

**DEPARTMENT OF FOOD AND CIVIL SUPPLIES**

**3.3 Food Security, Subsidy and Management of Foodgrains**

*Food security entails procurement of foodgrains from farmers at the minimum support price and distribution to the beneficiaries with the aim of providing foodgrains to economically weaker sections of the society at subsidised price. Due to delay in identification of beneficiaries, short lifting of foodgrains, delay/non-distribution of foodgrains, non-issue of ration cards, undue benefit to millers by allowing less recovery of atta from wheat etc., the basic objective of benefiting the poor and vulnerable sections of the society could not be achieved satisfactorily. In the absence of proper records and monitoring on the working of stockists, fair price shops etc. the extent and genuineness of the benefits accruing to the targeted beneficiaries could not be verified.*

**Highlights**

*Delay in identification by the Government resulted in denial of benefits to 28,000 families living below the poverty line (BPL) for 16 months.*

*(Paragraph 3.3.9)*

*Delay in identification of Antyodaya families resulted in extra burden of Rs.2.23 crore to the beneficiaries.*

*(Paragraph 3.3.11)*

*6,278.37 MT foodgrains involving subsidy of Rs.3.95 crore were lifted and shown as distributed to families living below poverty line (BPL) who had no ration cards, and therefore diversion of foodgrains to the open market cannot be ruled out.*

*(Paragraph 3.3.14)*

*90 per cent recovery of atta against the prescribed norms of 93 per cent resulted in undue benefit to the millers as well as extra burden of Rs.60.66 lakh to BPL families.*

*(Paragraph 3.3.22)*

**Introduction**

**3.3.1** Food security entails procurement of foodgrains from the farmers at the minimum support price, storage and distribution to the targeted beneficiaries through Fair Price Shops (FPS). Procurement of foodgrains within the State

serves the twin objectives of providing price security to the farmers and ensuring food security to the people.

The Government of Nagaland is involved in operation of various foodgrains based schemes introduced by the Government of India under the Targeted Public Distribution System (TPDS) launched in June 1997.

Under this, three main schemes were implemented –

Below Poverty Line (BPL) population are to be provided foodgrains as per norms/ scales at the subsidized price in order to ensure food security to economically weaker sections of society.

Antyodaya Anna Yojana (AAY) was launched in December 2000 by the Government of India to ensure food security to the poorest of the poor by providing wheat and rice at the rate of Rs.2 per kg and Rs.3 per kg respectively. The families under Antyodaya Anna Yojana were selected out of the families living below poverty line. In Nagaland, this scheme was implemented from October 2001 onwards.

Annapurna scheme was launched (April 2000) by the Government of India with the aim to provide food security to those senior citizens who remained uncovered under the National Old Age Pension Scheme (NOAPS). Under this scheme, 10 kg of rice are to be provided free of cost every month to senior citizens.

Besides the above schemes, the department is also implementing a scheme for the Above Poverty Line (APL) population, where ration cards are issued and the distribution is made through permit holders appointed by the Government of Nagaland.

