2,657.05	4,697.00
2018-19	5,005.30	2,649.23	6,586.00
2019-20	5,594.83	3,095.86	7,750.00
2020-21	5,197.93	3,787.00	6,151.00
2021-22	5,548.38	3,333.00	7,690.00
<b>Total</b>	<b>24,658.59</b>	<b>15,522.14</b>	<b>32,874.00</b>

FSD availed funds through cash credit limit<sup>4</sup> (CCL) on which interest rate was higher than the short term loans raised by HSWC and HAFED after inviting quotations at competitive rates of interest as indicated in **Chart 3.1**.

<sup>4</sup> The CCL is provided on authorisation of Reserve Bank of India and consent of Ministry of Finance, Government of India under Article 293(3) of the Constitution of India. The Finance Department Haryana withdraws funds from CCL and transfer them to FSD for procurement operations.



Audit worked out the extra burden of interest on FSD as ₹ 222.24 crore due to higher interest rates of CCL and funds arranged from the State Budget as detailed in **Table 3.4**.

**Table 3.4: Extra burden of interest on FSD due to higher rates of interest**

RMS	CCL/ loans raised for FSD	FSD rate of interest on CCL/ STLs	Total interest burden on funds	Other SPAs (average rate of interest on STLs)	Difference in rate of interest in comparison to other SPAs	Excess interest on FSD
Year	(₹ in crore)	(in per cent)	(₹ in crore)	(in per cent)	(in per cent)	(₹ in crore)
1	2	3	4	5	6=3-5	7=(4*6)/3
2017	3,312.15	10.03/7.77	72.87	8.22	-	-
2018	5,005.30	9.79/8.48	92.75	7.91	1.88/0.57	17.79
2019	6,056.00	10.14	459.17	8.56	1.58	71.43
2020	5,500.00	9.41	357.31	7.05	2.36	89.61
2021	5,548.38	6.44 <sup>5</sup>	204.82	5.08	1.37	43.41
<b>Total</b>	<b>25,421.83</b>		<b>1,186.92</b>			<b>222.24</b>

Source: Information provided by the Department.

During the Exit Conference (July 2024) the Department stated that FSD had arranged funds in coordination with Finance Department at the rates of interest fixed by RBI, whereas other SPAs were independent to avail loans from banks at competitive rates.

Reply is not justified as non-exploration of availing loans at competitive rates put an extra burden on the State exchequer. Further, the Finance Department, Haryana had observed (November 2019) that higher proportion of FSD in total procurement, put an extra burden on the State resources (due to higher expenses on arranging funds) and recommended reduction in foodgrain procurement quota of FSD from 33 *per cent* to the minimum level to reduce the interest burden. However, FSD did not implement this recommendation and continued to procure 33 *per cent* wheat during RMS 2020.

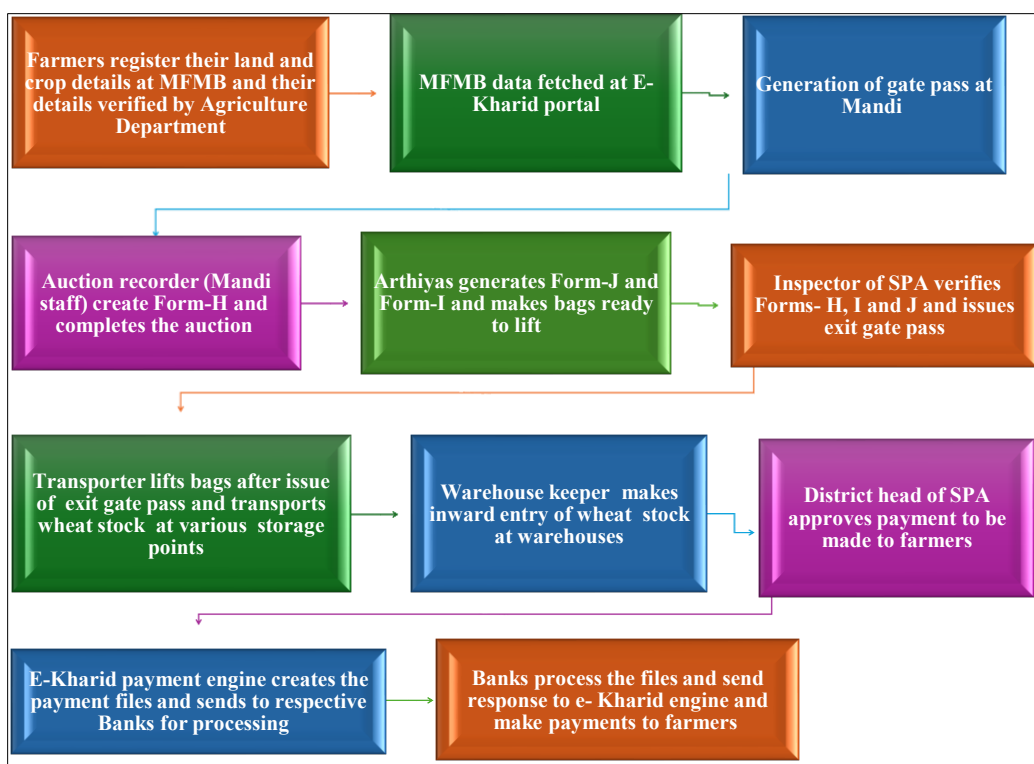
<sup>5</sup> Average of 6.35 and 6.52 *per cent*

### 3.4 Procurement of wheat

Farmers bring their produce to the nearest regulated *mandi*. Arrival of produce in *mandi* is entered in the record of HSAMB and the SPA to whom *mandi* has been allotted for procurement of wheat. *Arthiyas*<sup>6</sup> are supposed to assist farmers and SPAs for procurement of wheat and get 2.50 *per cent* of MSP as their commission<sup>7</sup>. Procured wheat is filled in gunny bags either delivered to FCI or stored in godowns.

