

Chapter 10 Other Points

In course of performance audit on PDS various shortcomings, as noticed, are brought out in succeeding paragraphs.

10.1 Issue of controlled commodities to ineligible persons

As per the Public Distribution System (Control) Order, 2001, PDS commodities are to be distributed to the ration card holder through notified fair price shop only.

Audit scrutiny of the records for the years from 2005 to 2010 revealed that rice (APL) and Wheat (APL) were being issued to Tea Gardens, other Industries and to the State Police personnel for distribution amongst the employees of these industries against specific allotment made by the Director. The allotment of these commodities was made from the PDS (APL) quota of the State, with no separate allocation being made by the Centre for these categories of consumers. On the other hand, both the FCI (Hqrs), New Delhi and MoCAF&PD have clarified (July 2010) that no scheme to allocate rice and wheat to any business houses, groups of industries, religious organizations, trusts etc. was in existence and any such diversion of TPDS foodgrain (Rice/wheat) to any industry or groups of organizations (Tea Association) is contrary to the TPDS guidelines. As per records made available to audit 4,65,326 MT of APL rice, 59,217 MT of atta and 3,667 MT of sugar were allotted to these organizations. Year-wise position of allotment of various PDS commodities to Industries and Police Department are given in the tables below:

Table - 1
Position of allotment to Tea gardens and others¹

(In MT)

Commodities	2005-06	2006-07	2007-08	2008-09	2009-10	Total
APL Rice	94,661	1,04,328	65,312	91,200	91,200	4,46,701
Atta	2,217	NA	NA	NA	57,000	59,217

Source: Data furnished by the Director, FCS & CA, Assam.

Table - 2
Position of allotment to State Police Personnel

(In MT)

Commodities	2005-06	2006-07	2007-08	2008-09	2009-10	Total
APL Rice	5,501	5,880	2,444	2,400	2,400	18,625
Sugar	1,075	648	648	648	648	3,667

Source: Data furnished by the Director, FCS & CA, Assam.

¹ Private Industries.

As regards actual distribution at the end level by these Tea gardens and Police authorities, no record in support of distribution to the ration card holders was made available to audit. Thus the controlled commodities out of PDS quota were being issued to persons not having Ration Cards which was unauthorized, thereby depriving the genuine PDS (APL) beneficiaries of their entitlement.

In reply, the Director, FCS&CA accepted the fact and stated (July 2010) that the system of providing foodgrain to tea gardens was in existence since the decade of 1950 although the garden labourers were to be supplied ration by the managements at very concessional rates. In this connection it may be mentioned that the decision of State Government (June 2007) to bring the labourers under the ambit of PDS remained unimplemented (March 2010).

During exit conference, the Director stated (October 2010) that food items were allotted to tea gardens as per directives of the H'ble High Court. Scrutiny of the judgment dated 15 March 2010, however, revealed that the H'ble Court directed the GOA to file a further affidavit stating the reasons as to why the system of distribution invoke in the tea estates have been sought to be replaced through normal PDS scheme. No action in this regard was taken by the Government. As regards foodgrain issued to police personnel, the Director accepted the fact and stated (October 2010) that it would be verified.

10.2 Distribution through Special Permits

Audit scrutiny of the records of Kokrajhar sub-divisions revealed that during 2005-10, a total quantity of 38,607.41 qtls. and 4,988.35 qtls of APL rice valued at ₹ 3.52 crore and ₹ 0.41 crore² respectively were allowed to be lifted through special permits issued by the FCS & CA to welfare organisations and for police personnel, which suggests that distribution was made without ration cards in violation of PDS guidelines.

10.3 Engagement of Handling Agent for PDS (APL) rice

10.3.1 Appointment and operation of Handling Agent

i) Prior to 2005, the lifting responsibility of PDS items was entrusted with State Federation 'STATEFED'. Subsequently, the responsibility was withdrawn due to failure on the part of the federation on many fronts and GPSSs/WSCCs were given the responsibility of lifting of PDS items from FCI godowns in general.

In Silchar sub-division of Cachar district, a private firm, M/s Jai Commercial Pvt. Ltd., Ramnagar, Silchar was appointed as the handling agent of STATFED, Silchar, in respect of 32 GPSSs, unlike that of other districts in Assam. The engagement of the firm was made on the recommendation of the Chairman, STAFED and Minister of

² At CIP of ₹ 830 per qtl.

State (Independent Charge), Co-operation and Tourism, Assam. The agreement between the two parties was signed on 28 April 2003, three months prior to the date of appointment of the firm as a whole-sale licensee, and extended subsequently (28 March 2005) upto 31 March 2008. The firm, however, started lifting allotted PDS (APL) rice from FCI, Silchar w.e.f May 2003 (April 2003 quota).

As per the terms and conditions of the agreement entered into, the handling agent paid ₹five per quintal to STATFED as administrative charge on lifting of PDS (APL) rice, over and above the approved CIP of ₹830 per qtl. Thus, the involvement of the handling agent in Cachar district, unlike in other districts of Assam, led to an increase in the cost of PDS (APL) rice (from ₹830 to ₹870 per quintal which included transportation cost and profit margin, at the GPSSs/WSCCs levels). This increased price was ultimately borne by the beneficiaries.

