

CHAPTER –VII

INTERNAL CONTROL SYSTEM OF THE FOOD AND CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

Introduction

7.1 Internal Control (IC) system provides reasonable assurance about (i) effectiveness and efficiency of operations, (ii) reliability of financial procedures and reporting and (iii) compliance with applicable rules and regulations. It is, therefore, an integral and important part of the day to day management of a department as well as the activities of planning, organising, directing and controlling that go on in it.

A review of the IC system in Food and Civil Supplies and Consumers Affairs Department (FCS & CAD) was conducted in April-May 2004 to ascertain if control mechanisms prescribed were appropriate, adequate and optimally operative.

FCS & CAD is headed by a Commissioner-cum-Secretary who is assisted by 20 officers in the grade of Additional Secretaries, Joint Secretaries, Deputy Secretaries, Assistant Director and District Civil Supply Officers (DCSOs) besides 185 other staff.

Functions of the Department

7.2 The main task of the Department is to ensure adequate supply of essential commodities through nine[@] Principal Distribution Centres (PDCs) and 24 Godowns located all over the State for public distribution through Fair price shops (1,178). The Department, besides providing foodgrains to Below Poverty Line families at subsidised rate, implements two Government of India schemes i.e (i) *Annapurna scheme* under which rice is distributed to senior citizens above 65 years and (ii) *Antodaya scheme*, where 6,700 families are targeted to receive 35 kg. of rice per family @ Rs. 3 per kg.

Manpower Control

Individual job analysis for assessment of manpower not done

7.3 The Department had never assessed its manpower requirement on a systematic basis. Individual job specification, quantum of work, output, etc. were

[@] Gangtok, Mangan, Geyzing, Rongli, Soreng, Ravangla, Namchi, Chungthang and Dentam.

neither analysed nor prescribed and the overall deficiency or surplus was never reviewed. Against 146 sanctioned posts, 206 officers and staff were on the roll as of April 2004, recording a shortfall of 12 (regular) and excess of 72 (7 regular and 65 ad-hoc and muster roll) in various posts as shown in *Appendix-XXIX*.

Absence of policy of need-based and rational deployment of staff

7.4 The FCS & CAD has not adopted any system to streamline or rationalize the deployment of staff to match individual skill and expertise with the job requirement, nor has a policy of regular rotation of assignments to prevent monotony and also to ensure experience in different areas of work. Even in posting of godowns-in-charge the size of the godowns vis-à-vis the rank and responsibility of the officials posted were not kept in mind.

Formal allocation of work not done

7.5 Formal distribution of work with clear demarcation of functional responsibilities, which is a key element in determining the accountability and responsibility at different levels was missing except for six Deputy Secretaries, one each of Deputy Director, Under Secretary and District Civil Supply Officer, corresponding to 45 per cent[^] of officers and a paltry 4 per cent^{*} of the combined strength of staff and officers.

No proper handing/taking over of charge

7.6 The Department was yet to introduce the system of a formal handing /taking over of charge with detailed notes from the relieving officer describing the job responsibility, important pending items of work, particulars of important files and documents that should be handed/ taken over to ensure continuity and smooth flow of work in case of change of guard. Audit contention was corroborated by the fact that 16 officials transferred to other departments during 1999-04 from FCS & CAD had not followed the procedure of handing/taking over of charge.

Service Verification Not Done

7.7 Test check of service books of staff maintained in the Department revealed that service verification of none of the 120^{*} employees had ever been done, in spite of stipulation in Sikkim Service Rules (Rule 44) and Sikkim Financial Rules (Rule 98) which envisage that every entry in the service book must be attested by the Head of the Department or a Gazetted Officer authorized to do so and must be verified at least once in a year.

Lack of training

7.8 The FCS & CAD did not have any arrangement for its staff to attend training programmes on a regular basis to upgrade their skills and improve productivity. It was noticed that in the last five years, training was held only once,

[^] 9/20 per cent

^{*} 9/(185+20) per cent

* Non-gazetted regular employees.

that too for three days only for 42 officials, on Public Distribution Systems at Accounts and Administrative Training Institute, Gangtok. A training programme on "Scientific Methods of Storage and Inspections of Foodgrains" for two months, though prescribed by Government of India as a specific requirement for the FCS & CAD officials, only one each of Inspector and Sub-Inspector and three Assistant Sub-Inspectors were imparted with the above training. No reasons for the shortfall in the prescribed training programme were offered by the Department.