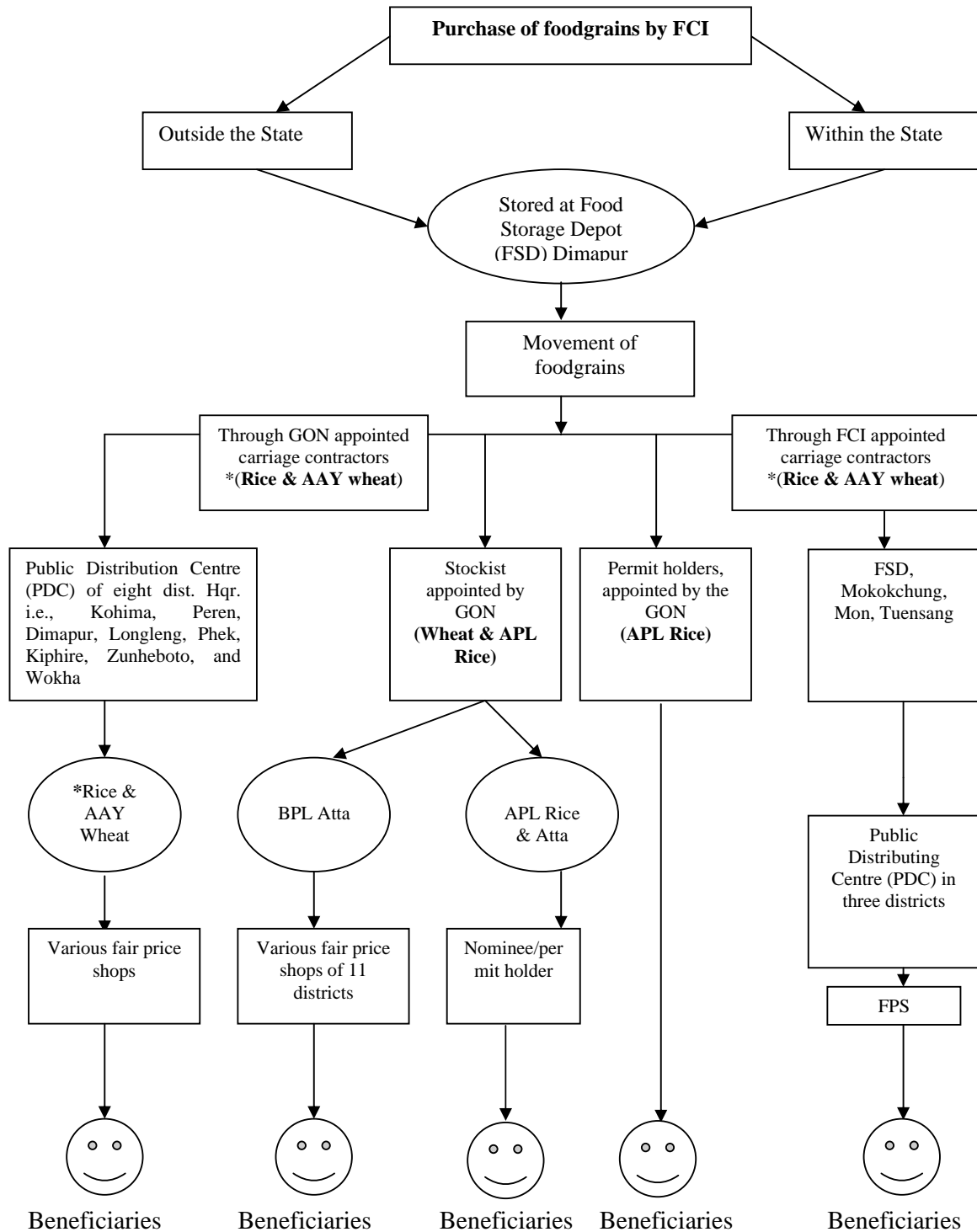
### *Organisational-set up*

**3.3.2** The Food Corporation of India (FCI) is responsible for the purchase, storage and movement of foodgrains. The Government of India allocates foodgrains to the State, based on requirement. The State Government is responsible for lifting of foodgrains from the Food Corporation of India depots and distribution to the beneficiaries through Fair Price Shops and also through selected stockists/nominees/permit holders.

The implementing agency is the Food and Civil Supplies Department. The Department has a three tier set up headed by the Secretary, Food and Civil Supplies Department. The Directorate based at Dimapur is headed by the Director and 11 district level offices headed by seven Assistant Directors of Supply (ADS), three Superintendents of Supply (SOS) and one Inspector.

Chart No. 1

**Flow chart showing procurement and distribution of foodgrains**



\* Rice includes rice distributed under BPL, AAY and Annapurna Schemes.

### *Scope of audit*

**3.3.3** The performance audit covered the period from 2000-01 to 2004-05. Out of 11 districts, 73 Public Distribution Centres (PDC) and 408 Fair Price Shops (FPS), three districts,<sup>1</sup> nine public distribution centres and 30 fair price shops covering 34 *per cent* of the total quantity handled in the State, were selected for sample test check.

### *Audit Objectives*

**3.3.4** The main objectives of the performance audit were to:

- examine the economy and efficiency of procurement of the foodgrains by the FCI and the State.
- assess the effectiveness of distribution arrangements to ensure that all targeted people have access to foodgrains.
- ascertain the leakages, diversion and pilferages of foodgrains, transportation bottlenecks, vigilance arrangements, monitoring and inspection mechanism.
- analyse the pattern of off take of foodgrains and to evaluate the resultant welfare gains.

### *Audit Criteria*

**3.3.5** The criteria for assessing the achievement of the objectives were as under:

- Instructions issued by the Food Corporation of India, State Government and Government of India.
- Principles laid down by the Government of India for identification of beneficiaries.
- Prescribed scale of issue of foodgrains to the beneficiaries.
- Take off of foodgrains against allotment/ requirement.
- Instructions of the State Governments for distribution of the foodgrains to the beneficiaries.