Although called (October 2010) for in audit, records in support of the approval of the Director, authorizing the appointment of the handling agent were not produced.

ii) Audit scrutiny further revealed that there was accumulated balance of 1,85,310.98 quintals of undelivered rice with the handling agent, as of May 2006, for which approval was sought for by the handling agent from the district authority for disposal of the same in the open market. The Deputy Commissioner, Cachar, permitted 1,80,226.84 quintals, valued at ₹14.96 crore³ of this undelivered rice to be disposed off in the open market through free sale without inviting any open tender as is the usual procedure followed by FCI. Out of this quantity, the firm disposed off 13,447.22 quintals, valued at ₹1.12 crore⁴ to private business enterprises and individuals through free sale during October 2006 to November 2007. The total sale proceeds of this quantity of rice was ₹1.15 crore (@ ₹855 per quintal). Whereabouts of the remaining 1,71,863.76 quintals⁵ of PDS (APL) rice valued at ₹14.26 crore (at CIP price) was not stated to audit.

Further, a number of GPSSs of Katigora Circle of Silchar sub-division had intimated the Deputy Commissioner, Cachar (application no. NIL dated 9 May 2006) that introduction of handling agent forced the beneficiaries to procure rice from the open market due to a hike in price of PDS rice as well as receipt of poor quality of rice from the handling agent. Thus, apart from defeating the very purpose (avoiding lapse in lifting of bulk quantities of PDS - APL rice by the GPSSs) for which the firm was appointed as the handling agent, the APL beneficiaries of the 32 tagged GPSSs were deprived of their legitimate quota of rice, due to disposal of the undelivered quantity of lifted PDS (APL) rice by the handling agent in the open market through free sale.

In Silchar Whole Sale Co-operative Society Ltd. (SWCS), the Deputy Commissioner, Cachar allowed (during July 2005 to February 2009) 6,460 quintals of PDS (APL)

³ at CIP of ₹830 per qtl.

⁴ at CIP of ₹830 per qtl.

⁵ (1,80,226.84 – 13,447.22) + (1,85,310.98 - 1,80,226.84)

rice valued at ₹53.62 lakh for disposal through free sale in the open market out of a total quantity of 6,960 quintals of undelivered quantity valued at ₹57.77 lakh⁶, lying with it during April 2005 to February 2009. Of this quantity allowed for disposal, 1,160 quintals were re-allotted amongst the Fair Price Shops under SWCS. Whereabouts of the remaining 5,800 quintals⁷ valued at ₹48.14 lakh were not on record. During exit conference (October 2010), no comment in this regard was offered.

10.4 Implementing Tiers

10.4.1 FPS level

Six out of 120 selected FPSs could not produce the basic records. Audit scrutiny of available records however revealed as under:

➤ 33 FPSs (28 per cent) were not having the position of category-wise PDS beneficiaries (APL, BPL & AAY), whereas the lists of BPL and AAY beneficiaries particularly are to be displayed prominently as laid down in the “Responsibilities and Duties” set for the FPS owners.

➤ PDS commodities were not lifted by 64 FPSs (53 per cent) within the stipulated date of 20th of the month of allocation resulting in delay in distribution of foodgrain to the beneficiaries within the specified time.



FPS records checking in Nagaon (7 April 2010).

10.4.2 GPSS level

Audit scrutiny of the records of 31 WSCCs/GPSSs selected for test-check revealed that the records of allocation, lifting and issue/sale to FPSs were maintained (i) for the entire period of five years (2005-10) under review by nine GPSSs in respect of APL rice and by 15 GPSSs in respect of BPL and AAY rice, (ii) for four years during 2006-07 to 2009-10 by 10 GPSSs in respect of APL rice and by six GPSSs in respect of BPL



Inspection of GPSS (Saktia Ashram)

⁶ At CIP of ₹ .830 per qtl.

⁷ (6,960 – 6,460) + (6,460 – 1,160) = 5800 quintals.

and AAY rice. For the remaining number of GPSSs, records were maintained neither properly nor uniformly.

Scrutiny of the records in respect of the GPSSs mentioned above revealed that issue/sale of rice to FPSs with respect to allocations varied between 87.88 to 98.36 *per cent* for APL rice; 90.36 to 98.79 *per cent* in respect of BPL rice and 95.05 to 98.56 *per cent* in respect of AAY rice. The short issue was revealed to be due to short lifting and damage of foodgrain as detailed in the table below.

Out of 31 GPSSs test-checked, basic records showing position of allocation, lifting and distribution of PDS commodities, list of FP shops tagged with them were not made available to audit for scrutiny in five⁸ GPSSs/WSCCSs, pertaining to different periods between 2005-10, which included Joypur GPSS in Cachar district whose records were found to be seized by Bureau of Investigation of Economic Offences, Assam.