Financial Control

Improper maintenance of Cash book

- 7.9 Sikkim Finance Rule (Para 49) prescribes that the Cash book should be:
- Closed and checked regularly to ensure accuracy of postings, totals etc.
 - Verified by the Head of the Department (HOD)/ Office (HOO) at the end of each month and a signed and dated certificate to that effect appended.
 - Physically verified by the HOD/HOO, at least once a month, incorporating an element of surprise, to verify the cash balance and a certificate recorded in the Cash book indicating the results of such verification.
 - Properly and concisely written, with a brief narration against each of the transactions to indicate unmistakably the nature of the transaction.

It was seen that these codal provisions were not followed by the Department, even to the extent that full classification of the receipts and charges were not recorded in the Cash book against each entry of receipt and payment.

Enhancement of the corpus of Revolving fund without any requirement

7.10 The Department has been operating a Revolving fund since 1975-76 in the name of Secretary, FCS & CAD for the purpose of procurement of foodgrains. The fund initially started with Rs. 30 lakh was lastly enhanced (October 1997) to Rs. 5.10 crore. Apart from this, the State Government stood as guarantor for availing of overdraft facilities to the extent of Rs. 1.80 crore from three^v banks at Gangtok.

Scrutiny of records revealed that a sum of Rs. 2.70 crore, out of the Revolving fund, was kept as fixed deposit in Central Bank of India (Rs. 1 crore in July 2002) and Sikkim State Co-operative Bank Ltd. (Rs. 1.70 crore in January 2003). Therefore, there was excess provision of funds to the Revolving fund. The requirements of Revolving fund were not closely monitored and reduced suitably instead of investment in fixed deposit.

Persistent Savings

7.11 Test check of Budget files for the years 2001-04 revealed that the Department was yet to evolve a proper system of working out the detailed requirement of funds in the Subsidy head at the time of preparation of budget,

^v State Bank of Sikkim, Central Bank of India and SISCO

resulting in substantial overall savings of Rs. 22.77 crore, out of which major savings related to “subsidies on sale of rice”. Persistent savings were indicative of absence of proper assessment of requirement of funds and inadequate control over expenditure.

Management of Public Distribution System

Absence of system for monitoring actual number of beneficiaries

7.12 There was no system in the Department to monitor the change in the number of Below Poverty Line/Above Poverty Line beneficiaries due to death, immigration/emigration, transfer etc. The Department continued issuing the same quota of commodities to the Fair price shops (FPS) for a number of years without verifying the change in the number of beneficiaries. In terms of the guidelines issued by the Government of India, the State Government shall specify a timeframe for making additions/alterations in the ration cards. However, no such time frame has been specified so far for periodical review of the ration cards.

Non-furnishing of monthly reports by Fair Price Shops

7.13 According to the guidelines issued by the Ministry of Consumer Affairs, Food and Distribution, Government of India (August 2001), State Government should ensure proper system of monitoring the functioning of FPSs in areas like issue of ration cards, monthly allocation of foodgrains, receipt and issue of food commodities by FPSs etc. The FPSs are required to send the monthly report in the prescribed format on 7th of the following month of allocation of food grains. Such reports sent by the FPS to the district authorities, should be compiled for the State as a whole and sent to the Central Government at the end of the following month. Audit observed that the system of sending monthly reports either by the FPS, the district authorities or the State Government was not followed till date (April 2004). Therefore, due to non-submission of monthly reports, the functioning of FPSs not only remained largely unmonitored but was also fraught with the risk of sale of commodities to ineligible beneficiaries and other malpractices.

Non-forming of Vigilance Committee

7.14 According to Government of India guidelines, vigilance committee on Public distribution scheme should be formed at State, district, block and FPS level which should meet atleast once in a quarter, to verify sale register, stock register and ration card register submitted by FPS. The Department was yet to form such committees. In reply (May 2004), the Department informed that vigilance committee at panchayat level is being constituted.

Conclusion

7.15 *The Internal Control mechanism of the FCS & CAD with regard to deployment of personnel, accounting and financial procedures was beset with weaknesses and without built- in mechanism for proper supervision and inspection at higher level. Cash book and other essential records relating to PDS schemes were not maintained properly. System to monitor the change in numbers of beneficiaries due to death, transfer etc. were not in vogue. It is recommended that the Department take remedial measures in these areas so that an effective degree of internal control is established.*

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