### *Audit Methodology*

**3.3.6** The performance audit began with audit engagement by an entry conference (15 July 2005) attended by the Secretary, Food and Civil Supplies Department and other subordinate officers. This was supplemented by discussions between senior level officers of the Department and the Accountant General (Audit). At the end, an exit conference was held

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<sup>1</sup> *Kohima, Dimapur and Mokokchung*

(7 October 2005) which was attended by the Secretary and other officers responsible for implementation of the schemes. The review was finalised after taking into consideration the points put forth by the department during the exit conference.

The data, information etc. collected from the office of the Director, Food and Civil Supplies, district supply offices, public distribution centres and fair price shops were analysed and audit findings arising therefrom are given in the succeeding paragraphs.

### *Physical performance*

**3.3.7** There was short lifting of 18.25 MT rice against allotment made for the beneficiaries living below the poverty line during 2000-01.

There was short lifting of six MT wheat against allotment made for the beneficiaries under Antyodaya Anna Yojana during 2003-04.

There was delay ranging from one to 32 months in lifting and distribution of rice under Annapurna scheme during the period 2000-2003

### *Procurement*

**3.3.8** There was no decentralized procurement system in Nagaland upto 2003-04. The Department of Food and Civil Supplies, in collaboration with the Food Corporation of India (FCI), launched a paddy procurement programme in November 2004. Under the programme, paddy (common grade) was being procured at Minimum Support Price of Rs.560 per qtl through private agencies appointed by the State from four identified surplus pockets of the State. The payment to the farmers for paddy was made by the State appointed agencies. Further, the appointed agencies arranged for milling of paddy and supplied the Custom Milled Rice (CMR) to the Food Corporation of India at the rate fixed by the Government of India for Nagaland. The payment for rice was made by the Food Corporation of India to the agencies. Thus, the State Government had no financial involvement in respect of procurement of paddy/rice. During the kharif marketing season 2004-05, the agencies procured 15,982.32 MT paddy and 10,708.15 MT Custom Milled Rice (CMR) was supplied to Food Corporation of India (FCI).

### *Identification of Targeted Beneficiaries*

#### *Delay in identification of families living Below Poverty Line (BPL)*

**3.3.9** Identification of beneficiaries was to be made by conducting surveys involving Gram Panchayats/Sabhas/Village Councils/Town Committees etc. to ensure that only persons belonging to the target group were selected.

The Expert Group appointed by the Planning Commission projected 1,24,000 families living below the poverty line comprising of 40.86 *per cent* of the total population of Nagaland as on 1 March 2000. The State Government, however, could not identify 1,24,000 families below the poverty line in time and

considered only 96,000 families under below the poverty line from April 2000 to July 2001. The Government/department could identify the remaining 28,000 below poverty line families only from August 2001 onwards i.e., after a period of 16 months. The details are given below:

**Table No. 3.3.1**

Year	Period	BPL families to be identified as per the Expert Group	State Government identified BPL families	No. of BPL families deprived of
2000-01	4/2000 to 3/2001	1,24,000	96,000	28,000
2001-02	4/2001 to 7/2001	1,24,000	96,000	28,000

*(Source: Departmental figures)*

Admitting this fact, the department stated (October 2005) that the process of identification of these families done by the Rural Development Department was exhaustive and time consuming resulting in delay in identification.

Thus, due to non-identification of families living below poverty line in time, 28,000 families were deprived of the benefits under the scheme from April 2000 to July 2001.

***Population as per census 2001 was not considered***

**3.3.10** The Expert Group considered only 1,24,000 'Below Poverty Line' families which comprise 40.86 *per cent* of the population as on March 2000 i.e., 16.84 lakh population considering 5.57 members in each family.

As the population of Nagaland State as per census 2001 was 19.90 lakh, taking into account the basis of the Expert Group methodology mentioned above, 1,45,984 families should come under below poverty line. No survey was conducted by the Government/department for the identification of actual number of families living below poverty line.

***Extra burden of Rs.2.23 crore due to delay in identification of Antyodaya families***

**3.3.11** According to the Antyodaya Anna Yojana Guidelines (issued in December 2000), the State Government was required to complete the identification of beneficiaries within a period of two months so that allocation of food grains could be made by Government of India to the State Government for distribution to the Antyodaya families through fair price shops.

For Nagaland, the expert group limited the number of Antyodaya families to 18,900 which was revised to 28,500 in June 2003 and identification of additional 9,600 (i.e. 28,500-18,900) was to be completed within one month. Again, the Government of India expanded this scheme to 37,600 families with effect from August 2004.