Before RMS 2019, procurement was made through offline mode. From 2019-20 onwards, procurement operations are managed through *E-Kharid* portal. The process flow chart of *E-Kharid* portal is explained in **Chart 3.2**. The Audit findings are based on data analysis of information in *E-Kharid* portal, wherever applicable.

**Chart 3.2: Process flow chart of E-Kharid portal**



Forms to be filled up at various stages of procurement process:

1. **Gate pass** is created by Gatekeeper (HSAMB Staff) at the time of entry of farmers into *mandis*.
2. **Form – H**: H-Register is maintained by HSAMB to record date-wise information of auction and quantity sold with rate alongwith details of farmer, commission agent and purchasing agency.

<sup>6</sup> *Arthiyas* are commission agents licensed by HSAMB who render the services of intermediary and aggregator in the process of procurement.

<sup>7</sup> Fixed at ₹ 46 per quintal from RMS 2020 onwards.

3. **Form – J:** It is generated by *Arthiya* and issued to farmers. It is the sale receipt issued for agriculture produce in *mandi*.
4. **Form – I:** It is generated by *Arthiya* and approved by the Inspector of the concerned SPA after verification. It contains quantity procured from farmers alongwith *Arthiya* details.

### 3.4.1 Non-fixation of timelines for steps involved in procurement process

As per RMS guidelines (2021-22), the State Government is committed to make the payment to farmers within 48-72 hours from the approval of Form-I by the Inspector of the SPAs. However, no specific timeline has been fixed for each step starting from generating gate pass to generating Form-I. Audit analysed various instructions issued by the HSAMB and SPAs and noticed maximum time period for each step as given in **Table 3.5**.

**Table 3.5: Details of prescribed maximum time period for each step**

Activities performed	Maximum Time
Farmer's entry in <i>mandi</i>	0 day
Auction after entry in <i>mandi</i>	0+ 2 days
Creation of Forms J and I and its approval	0+ 4 days
Ready for lifting from approval of Form I	0+ 6 days
Issuing of exit gate pass for lifting of wheat from <i>mandi</i> and receipt in Godown	0+ 9 days
Approval of payment after receipt	0+ 10 days
Complete payment by bank after approval of payment	0+ 12 days

From **Table 3.5**, it can be concluded that the payment should have been made to the farmers within twelve days from entering the *mandis*. However, Audit noticed delays in making payments beyond twelve days as follows:

A. Audit analysis of the data of *E-Kharid* for RMS 2019 to 2021 revealed that during RMS 2019 the entire wheat stock had arrived in the mandis upto 15 May 2019 but only 89.37 *per cent* payments had been made upto 30 June 2019. In RMS 2020, though the entry of wheat in the mandis started from 20 April 2020, but payments started only from 12 May 2020 i.e. after 22 days from the entry in *mandi*. Last batch of the wheat entered the mandis by 6 June 2020, but 99.46 *per cent* payments had been made as on 30 June 2020, indicating delay in making payments to farmers. In RMS 2021, last batch of the wheat entered in mandis on 12 May 2021, but last payment was made on 4 June 2021 showing delayed payment.

During the Exit Conference (July 2024), the Director, FSD stated that fixation of timeline was not practically feasible because the procurement was to be made as per specification and standards fixed by GoI. However, efforts would be made to streamline the procedure.

The reply is not tenable as specific deadlines for each activity have been made by the Department. The Department needs to examine obstacles affecting these timelines and take action accordingly.

B. Audit analysis of the data on *E-Kharid* portal also revealed that there was delay in verification and approval of Form-I by Inspectors in respect of 24.18 *per cent* wheat in RMS 2020 and 25.50 *per cent* wheat in RMS 2021. In RMS 2021, there was delay in respect of 18.63 *per cent* bags made ready for lifting and exit gates passes in respect of 57.96 *per cent* wheat were issued after prescribed time limit of 72 hours.

The Additional Chief Secretary, FSD replied (June 2024) that reasons for delay in issuing exit gate passes were unavailability of vehicles due to slow unloading at FCI godowns and sometimes due to weather issues such as rain and thunderstorm in *mandis*.

The reply is not tenable as the reasons for delays in issuing exit gate passes have not been recorded on *E-Kharid* portal.

### 3.4.2 Non-Imposition of Penalty on Transporters

In case of delay in lifting attributable to transport contractor, the DM/DFSC is authorized to take action against the transport contractor immediately as per terms and conditions of the contract. As per tender conditions, transporters are bound to lift the foodgrains from the *mandis* within 72 hours from making wheat bags ready to lift otherwise ₹ 100 (for RMSs 2017 to 2020) and ₹ 500 (in RMS 2021) per truck were chargeable as penalty for unlifted quantity.

From analysis of data of *E-Kharid* portal for RMSs 2020 and 2021, a penalty of ₹ 54.90 crore (48.83 crore -RMS 2021 + ₹ 6.07 crore<sup>8</sup> - RMS 2020) was leviable on transporters. However, no penalty was imposed for delay in lifting.

During the Exit Conference (July 2024), the Director, FSD replied that due to covid-19 outbreak it was difficult to operate the procurement in the restricted guidelines. However, the department alongwith SPAs had made their best efforts to continue the procurement and it was not appropriate to levy penalty on the transporters in the pandemic.

The reply is not tenable as there was no decision taken by State Government to waive off the penalty for delay caused by transporters which ultimately delayed the payment to farmers.

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<sup>8</sup> Delay calculated for only 14,159 vehicles as complete data is not available for RMS 2020

### 3.4.3 Payment Disbursement

During RMS 2019, the State Government started online procurement operations and payments were made to *Arthiyas* for further payment to farmers through E-kharid portal. For RMS 2020, online payments were made in bank accounts of farmers through *Arthiyas*.

From RMS 2021, payments were made directly in farmers' bank accounts through E-Kharid portal. The metadata of online payment to farmers was to be shared through Public Fund Monitoring System<sup>9</sup> (PFMS) to the Central Government. Software provider and the banks concerned were to be in tandem to ensure smooth integrated online operations (from generating gate pass upto making payment online).