Table - 3
Status of Allocation, lifting and issue of foodgrain in respect of 31 GPSSs test-checked

Period	No. of GPSSs	Category	Allocation	Lifting	Issue/sale to FPSs
2005-10 (5 years)	9	APL	35,173.82	31,200.94 (88.71)	30,909.01 (87.88)
	15	BPL	55,169.82	54,773.48 (99.28)	54,501.28 (98.79)
	15	AAY	30,950.56	30,542.67 (98.68)	30,505.15 (98.56)
2006-10 (4 years)	10	APL	18,911.31	18,738.99 (99.09)	18,601.94 (98.36)
	6	BPL	31,039.20	28,202.82 (90.86)	28,047.77 (90.36)
	6	AAY	17,743.19	16,829.28 (94.85)	16,865.25 (95.05)

Note: Data /information furnished in incomplete form and /or for less than 4 years' by the GPSSs were not taken in the above table.

Thus, short lifting and short issue of food commodities to FPSs ultimately resulted in short distribution by the FPS owners to actual beneficiaries.

10.4.3 Sub-division level

Scrutiny of records of 15 sub-divisions of seven selected districts revealed the following weaknesses in implementation of PDS:

- 25 (23 *per cent*) out of 111 sanctioned posts of Inspector and Sub-Inspector for carrying out monthly inspection of each and every FPS and GPSS remained vacant.

⁸ (1) Meherpur Krishnapur Co-operative Society, Cachar; (2) Sepon GPSS, Dibrugarh; (3) Chalchali GPSS, Nagaon; (4) Batadraba GPSS, Nagaon and (5) Guwahati WSCCS.

- 468 and 59 licenses were suspended and cancelled respectively by routine inspections of sub-divisional authorities carried out intermittently in FPSs and GPSSs.
- Payment of transportation cost of AAY rice to the tune of ₹2.27 crore pertaining to 2006-10 remained outstanding in eight of the 15 test-checked sub-divisions. Position of balance seven sub-divisions was not available.
- Monthly certification by Gaon Panchayats/Local Bodies on the functioning of FPSs was done in only five⁹ of the 15 test-checked sub-divisions.
- Action on display of ‘Model Citizen Charter’ was taken in only three¹⁰ sub-divisions.
- Against the norms of formation of a vigilance committee in each sub-division and holding quarterly meetings, only twelve sub-divisions formed Vigilance Committees and only 45 meetings (19 *per cent*) were held during 2005-10.
- There were shortfalls in lifting of PDS food items by the notified lifters at sub-division level which ranged from 0.46 to 96.26 *per cent* and thereby adversely affected the scale of distribution to the beneficiaries.

10.5 Maintenance of basic records and Computerization

Basic records/registers showing position of allotments, lifting and distribution of PDS commodities, FICs, UCs, various reports/returns etc., were not maintained properly at all levels of FPS, GPSS/WSCCS and sub-divisional level. Computerization of TPDS operation by the National Institute of Smart Government (NISG) under 11th Plan, with approved allocation of Planning Commission, was yet to be done (October 2010). In some cases, basic records were found to be maintained without any authentication by competent authority. Due to improper maintenance/non-availability of records, audit could not collect/collate some of required data/ information and subject it to scrutiny for its observations with certitude.

Improper maintenance of basic records is indicative of lack of effective monitoring, which adversely affected adoption of necessary remedial measures.

10.6 Sensitivity to Error Signals

Reviews on “Functioning of PDS in Assam” and on “Food Security and Management of Food Grain in Assam” had featured in the Reports of the Comptroller and Auditor

⁹ 1.Biswanath, 2.Gohpur, 3.Hojai, 4.Kamrup metro and 5.Tezpur.

¹⁰ 1.Bongaigaon sadar, 2.Hojai and 3. Kaliabor.

General of India (Civil) for the years ended 31 March 1999 and 31 March 2006. The reviews, among other deficiencies, had pointed out the following:

- Irregularities in identification of beneficiaries.
- Irregularities in issue of ration cards.
- Shortfalls in lifting of foodgrain.
- Diversion of PDS commodities.
- Lack of quality control, monitoring and evaluation.

Despite these being pointed out, the Department did not initiate suitable action to rectify the deficiencies. Further, no concrete action was found to have been taken by the Department on the points raised by NCAER on the evaluation of PDS programmes conducted during 2006-07. This indicated lack of sensitivity to error signals.

In essence, due to failure on the part of the Department to ensure effective monitoring mechanism, serious irregularities were committed at field levels. Non-payment of transportation cost of AAY rice to GPSSs/FPSs was one of the contributing factors of short-lifting of PDS commodities and resultant short distribution to the poorest section of beneficiaries

Recommendations

Government should ensure proper maintenance of key records at State, sub-divisions, GPSS and FPS levels.

Reimbursement of transportation cost of AAY rice should be made without delay.

The Government should ensure proper investigation in all cases of diversion including open market sale of foodgrain, excess/short off-take of foodgrain.