Test check of records revealed that the department could not identify the Antyodaya families within the time frame prescribed by Government of India. Details are as under:

Table No.3.3.2

Guidelines/ instructions issued	Number of Antyodaya families to be identified	Prescribed date of identification	Number of Antyodaya families identified	Month by which identification completed	Delay
December 2000	18,900	Two months upto March 2001	18,900	September 2001	Six month
June 2003	9600 (Additional)	One month upto July 2003	9,600	November 2003	Four months
March 2004	9100 (Additional)	Upto July 2004	Not identified (upto March 2005)	---	Eight months (upto 3/05)

(Source: Departmental figures)

There were delays ranging from four to eight months in identification of Antyodaya families, and as a result the beneficiaries had to purchase the food grains at the rate prescribed for families living below the poverty line. The details are given below:

Table No. 3.3.3

No. of families to be benefited	Period	No. of month	Quantity of foodgrains for each family		Difference in rate for BPL & AAY		Extra cost (Rs.)			
			Rice (Kg.)	Wheat (Kg.)	Rice (Rs. Per Kg.)	Wheat (Rs. Per Kg.)	Rice (Rs.)	Wheat (Rs.)	Total amount (Rs.)	
18,900	4/01 to 6/01	3	15	5	3.15	4.65	26,79,075	13,18,275	39,97,350	
18,900	7/01 to 9/01	3	20	5	3.15	4.65	35,72,100	13,18,275	48,90,375	
9,600	8/03 to 11/03	4	28	7	3.15	4.65	33,86,880	12,49,920	46,36,800	
9,100	8/04 to 3/05	8	28	7	3.15	4.65	64,20,960	23,69,640	87,90,600	
<b>Total :-</b>										<b>2,23,15,125</b>

(Source: Departmental figures)

Thus, the Antyodaya families had to bear an extra burden of Rs.2.23 crore due to purchase of foodgrains at the rate prescribed for families living below poverty line instead of the rate fixed under the Antyodaya Anna Yojana (AAY) owing to delay in identification of these beneficiaries by the department.

The department admitted (October 2005) that there was delay in identification of Antyodaya families which resulted in delay in implementation of the scheme.

### *Issue of Ration Cards*

**3.3.12** Distinct ration cards were required to be issued to beneficiaries living below poverty line, above poverty line, Antyodaya families and Annapurna beneficiaries who were to be issued foodgrains as per the norm (rate and quantity) prescribed. Accordingly, the department printed distinct ration cards

(each time for two financial years) and transferred them to the concerned district officers for issuing to the identified beneficiaries. The following points were noticed in audit:

***Less issue of Ration Cards to the beneficiaries living Below Poverty Line (BPL)***

**3.3.13** During test check of records it was noticed that 87,503 and 99,743 ration cards were issued to the district officers<sup>2</sup> for the period 2000-01 and 2001-03 respectively. But the total number of beneficiaries for whom foodgrains were lifted during these periods could not be covered through issue of ration cards during 2000-2003. Details of ration cards printed, issued and number of beneficiaries are as below:

**Table No. 3.3.4**

Year for which BPL Ration cards printed	No. of ration cards printed	Total No. of ration cards issued	Beneficiaries identified		No. of beneficiaries without having Ration cards
			Period	Total no.	
2000-01	1,00,000	87,503	4/2000 to 3/2001	96,000	8,497
2001-02	1,00,000	99,743	4/2001 to 7/2001	96,000	---
			8/2001 to 9/2001	1,24,000	24,257
			10/2001 to 3/2002	1,05,100*	5,357
2002-03	---	99,743	4/2002 to 3/2003	1,05,100	5,357

*(Source: Departmental figures)*

Some identified beneficiaries living below poverty line were thus not issued distinct BPL ration cards.

On this being pointed out in audit, the department stated (October 2005) that during 2000-01 due to oversight only 87,503 was mentioned as issue of ration cards instead of 96,292. The department also stated that ration cards were issued between August-September 2001 from old stock. The reply of the department is not tenable since test check of records in respect of three districts revealed that there was less issue of ration cards in comparison to identified BPL beneficiaries, as given below:

<sup>2</sup> Additional Director of Supply (ADS), Supdt. of Supply (SOS).

\* The decrease in BPL beneficiaries is due to 18,900 beneficiaries being covered under Antyodaya Anna Yojana.