Payments should have been made to a farmer within 12 days' from entry in *mandi* as worked out by audit (**Paragraph 3.4.1**). However, it has been noticed that there were delays as shown in **Table 3.6**.

**Table 3.6: Detail of time taken in making payments from entering in *mandi***

(₹ in crore)

RMS	Total payment	Payment made within 12 days from entry in <i>mandi</i>	Delayed Payment	Delay ranged between			
				13 to 19 days	20 to 26 days	27 to 31 days	More than 31 days
2019	15,159.86	7,055.14	8,104.72	4,655.05	1,175.46	229.95	2,044.26
Percentage	100	46.54	53.46	30.71	7.75	1.52	13.48
2020	9,602.54 <sup>10</sup>	33.74	9,568.80	1,703.30	5,459.70	1,256.97	1,148.83
Percentage	100	0.35	99.65	17.74	56.86	13.09	11.96
2021	15,212.63	7,487.29	7,725.34	3,822.00	1,935.44	1,335.65	632.25
Percentage	100	49.22	50.78	25.12	12.72	8.78	6.16

As shown above, only 46 *per cent* payments were made within 12 days from the entry into *mandi* in RMS 2019. While in RMS 2020 the timely payment was only 0.35 *per cent*, the situation improved in 2021, as 49 *per cent* payment was made directly into the banks of farmers timely. However, payments of ₹ 632.25 crore (four *per cent*) were delayed by more than a month in RMS 2021.

During Exit Conference (July 2024), the Department stated that main reason for delay was inconsistency of bank account details on MFMB portal and outbreak of pandemic. Further, during RMS 2021, the payments were made directly in accounts of farmers for the first time.

The payment to farmers through *E-Kharid* portal needs to be further streamlined as the verification of farmers' bank accounts was to be completed by Agriculture Department as well as IT Department by 15 March 2021 i.e. before start of RMS 2021.

<sup>9</sup> It is a web-based application that manages the financial transactions of the Government of India. It was developed by the Controller General of Accounts of the Ministry of Finance.

<sup>10</sup> Data from E-Kharid portal for the RMS 2020 could be extracted for only 50.8 LMT against the actual quantity of 67.31 LMT procured by SPAs

### 3.4.4 Avoidable expenditure on weighing of wheat

Out of all the three SPAs, HAFED had issued instructions in each RMS that 100 *per cent* weighment of wheat is to be done only if no extra carriage is involved. Where the weighbridge facility does not exist or the route through weighbridge is considered uneconomical, then only five *per cent* weighment be conducted on beam scale/platform scale at the storage point. If shortage is observed in test-check, the percentage of test weighment may be increased upto 10 *per cent*.

Audit noticed that 3.14 lakh MT wheat was stored in the open plinth/godown situated at procurement *mandi* itself in Yamuna Nagar district, Ambala Cantt, Ambala City and Samalkha (Panipat). However, wheat was weighed on weighbridge situated outside the *mandi* instead of five *per cent* test-check on beam scale/platform scale. As a result, avoidable expenditure of ₹ 2.93 crore<sup>11</sup> was incurred as detailed in *Appendix 3.2* by considering distance of storage location as 0.5 km-1 km.

During the Exit Conference (July 2024), it was stated that the instructions of HAFED were only restrictive for the *mandis* where weighbridge facilities were not available. The weighing of wheat was done to check actual difference of standard weight from *Arthiya* to weighbridge as well as from weighbridge to godowns. The weighment was done to minimize the storage loss and the expenditure incurred on weighment was in the interest of SPAs.

Reply is not tenable as due to non-installation of weighbridges in *mandis* or non-utilisation of the same, avoidable expenditure was incurred on weighment of wheat. Further, as per instructions, only five *per cent* wheat was to be weighed for test-check where weighbridge facility does not exist or the route through weighbridge is considered uneconomical.

### 3.4.5 Delayed payments by SPAs and non-payment of interest

As per RMS 2021 guidelines (25<sup>th</sup> March 2021) and instructions of Chief Minister (05 April 2021) payments to the farmers was to be made within 72 hours after approval of Forms-I. In case of delay, interest at the rate of nine *per cent* per annum was payable. However, the GoH decided (20 April 2021) to initiate the time limit of 72 hours from initiation of exit gate pass. From *E-Kharid* portal data, it was revealed that an amount of ₹ 9.91 crore was payable as interest to farmers due to delayed payment beyond three days of issuing exit gate pass. However, only ₹ 1.02 crore had been paid to farmers as given in *Table 3.7*.

<sup>11</sup> Ambala 1.41 lakh MT- ₹ 148.52 lakh Samalkha 0.50 lakh MT -₹ 77.50 lakh and Jagadhari 1.23 lakh MT – ₹ 67.24 lakh

**Table 3.7: Interest payable and actually paid to farmers during RMS 2021**

(₹ in crore)

No. of farmers entered into mandis	Interest due after three days of initiation of exit gate pass	Interest paid to farmers
5,09,733	9.91 (2,28,103 farmers)	1.02 (63,613 farmers)

Out of total 5.10 lakh farmers, in case of 2.28 lakh farmers an interest of ₹ 9.91 crore accrued due to delay in making payment. Out of this only an amount of ₹ 1.02 crore had been paid to 0.64 lakh farmers.

During the Exit Conference (July 2024), it was stated that the main reason for delay was inconsistency of bank account details on MFMB portal and outbreak of pandemic.

The reply is not tenable as the verification of farmers' bank accounts was to be completed by Agriculture Department as well IT Department maintaining *E-Kharid* portal by 15 March 2021 *i.e.*, before start of RMS.

#### 3.4.6 Excess payment made to farmers and status of recovery

On the basis of decision taken by a Technical Committee, the Director, FSD assigned (February 2021) two banks to each SPA for making payments to farmers. Audit noticed that double payment was made to farmers by two SPAs through four banks. The details of excess amount paid and amount recovered (as of December 2024) from farmers is detailed in **Table 3.8**.