Table No. 3.3.5

Name of district	Ration card issued		Beneficiaries identified		No. of beneficiaries without having ration cards
	Year	Nos.	Period	No.	
Dimapur	2000-01	12,000	4/2000 to 3/01	14,138	2,138
	2001-02	14,138	4/01 to 7/01	14,138	---
			8/01 to 9/01	17,918	3,780
			10/01 to 3/02	15,138	1,000
2002-03	14,138	4/02 to 3/03	15,138	1,000	
Mokokchung	2000-01	10,000	4/2000 to 3/01	12,320	2,320
	2001-02	13,070	4/01 to 7/01	12,320	---
			8/01 to 9/01	15,495	2,425
			10/01 to 3/02	13,070	---
2002-03	13,070	4/02 to 3/03	13,070	---	
Kohima	2000-01	6,900	4/2000 to 3/01	10,500	3,600
	2001-02	11,250	4/01 to 7/01	10,500	---
			8/01 to 9/01	13,315	2,065
			10/01 to 3/02	11,250	---
2002-03	11,250	4/02 to 3/03	11,250	---	

(Source: Departmental figures)

***Lifting of foodgrains from Food Corporation of India (FCI) for Below Poverty Line families without issuing ration cards to them***

**3.3.14** Test check of records of the Directorate revealed that 6,278.37 MT foodgrains were lifted from Food Corporation of India and were shown as distributed in utilisation certificates during 2000-03 to those families living below poverty line to whom no ration cards were issued. Details are as below:

Table No. 3.3.6

Year	Foodgrains lifted and shown as distributed				Requirement of foodgrains				Qty. of foodgrains lifted for those beneficiaries to whom no Ration cards issued (MT)
	No. of beneficiaries for which foodgrains lifted	Rice (MT)	Wheat (MT)	Total (MT)	No. of beneficiaries to whom Ration cards issued	Rice (MT)	Wheat (MT)	Total (MT)	
2000-01	96,000	18,461.75	4560.00	23021.75	87503	15,750.54	5,250.18	21,000.72	2,021.03
2001-02	96,000 (4/01 to 7/01)	24,185.00	5,937.00	30122.00	96,000 (4/01 to 7/01)	22,198.88	5,909.72	28,108.60	2,013.40
	1,24,000 (8/01 to 9/01)				99,743 (8/01 to 3/02)				
	1,05,100 (10/01 to 3/02)								
2002-03	1,05,100	35448.00	8688.00	44136.00	99743	33,513.65	8378.41	41,892.06	2,243.94
	<b>Total :-</b>	<b>78,094.75</b>	<b>19,185.00</b>	<b>97,279.75</b>		<b>71,463.07</b>	<b>19538.31</b>	<b>9,1001.38</b>	<b>6,278.37</b>

(Source: Departmental figures)

Thus, 6,278.37 MT foodgrains involving subsidy amounting to Rs.3.95 crore (details in **Appendix-XXVI**) were lifted and shown as distributed to families living below poverty line during 2000-03 without issuing ration cards to them. The possibility of diversion of food grains to the open market cannot be ruled out in these cases.

***Issue of Antyodaya Ration Cards without requirements***

**3.3.15** Test check of records revealed that 1,450 ration cards were issued (13 August 2003) to the Superintendent of Supply (SOS), Dimapur for 1,400 additional Antyodaya families identified in the district. Further scrutiny revealed that 200 Antyodaya Ration Cards were issued to Civil Supply Officer, Nuiland, Dimapur in January 2004 without any requirement and the same were not accounted for in the stock register. The possibility of misutilisation of these ration cards could not be ruled out.

On this being pointed out by Audit the department stated (October 2005) that 200 Antyodaya Anna Yojana ration cards issued against Civil Supply Officer (CSO), Nuiland was incorrectly entered twice. The reply of the department is not tenable because it was not merely a case of the same issue being entered twice in the records, but 200 additional Antodaya Anna Yojana ration cards being issued at later date without any requirement.

***Distribution of foodgrains***

***Foodgrains not distributed as per the scale prescribed by the Government of India***

**3.3.16** There were excess lifting of rice and short lifting of wheat during 2000-05 in comparison to requirement assessed.

***Below Poverty Line (BPL)***

**3.3.17** Year-wise position of requirement and lifting foodgrains are as below:-

**Table No. 3.3.7**

**(Quantity in MT)**

Year	Requirement			Lifted and shown as distributed			Short (-) Excess (+)		
	Rice	Wheat	Total	Rice	Wheat	Total	Rice	Wheat	Total
2000-01	17280.00	5760.00	23040.00	18461.75	4560.00	23021.75	(+) 1181.75	(-) 1200.00	(-) 18.25
2001-02	23812.00	6313.00	30125.00	24185.00	5937.00	30122.00	(+) 373.00	(-) 376.00	(-) 3.00
2002-03	35313.60	8828.40	44142.00	35448.00	8688.00	44136.00	(+) 134.40	(-) 140.40	(-) 6.00
2003-04	34238.40	8559.60	42798.00	34376.00	8416.00	42792.00	(+) 137.60	(-) 143.60	(-) 6.00
2004-05	32088.00	8022.00	40110.00	32232.00	7872.00	40104.00	(+) 144.00	(-) 150.00	(-) 6.00
<b>Total</b>	<b>142734.00</b>	<b>37483.00</b>	<b>180215.00</b>	<b>144702.75</b>	<b>35473</b>	<b>180175.75</b>	<b>(+) 1970.75</b>	<b>(-) 2010</b>	<b>(-) 39.25</b>

*(Source: Departmental figures)*

There was excess lifting of rice varying from 134 MT to 1,181.75 MT and short lifting of wheat varying from 140.40 MT to 1200 MT during 2000-05 in comparison to requirement. Thus, it was evident that the foodgrains were not distributed to the beneficiaries as per the scale/norms fixed by the Government of India.

Further, there was less allotment, lifting and distribution of total quantity of foodgrains in comparison to the requirement varying from three MT to 18.25 MT. Thus, some beneficiaries were getting less foodgrains under this scheme or were not getting foodgrains at all.

**Antyodaya Anna Yojana (AAY)**

**3.3.18** Year wise position of requirement and lifting of food grains are as below:-

**Table No. 3.3.8**

Year	Requirement			Lifting			Short (-) / Excess (+)		
	Rice	Wheat	Total	Rice	Wheat	Total	Rice	Wheat	Total
2001-02	2268.00	567.00	2835.00	2280.00	555.00	2835.00	(+) 12.00	(-) 12.00	--
2002-03	6350.40	1587.60	7938.00	6384.00	1560.00	7944.00	(+) 33.60	(-) 27.60	(+) 6.00
2003-04	7425.60	1856.40	9282.00	7456.00	1826.00	9282.00	(+) 30.40	(-) 30.40	---
2004-05	9576.00	2394.00	11970.00	9600.00	2376.00	11976.00	(+) 24.00	(-) 18.00	(+) 6.00
<b>Total</b>	<b>25620.00</b>	<b>6405.00</b>	<b>32025.00</b>	<b>25720.00</b>	<b>6317.00</b>	<b>32037.00</b>	<b>(+) 100.00</b>	<b>(-) 88.00</b>	<b>(+) 12.00</b>

(Source: Departmental figures)

There was excess lifting of rice varying from 13 MT to 33.60 MT and short lifting of wheat varying from 12 MT to 30.40 MT in comparison to requirement assessed. Thus, it is evident that foodgrains were not distributed to Antyodaya families as per the scale prescribed by Government of India. Further, 6 MT foodgrains were lifted in excess of requirement of beneficiaries identified, during 2002-03 and 2004-05.

The department stated (October 2005) that there was no specific scale and Government of India allots the required quantity of foodgrains which is a combination of rice and wheat. The quantity of rice and wheat lifted may vary to some extent but in any case does not exceed the quota given by Government of India. The reply is not tenable since Government of India prescribed specific scales for rice and wheat.

**Delay in lifting and distribution of foodgrains****Annapurna Scheme**

**3.3.19** During test check of records it was noticed that there were delays in lifting and distribution of rice varying from one month to 32 months under Annapurna scheme as detailed below:

**Table No. 3.3.9**

Year	No. of beneficiaries	Allotment quantity (MT)	Lifting and distribution			Delay
			Period	Quantity (MT)	Month in which rice lifted	
2000-01	2600	312.00	4/2000 to 3/2001	312.00	3/2001	1 to 11 months
2001-02	6727	807.24	4/2001 to 9/2001	403.62	11/2001	2 to 8 months
			10/2001 to 3/2002	403.62	9/2002	7 to 12 months
2002-03	6727	807.24	4/2002 to 3/2003	807.24	11/2004	20 to 32 months

(Source: Departmental figures)

Thus, during 2000-01, the entire annual requirement of rice for the senior citizens (aged 65 years and above) was lifted and distributed to them at the end of the year, in March 2001.

Similarly, for 2002-03, the entire quantity of rice was lifted and distributed 20 months later.

In response to an audit query, the department stated (October 2005) that beneficiaries under Annapurna scheme are scattered throughout the State and it is practically not possible to distribute rice monthly to the beneficiaries since hiring of vehicle to carry small quantity of rice to distant village was not cost effective. During 2002-03 rice for the beneficiaries could not be lifted due to expiry of the validity period.