**Table 3.8: Excess payment made to farmers during RMS 2021 and recoverable amount**

(₹ in crore)

Name of Agency	Name of Bank	Number of Forms J	Excess payment made	Amount recovered	Amount pending for recovery
FSD	ICICI	2642	0.29	0.24	0.05
	IDBI		42.34	26.99	15.35
HAFED	Kotak	1790	1.42	0.66	0.76
	HDFC		29.92	18.71	11.21
<b>Total</b>			<b>73.97</b>	<b>46.60</b>	<b>27.37</b>

Due to the mis-interpretation of response code of Bank for pending payment as failed payment and re-triggering by *E-Kharid* portal, ₹ 73.97 crore were wrongly paid to farmers twice in their accounts by FSD & HAFED. However, the SPAs could recover only ₹ 46.60 crore as of June 2022 and ₹ 27.37 crore was still recoverable as of December 2024.

During the Exit Conference (July 2024), it was stated that excess payment was made due to some technical error in *E-Kharid*. Efforts had been made to recover the amount and more than two-third amount had already been recovered. It was further stated that efforts would be made to recover the balance amount. Final action was awaited (February 2025).

### 3.5 Storage of wheat

Section 22(4) (e) of National Food Security Act, 2013 stipulates that the Central Government shall create and maintain required modern and scientific storage facilities at various locations. The role of SPAs is also significant in implementation of this Act in coordination with FCI as storage capacity with SPAs is required for proper upkeep of wheat stock till its delivery to FCI. The availability of warehouses with SPAs is given in **Table 3.9**.

**Table 3.9: SPA wise procurement of wheat and available storage capacity**  
(in lakh MT)

SPA	Average procurement during 2017-22	Storage capacity available as of March 2022	Hired Storage Capacity	Total available storage capacity	Gap between average procurement and storage
<b>Wheat procured (excluding FCI)</b>					
FSD	24.61	4.50	1.03	5.53	19.08
HAFED	33.43	12.74	4.00	16.74	16.69
HSWC	14.64	15.26	3.98	19.24	(-) 4.60

Due to non-availability of warehouses<sup>12</sup>, the SPAs resorted to storage of the wheat by hiring unscientific storage space *e.g.*, open plinths, *mandi* yards, rice mills, etc. Position of wheat stored on Cover and Plinth Storage<sup>13</sup> (CAP) as on 31 May of respective years has been given in **Table 3.10**.

**Table 3.10: SPA wise stock stored on CAP as on 31 May each year**  
(in LMT)

Year	FSD		HAFED		HSWC		Total	%age in CAP
	Covered	CAP	Covered	CAP	Covered	CAP		
2017	5.35	4.91	8.31	5.24	9.50	0.88	34.19	32.26
2018	8.01	14.20	10.92	16.86	11.04	3.80	64.83	53.77
2019	6.02	21.13	12.81	24.97	10.05	6.08	81.06	64.37
2020	6.85	22.80	10.76	21.30	7.77	5.88	75.36	66.32
2021	6.49	22.75	12.85	22.77	9.15	5.12	79.13	64.00

(Source: Information furnished by FSD to GoI)

As seen from the above, due to non-availability of warehouses approximately 65 per cent of wheat available with SPAs was stored in CAP at the end of May in each year in 2019 to 2021.

#### 3.5.1 Damage to wheat

It is the responsibility of the SPAs to maintain the health of wheat stock till its delivery to FCI. For ensuring health during storage, it is essential to maintain storage worthiness of storage space and storability of food grains.

<sup>12</sup> Warehouses are designed and constructed on scientific lines making them rodent proof by giving proper height, damp proof by providing pucca floor and leakage proof.

<sup>13</sup> Under CAP system, wheat stock is stored in the open either on plinth (*pucca* plinth) or plain ground with dunnage (*katcha* plinth).

Audit noticed that 79,967 MTs of wheat stock was declared as damaged during RMS 2017 to RMS 2021 by FCI as given in **Table 3.11**, due to inadequate and improper storage conditions, poor preservation techniques, official apathy and negligence of custodian staff.



**Damaged wheat at Maha Saraswati Rice Mills, Gumthala Garhu at FSD, Kurukshtera related to RMS 2020-21**

**Table 3.11: SPA wise damaged wheat during RMS 2017-2021**

(In MT)

RMS	HAFED	HSWC	FSD	Total Damaged Wheat
2017-18	154	Nil	Nil	154
2018-19	129	1,976	1,012	3,117
2019-20	3,304	518	43,380	47,202
2020-21	2,921	2,020	22,330	27,271
2021-22	Nil	2,223	Nil	2,223
<b>Total</b>	<b>6,508</b>	<b>6,737</b>	<b>66,722</b>	<b>79,967</b>
Percentage of total wheat procured	0.04 per cent of 167.15 LMT	0.09 per cent of 73.14 LMT	0.50 per cent of 123.07 LMT	

(Source: Information furnished by SPAs)

As evident from the above table, 79,967 MT of wheat for ₹ 174.58 crore<sup>14</sup> was damaged in the custody of three SPAs. Higher percentage of damaged wheat in FSD indicates poor internal control and poor monitoring within FSD.

During the Exit Conference (July 2024), it was stated that the main reason for damage was due to storage in CAP. Since maximum stock of FSD was stored in CAP, therefore, the quantity of damaged wheat stock was more in FSD as compared to other SPAs.

The reply is not tenable as the SPAs are responsible for maintaining health and quality of wheat before delivering the same to FCI. Further, the SPAs should

<sup>14</sup> Calculated by adding MSP and incidentals.

have stored the wheat properly in warehouses either by augmenting the storage capacity or by hiring the warehouses.