The reply is not tenable as the issue of rice in bulk at one time at the end of the period had caused undue hardship to the beneficiaries and did not further the objective of the scheme.

***Antyodaya Anna Yojana (AAY)***

**3.3.20** Test check of the records of Kohima district revealed that there were delays varying from three months to eight months in distribution of foodgrains under Antyodaya Anna Yojana. Details are as below:

**Table No. 3.3.10**

<b>Sl. No.</b>	<b>Months for which allotment made</b>	<b>Month in which foodgrains distributed</b>	<b>Delays</b>
1	September 2002	April 2003	six months
2	October 2002	April 2003	five months
3	November 2002	April 2003	four months
4	December 2002	April 2003	three months
5	September 2003	June 2004	eight months
6	October 2003	June 2004	seven months

*(Source: Departmental figure)*

Delay in distribution of foodgrains to Antyodaya families resulted in non-achievement of the objectives of the scheme.

***Non distribution of atta to the beneficiaries living Below Poverty Line***

**3.3.21** During test check of records (utilisation certificates etc.) revealed that 45 MT of atta for the period from February to June 2001 could not be lifted from the stockists in respect of one public distribution centre i.e., Chephobozou, Kohima district due to ongoing repairing work of godown, and the same was disposed off to the public.

Thus, 45 MT of atta earmarked for beneficiaries living below poverty line were diverted to open market. Also Rs.2.07 lakh being the differential cost was not recovered from the stockist.

On this being pointed out in audit, the department stated (October 2005) that the matter had been taken up with the stockist for recovery of the differential cost but final recovery details were yet to be received.

***Undue benefits to millers resulting in extra burden of Rs.60.66 lakh on BPL families***

**3.3.22** According to norms, 93 per cent is to be the recovery of atta from wheat. But the State Government fixed the percentage of recovery of atta from wheat at 90 per cent only. This resulted in less recovery of atta and undue benefit of Rs.61.83 lakh to millers. In addition, due to less recovery of atta the price at the fair price shop was also increased by Rs.19 per quintal. Details are as under:

**Table No. 3.3.11**

Year	Quantity of wheat lifted by stockist	Recovery of atta at 93% (according to prescribed norms)	Recovery of atta at 90% (fixed by the State Government)	Less recovery of atta compare to norms prescribed	Cost of less recovery of atta @ Rs.581 <sup>3</sup> per qtl	(Quantity in Quintal)
						Escalation in cost due to less recovery of atta (Rs.)
2000-01	45600.00	42408.00	41040.00	1368.00	794808.00	Cost of atta at 90% recovery 523/90 =Rs. 5.81 per Kg Cost of atta at 93% recovery i.e.,523/93 =Rs. 5.62 per kg. Escalated price 5.81-5.62 = Rs 0.19/kg.
2001-02	59370.00	55214.10	53433.00	1781.10	1034819.10	
2002-03	86880.00	80798.40	78192.00	2606.40	1514318.40	
2003-04	84160.00	78268.80	75744.00	2524.80	1466908.80	
2004-05	78720.00	73209.60	70848.00	2361.60	1372089.60	
<b>Total</b>	<b>354730.00</b>	<b>329898.90</b>	<b>319257.00</b>	<b>10641.90</b>	<b>6182943.90</b>	

Test check of records revealed that 3,19,257 quintal atta had been distributed to families living below poverty line during 2000-05 at the enhanced price which resulted in extra burden of Rs.60.66 lakh to beneficiaries.

***Excess handling charge amounting to Rs.24.98 lakh paid to stockist***

**3.3.23** As per clause 14 of the deed of agreement executed between the department and the stockist during the year 2002-05 in respect of wheat for beneficiaries living below the poverty line, the stockist was to run the business at his own risk and cost at the handling commission of Rs.10 per quintal.

2,49,760 quintal of wheat was handled by the stockists during 2002-05. The department, however, allowed handling charge of Rs.20 per qtl instead of Rs.10 per qtl as per the deed of agreement. This resulted in payment of excess amount of Rs.24.98 lakh to the stockist as handling charge.

On this being pointed out in audit, the department stated (October 2005) that through oversight agreement form meant for wheat in respect of families living above poverty line was used for wheat for families living below poverty line. The reply of the department is not tenable since as per deed of agreement of both categories the rate of handling charge allowed was Rs.10 per qtl. Steps need to be initiated to recover the excess payment made to the stockist.