### ***3.5.1.1 Discrepancies noticed in tender process for auction of damaged wheat***

The damaged wheat is disposed of by SPAs through e-tendering after fixing reserve price depending on the degree of damage. There was 43,835 MT<sup>15</sup> damaged wheat lying with the FSD, for which a departmental committee was formed in June 2022 to oversee its disposal. The tender notice included a condition that bidders must have an average annual turnover of at least ₹ 15 crore over the past three years. Due to this condition, only four firms, including three consortium firms which were not engaged in the manufacturing of cattle or poultry feed could technically qualify. It was against the FCI guidelines (July 2014) for disposal of damaged foodgrains which provide that the damaged foodgrains should be disposed of through tender/auction to the bonafide manufacturer/consumer of feed only on the best commercial terms by following a transparent procedure.

Further on comparison of category wise disposal of damaged wheat, it was found that there was huge variation of disposal rates among FSD, HSWC and HAFED. FSD had realized lesser revenue of ₹ 14.18 crore in comparison to minimum of disposal rates of HSWC and ₹ 9.30 crore in comparison to minimum of disposal rates of HAFED for disposal of damaged wheat during 2018-19 and 2019-20 (*Appendix 3.3*).

During the Exit Conference (July 2024), the FSD replied that the auction was conducted after following the due procedure. The reply was not maintainable as the FCI guidelines for selling of damaged wheat to bonafide manufacturers of feed was ignored and further, the condition of having minimum average annual turnover of ₹ 15 crore during past three years was introduced which restricted wider participation and reduced competitive bidding.

## **3.5.2 Hiring of storage space**

### ***3.5.2.1 Excess payment of rent for open plinths***

State Government had fixed (May 2012) the rates of rent for hiring pucca cemented plinths/platforms at the rate of ₹ 4.5 per MT per month. For the plinths hired under the three years' guarantee scheme the rate was fixed at the rate of ₹ 7 per MT per month.

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<sup>15</sup> Lying in stores in districts Kurukshetra, Karnal, Kaithal and Fatehabad pertaining to RMSs 2018, 2019 and 2020.

In Kurukshetra, sanction for hiring plinths<sup>16</sup> for 78,852 MT capacity was issued (August 2017) at the rate of ₹ 4.5 per MT per month on actual utilisation basis. The Director, FSD issued revised sanction (September 2017) at the rate of ₹ 7 per MT per month under one year guarantee basis., even though the total wheat stock had already been delivered to FCI upto August 2017 resulting in avoidable payment of ₹ 60.69 lakh.

### 3.5.2.2 Payment of inadmissible GST

As per Clause 6 of the rent agreements (2018 to 2020) executed between HAFED and Private godowns/plinths parties it was stipulated that all taxes leviable on the godown/plinth owner will be paid by the owner itself.

Audit noticed that HAFED Hisar paid GST of ₹ 52.55 lakh on rent of ₹ 2.92 crore during RMS 2018 to RMS 2020 without any liability of GST as per agreement clause. Further, it was also noticed that GST on godown rent was released to private parties without obtaining any supporting document for payment of GST of ₹ 52.55 lakh.

### 3.5.2.3 Underutilisation of plinth storage capacity

The following plinths remained underutilised in FSD Kurukshetra every year during 2017-18 to 2021-22 as given in **Table 3.12**.

**Table 3.12: Excess expenditure due to underutilisation of hired storage capacity**

Storage point	RMS year	Sanctioned Capacity in MT	Maximum quantity of wheat stored (in MT)	Underutilised capacity in MT	Excess expenditure due to under/ non-utilization (₹ in lakh)
<b>Kurukshetra</b>					
Baljeet OP	2017-18	24,000	17,895	6,105	5.13
Baljeet OP	2018-19	24,000	19,058	4,942	4.15
Baljeet OP	2019-20	25,000	19,358	5,642	4.74
Baljeet OP	2020-21	42,700	33,342	9,358	7.86
Sohan OP	2019-20	10,000	6,502	3,498	2.94
Sohan OP	2020-21	20,000	15,897	4,103	3.45
<b>Total</b>					<b>28.27</b>

From the above table it is clear that the above plinths were never utilised to their full capacity. As such hiring charges to the tune of ₹ 28.27 lakh were paid without utilising the sanctioned capacity.

During the Exit Conference (July 2024), it was stated that SPAs had to follow the linkage plan of FCI for procurement and storage of wheat. In case of non-following the linkage plan, FCI could deduct carry over charges from SPAs.

The reply is not tenable as linkage plan of FCI is related to the direct delivery of wheat from *mandi* during procurement period. Linkage plan of FCI does not

<sup>16</sup> One plinth - Jain and Prithi open plinth, Kurukshetra, Three plinths – (i) Sumerpal, (ii) Walia & (iii) New Chahal open plinths, Pehowa and One plinth - Prem & Shalini open plinth, Ladwa

affect the stored wheat. As such, the storage capacity was not utilised prudently by the DFSCs.

#### 3.5.2.4 Blockade of storage space with unserviceable stock articles

To avoid blockade of storage space, unserviceable stock articles<sup>17</sup> are required to be disposed of at the earliest. In the test checked districts storage space remained blocked as the unserviceable stock articles costing ₹ 17.83 crore were lying in stores (**Table 3.13**).

**Table 3.13: Non disposal of unserviceable stock articles (Amount)**

(₹ in crore)

District	FSD	HSWC	HAFED	HAIC
Karnal	3.03	0.24	1.30	0.13
Panipat	0.17		0.30	N.A.
Sonepat	1.20		0.33	0.05
Kurukshetra	2.30	0.09	1.02	0.73
Yamunanagar	0.35	0.49	0.77	0.02
Ambala	0.62		0.74	0.05
Hisar	0.36	0.43	N.A.	0.92
Fatehabad	1.36		0.71	
<b>Total</b>	<b>9.39</b>	<b>1.25</b>	<b>5.17</b>	<b>2.02</b>
<b>Grand Total</b>	<b>₹ 17.83 crore</b>			

During the Exit Conference (July 2024), it was stated that fumigation covers, paddy tops, aluminium flask, etc. were to be disposed of by DGS&D. The matter was under process for disposal of unserviceable stock articles.

The reply is not tenable as DGS&D was only competent authority for finalization of auction rates and responsibility of disposal of unserviceable items lies with the SPAs concerned.

### 3.6 Raising claims with FCI

Government of India issues Provisional Cost Sheet (PCS<sup>18</sup>) before beginning of each RMS. FCI reimburses the expenditure by the SPAs on the procurement operations as per costing approved by GoI for each RMS as per PCS. The FCI makes payment to SPAs at the time of taking delivery of wheat according to the PCS. Further, final claims are to be submitted with FCI on the basis of final cost sheet<sup>19</sup> approved by GoI after finalization of accounts by the State Government.

FCI takes delivery from field offices of SPAs through three modes and pay MSP plus incidentals to field offices of SPAs according to the mode as detailed in **Table 3.14**.

<sup>17</sup> Unserviceable LDPE covers, Black polythene covers, tarpaulins, wooden crates, etc.

<sup>18</sup> PCS is an estimated cost framework issued before each RMS, since actual expenditures available only after procurement ends

<sup>19</sup> Final Cost of incidentals approved by the GoI/FCI on the basis of audited accounts

Table 3.14: Modes of delivery made to the FCI

	Mode	Delivery method	MSP + Incidentals to be paid
A.	Ex-Mandi Delivery	Delivery of wheat direct from <i>Mandi</i> to FCI (transportation by FCI)	Statutory charges + <i>Mandi</i> labour charges + Commission to societies/ <i>Arthiyas</i> + Administrative charges + Cost of gunny bags
B.	Delivery to FCI local godown/rail head	Delivery of wheat direct from <i>Mandi</i> to FCI at FCI godown or rail head (transportation by SPA)	Mode A charges + the transportation & handling charges
C.	Ex-Godown delivery from SPA's godown	Delivery of wheat from storage point of SPAs to FCI (transportation by FCI)	Mode B charges + custody & maintenance charges, interest charges and additional charges (loading, weighment etc.)

The above incidentals are payable to SPAs for delivery of wheat up to 30<sup>th</sup> June each year. Thereafter, interest is payable by FCI to SPAs at the rates mentioned in the PCS, calculated on MSP plus incidentals except on administrative charges and storage charges. For the month of dispatch, interest as well as storage charges are allowed at half the rate. Audit observations are as follows:

### 3.6.1 Issuance of provisional cost sheet (PCS)

The incidentals in PCS are finalised on the basis of proposal submitted by the State Government as per Principles for Procurement Incidentals (PPI) notified by GoI in July 2003 and revised from time to time on the request of State Governments. A brief description of incidentals and method of fixation thereof is given in *Appendix 3.4*.

SPAs procure wheat by availing Cash Credit Limit (CCL)/Short Term Loans from financial institutions. Thus, all the components of the PCS should be assessed properly and timely to get entire expenditure incurred by SPAs on procurement operations reimbursed from FCI timely. Any laxity related to completeness and timeliness for PCS would result in direct loss to SPAs on account of interest. Audit noticed the following:

#### 3.6.1.1 Losses due to delay in issuance of PCSs

The PCSs were required to be issued before the beginning of the RMS each year but audit noticed that PCSs for RMSs 2020 and 2021 were issued with a delay of 80 and 161 days. During RMSs 2020 and 2021, the FCI, while taking delivery of wheat until issuance of PCS had paid MSP of respective seasons without payment of incidentals<sup>20</sup>. SPAs claimed these incidentals as supplementary bills after issuance of the PCS. SPAs borrow funds from banks on interest, however, due to delayed issuance of PCS leads to delay in claiming incidentals. SPAs have to claim such incidentals later on as supplementary

<sup>20</sup> Statutory charges, *Mandi* labour charges, Commission to societies/*Arthiyas*, Administrative charges, Cost of gunny bags, transportation & handling charges, etc.

claims. It is worth mentioning that FCI does not allow interest on supplementary claims which is ultimately borne by SPAs.

Audit noticed that claims for incidentals of ₹ 1,157.27 crore were paid as supplementary claims by FCI due to delayed issuance of PCSs resulting in extra burden of interest of ₹ 33.67 crore to SPAs as detailed in **Table 3.15**.

**Table 3.15: Table showing interest loss due to delay in forwarding PCS to field offices**

RMS	Direct delivery to FCI in LMT				Delay in days	Incidental (excluding MSP) (₹ per Qtl)	Incidental claimed/ paid	Short paid Per qtl.	Short paid amount (₹ in crore) (qty*short paid)	Interest rate in PCS p.a.	Loss of interest (₹ in crore)
	Food	HAFED	HWC	Total							
1	2	3	4	5	6	7	8	9 (8-7)	10 (9*5)	11	12
2020	6.24	10.71	4.46	21.41	80	292.41	0	292.41	626.05	9.61	13.19
2021	4.91	9.91	4.55	19.37	161	274.25	0	274.25	531.22	8.74	20.48
<b>Total</b>									<b>1,157.27</b>		<b>33.67</b>

(Source: Information obtained from FCI and SPAs)

During the Exit Conference (July 2024), the Additional Chief Secretary, GoH, FSD directed the departmental officers to take up the matter with GoI.

### 3.6.1.2 Loss due to delay in finalisation of Provisional Cost Sheet

GoI revised (February 2020) principles of procurement incidentals (PPI) for Central Pool applicable for procurement for wheat vide which commission/*Arthiya* charges was delinked from the MSP. The revised PPI was applicable from RMS 2020-21.

The GoH failed to de-link the *Arthiya* commission as per revised PPI and proposed (3 April 2020) *Arthiya* commission for RMS 2020-21 at the rate of ₹ 48.12 per quintal<sup>21</sup> which was against the revised PPI. The PCS for RMS 2020-21 was issued by GoI in July 2020 wherein *Arthiya* commission was approved at the rate of ₹ 46 per qtl. However, the payment had been made by GoH to *Arthiya* @ ₹ 48.12 per quintal because the PCS was issued after completion of procurement season. This resulted in loss of ₹ 14.27 crore<sup>22</sup> to the State Government on account of excess commission to the *Arthiya*.

The GoH had taken up the matter with the FCI at the highest level for revision of *Arthiya* commission to ₹ 48.12 per quintal (as already paid to *Arthiyas*) but matter remained unresolved.

Thus, due to non-fixation of *Arthiya* commission by FSD in accordance with the revised PPI as well as delayed issuance of PCS by GoI, the GoH had incurred extra expenditure of ₹ 14.27 crore.

<sup>21</sup> 2.5 per cent of ₹ 1,925: MSP for RMS 2020-21

<sup>22</sup> 67.31 lakh MT \* ₹ 2.12 per qtl

The Department replied (June 2024) that during RMS 2020, *Arthiya* commission was paid at the rate of ₹ 48.12 per quintal i.e. 2.5 per cent of MSP, as per notification issued by HSAMB Haryana whereas GoI fixed *Arthiya* commission at ₹ 46 per quintal in PCS issued on 10 July 2020. Higher charges were paid due to delayed issuance of PCS by GoI. During Exit Conference (July 2024), the ACS reiterated the reply submitted by the Department. The reply was not tenable as the GoI had notified revised PPI in February 2020 i.e. before commencement of procurement season of 2020, by delinking the *Arthiya* commission from the MSP.

### 3.6.2 Ignoring custody and maintenance charges for covered storage

The GoI provides custody and maintenance charges for one and half month (half of the procurement period) for CAP storage. As such, there was no provision for covered storage upto 30<sup>th</sup> June each year.

During scrutiny, it came to notice that while submitting the proposals for PCSs, the GoI had not included C&M charges for covered storage, despite the fact that a huge quantity was being kept in covered storage. There was huge difference in storage charges for open plinth and covered storage payable by FCI as detailed in *Table 3.16*.

**Table 3.16: Loss due to wheat stored in godown and C&M charges received for CAP**

RMS	Storage charges for CAP	Storage charges for covered godown	Difference in covered & CAP rates	For one and half month	Quantities stored in godown	Loss
	(₹ per MT per month)			(₹ per MT)	(in LMT)	(₹ in crore)
2017	24.00	74.00	50.00	75.00	24.32	18.24
2018	24.00	83.00	59.00	88.50	24.00	21.24
2019	24.00	93.60	69.60	104.40	15.09	15.75
2020	24.00	104.20	80.20	120.30	8.45	10.16
2021	24.00	107.80	83.80	125.70	19.82	24.91
<b>Total</b>					<b>91.68</b>	<b>90.30</b>

Due to non-inclusion of C&M charges for covered godown in the PCSs, there was a loss of ₹ 90.30 crore due to claims submitted for CAP storage while in actual wheat was stored in warehouses during RMSs 2017 to 2021.

During the Exit Conference (July 2024), the ACS stated that the matter would be taken up with GoI for providing the rates of covered storage also upto 30<sup>th</sup> June.

## 3.7 Delivery of wheat to FCI

### 3.7.1 Failure in delivery as per movement plan of FCI

SPAs are required to deliver the wheat stock as per movement plan/requirement of FCI. Carry over charges (CoC) are denied by FCI if SPAs fail to deliver the wheat in accordance with requirement/ movement plan of the FCI.

Audit noticed that FCI had deducted CoC of ₹ 4.58 crore for RMSs 2017 to 2021 in selected field offices of SPAs for not delivering wheat as per movement plan as detailed in **Table 3.17**.

**Table 3.17: Detail of deductions made by FCI**

Sr. No.	Agency	Name of district office	Amount ₹ in crore	Reasons for deductions
1	HSWC	HSWC, Fatehabad	0.24	Non-delivery
		HSWC, Panipat	1.28	Non-delivery, non-providing of vehicles by transporter
2	Hafed	HAFED, Fatehabad	0.18	Non-delivery
		HAFED, Sonapat	0.06	Non-delivery
3	FSD	DFSC, Panipat	2.82	Non-availability of staff at godown and non-providing of adequate labour, etc.
<b>Total</b>			<b>4.58</b>	

Had the wheat stock been delivered to FCI in accordance with the demand/movement plan, loss of ₹ 4.58 crore could be avoided.

### 3.7.2 Deduction by FCI on account of moisture cut

RMS guidelines stipulate that wheat stock delivered to FCI should not have moisture content more than 12 *per cent*. Wheat stock containing moisture between 12 and 14 *per cent* is acceptable with a discount and above 14 *per cent* is not acceptable. The FCI deducted ₹ 4.63 crore from the payments to SPAs on account of moisture cut for RMSs 2017 to 2021 as given in **Table 3.18**.

**Table 3.18: Deduction of moisture cut made by FCI**

(₹ in crore)

Agency	Moisture cut deducted by FCI	Moisture cut recovered from <i>Arthiyas</i>	Pending recovery
FSD	1.02	0.24	0.78
HAFED	3.43	-	3.43
HSWC	0.17	0.00	0.17
HAIC	0.01	-	0.01
<b>Total</b>	<b>4.63</b>	<b>0.24</b>	<b>4.39</b>

Out of total ₹ 4.63 crore, in case of direct delivery from *mandis*, ₹ 0.24 crore had been recovered from *Arthiyas*.

Audit observed that in case of stored wheat, the SPAs had neither ascertained the moisture content of wheat at the time of procurement nor during storage. SPAs should evolve a mechanism to record moisture content at the time of procurement as well as during storage.

During the Exit Conference (July 2024), it was replied that deductions were made for moisture noticed during receipt of wheat from *Arthiyas*. Moisture cut during delivery of wheat was treated as shortages and accordingly responsibilities of concerned officials/officers were fixed.

### 3.8. Delay in finalisation of annual accounts

#### 3.8.1 Incidental charges not claimed on the basis of consumer price index

As per instructions of GoI, annual audited accounts were to be submitted by State Government not later than 12 months after the end of financial year. As per instructions of GoI (January 2017) provisional rates of incidentals were to be fixed on the basis of Consumer Price Index<sup>23</sup> by taking the last final or provisional rate as base. However, the benefit of indexation was denied to the States defaulted in submitting the audited accounts.

Audit noticed that the FSD had finalised accounts only upto RMS 2017-18, even though other SPAs (HSWC, HAFED and HAIC) had prepared their annual accounts and were audited up to RMS 2021-22. Due to delayed finalization of accounts by the nodal department, these SPAs could also not submit their final claims resulting in loss to the State Exchequer. Further, the benefit of price indexation for the RMSs 2017 to 2020 to the tune of ₹ 179.10 crore could not be availed by the State resulting in avoidable extra burden of interest to the tune of ₹ 60.18 crore (as of March 2023) as detailed in **Table 3.19**.

**Table 3.19: Extra burden of interest for non-availing indexation benefit**

RMS	Quantity procured by SPAs (In LMT)	Indexed cost for specified incidentals (₹ per qtl)	Specified incidentals in PCS (₹ per qtl)	Indexation benefit not availed (₹ per qtl)	Difference due to non-availing indexation benefit (₹ in crore)	Rate of interest (in per cent)	Interest loss (₹ in crore)
2017-18	65.61	38.49	34.27	4.22	27.66	11.01	15.23
2018-19	77.02	42.47	36.38	6.09	46.89	9.66	18.12
2019-20	82.28	43.66	36.38	7.28	59.93	10.15	18.25
2020-21	67.31	25.88	19.25	6.63	44.62	9.61	8.58
<b>Total</b>	<b>292.22</b>				<b>179.10</b>		<b>60.18</b>

During the Exit Conference (July 2024), it was stated that submission of final cost sheets got delayed due to scarcity of staff. The department had engaged a chartered accountant firm since January 2024 for preparation and submission of accounts to GoI.

The fact remains that due to delays in submitting the audited accounts indexation benefits to the tune of ₹ 179.10 crore could not be availed.

#### 3.8.2 Non-submission of final claims

As per instructions from the GoI, cost sheet for each RMS should be finalised within 20 months from the end of Financial Year in which RMS ends. GoH delayed finalisation of the audited accounts to finalize procurement incidentals of State Agencies as detailed in **Table 3.20**.

<sup>23</sup> Updation of procurement incidentals of previous provisional cost sheet upto current level on the basis of Consumer Price Index. This benefit was available upto RMS 2020.

**Table 3.20: Delays in submission of final claims and further delay in finalisation by FCI**

RMS	Status	Claim submission by State			Claims approved by FCI		
		Due date	Submission date	Delay in days	Due date	Final date	Delay in days
2013-14	Final	31 March 2015	06 June 2017	798	30 November 2015	05 June 2020	1,649
2014-15	Final	31 March 2016	15 February 2022	2,147	30 November 2016	18 July 2023	2,421
2015-16	Pending*	31 March 2017	15 February 2022	1,782	30 November 2017	18 July 2023	2,057
2016-17	Final	31 March 2018	21 May 2021	1,147	30 November 2018	12 July 2023	1,685
2017-18	Pending*	31 March 2019	24 November 2022	1,402	30 November 2019	Not finalized	
2018-19	Claims not submitted*	31 March 2020			30 November 2020	Not finalized	
2019-20		31 March 2021			30 November 2021	Not finalized	
2020-21		31 March 2022			30 November 2022	Not finalized	
2021-22		31 March 2023					

Source: Information provided by the Department.

\* Reasons for non-finalisation of PCS 2015-16 despite finalisation of PCS for 2016-17 were not on record

There was a delay ranging between 16 and 71 months in submission of final claims by GoH. Further cost sheets for RMS 2013 was finalised in June 2020 after a delay of 55 months and costs sheets for the RMSs 2014, 2015 and 2016 were finalised in July 2023 with a delay of 56 to 80 months.

During the Exit Conference (July 2024), it was stated that submission of final cost sheet was delayed due to scarcity of staff. The department had engaged a chartered accountant firm since January 2024 for preparation and submission of accounts to GoI.

### 3.9 Conclusion

It was observed in audit that the availability of basic facilities such as weighbridges, fire-fighting arrangements, kisan rest houses, canteens, etc. was not adequate in some test checked *mandis*. Due to non-availability of weighbridge in some *mandis*, avoidable expenditure of ₹ 2.93 crore was incurred by HAFED on transportation of wheat to weighbridges situated outside of *mandi*.

The FSD had arranged funds for wheat procurement on higher interest rates resulting in extra burden of interest of ₹ 222.24 crore. Since timeline for activities involved in procurement process were not fixed, it resulted in delayed payment to farmers. Moreover, a large quantity of wheat remained stored unscientifically by hiring open plinths resulting in damage of wheat stock.

The State Government paid commission at the rate of ₹ 48.12 per quintal for the RMS 2020-21 while the FCI fixed the commission at ₹ 46 per quintal resulting in loss of ₹ 14.27 crore to the SPAs. Further, due to non-inclusion of custody and maintenance charges for covered go-downs in the Provisional Cost Sheet, loss of ₹ 90.30 crore occurred to SPAs. Moreover, final cost sheets for the RMSs 2018-19 onwards have not been finalised by the State Government.

### 3.10 Recommendations

Following recommendations are made:

1. The State Government may ensure adequate arrangements in *mandis* to provide farmers with basic facilities such as weighbridges, kisan rest houses, firefighting stations, canteens and banks.
2. The State Government may consider the viability of options for availing loans at competitive rates for wheat procurement operations.
3. The State Government may establish a clear-cut timeline for wheat procurement activities to ensure timely payments to farmers.
4. The State Government should prevent unscientific storage and minimize losses due to wheat damage.
5. The State Government should expedite the finalisation of annual accounts related to foodgrain procurement by the Food, Civil Supplies and Consumer Affairs Department for timely submission of claims to FCI.