<sup>3</sup> CIP of 100 kg wheat Rs.415  
Milling charge Rs.108  
Cost of 90 kg of atta (at 90% recovery) Rs.523  
Cost of 100 kg of atta Rs.581

***Avoidable expenditure of Rs.19.22 lakh on transportation of Rice for beneficiaries living Below Poverty Line***

**3.3.24** Scrutiny of records in respect of transportation charge for carrying rice for beneficiaries living below poverty line revealed that the allotted quantity of rice for Longleng district was lifted from a distant food storage depot (FSD) located at Dimapur instead of food storage depot, Mokokchung, which is nearest to the various distribution centres of Longleng District. The lifting and carrying of 56,813.60 qtl rice for Longleng District from a distant food storage depot resulted in extra burden of Rs.19.22 lakh to the Government (details in *Appendix-XXVII*).

***Hill Transport Subsidy (HTS)***

**3.3.25** Hill Transport Subsidy is reimbursable by the Government of India on actual expenditure incurred by the State towards the cost of transportation of foodgrains under Antyodaya Anna Yojana and rice for beneficiaries living below the poverty line. The cost of transportation from the base station identified by Food Corporation of India to the fair price shop is to be reimbursed in full by Government of India. Out of 73 Public Distribution Centres (PDCs) in the State, only 11 public distribution centres are eligible for reimbursement of hill transport subsidy.

Under Antyodaya Anna Yojana (AAY), the State Government incurs 100 *per cent* of transportation cost, whereas in the case of rice for beneficiaries living below the poverty line a part of the transportation cost (Rs.35 per qtl) is being collected from the beneficiaries.

***Non-settlement of Hill Transport Subsidy (HTS) claim in respect of transportation of foodgrains under Antyodaya Anna Yojana (AAY)***

**3.3.26** The Director of Food and Civil Supplies has submitted the Hill Transport Subsidy (HTS) claim for Rs.34.98 lakh to the Food Corporation of India (FCI), acting on behalf of Government of India for the period October 2001 to August 2003, during December 2002 to March 2005 for settlement (details in *Appendix-XXVIII*). But the said claim is yet to be cleared by the FCI (September 2005). The department's funds are thus locked up with the FCI.

Reasons for non clearance of claims for reimbursement of hill transport subsidy were neither found on record nor stated.

***Non submission of claim of Hill Transport Subsidy (HTS) for rice in respect of beneficiaries living Below the Poverty Line (BPL)***

**3.3.27** Test check of records revealed that against total transportation cost of Rs.3.56 crore, the department paid Rs.1.78 crore to the carriage contractors during 2000-05 for lifting rice in respect of 11 public distribution centres eligible for reimbursement of hill transport subsidy. The total liability of transportation cost and the actual payment made to the carriage contractors are given below:

Table No. 3.3.12

Years	Total quantity of rice lifted in respect of 11 PDC (qtl.)	Total amount of claim in respect of transportation charge (Rs.)	50 per cent of transportation charge paid (Rs.)
(1)	(2)	(3)	(4)
2000-01	83,793.60	41,84,160	20,92,080
2001-02	1,09,600.50	58,13,614	29,06,807
2002-03	1,65,432.00	89,60,352	44,80,176
2003-04	1,60,528.00	86,94,288	43,47,144
2004-05	1,48,056.00	79,77,120	39,88,560
<b>Total</b>	<b>6,67,410.10</b>	<b>3,56,29,534</b>	<b>1,78,14,767</b>

(Source: Departmental figures)

The department was required to meet the full cost of transportation of foodgrains before the claim for reimbursement of expenditure could be preferred. The State paid only 50 per cent of the transportation charge (Rs.1.78 crore) as detailed above. Had the department paid the balance of Rs.1.78 crore of transportation charges, a claim for Rs.3.56 crore as hill transport subsidy could have been preferred on Government of India.

Thus, due to improper planning in making payment, the department failed to claim subsidy amounts of Rs.3.56 crore from the Government of India.

#### *Distribution of foodgrains to the people living Above Poverty Line (APL)*

##### *Assessment of allotment and lifting the foodgrains*

3.3.28 Year-wise position of allotment and lifting of foodgrains is given below:

Table No. 3.3.13

Year	Allotment		Lifting and distributed		Short (-) / Excess (+)	
	Rice	Wheat	Rice	Wheat	Rice	Wheat
2000-01	115560.00	18480.00	2375.24	---	(-) 113184.76	(-) 18480.00
2001-02	115560.00	18480.00	334.40	12320.00	(-) 115225.60	(-) 6160.00
2002-03	50947.00	22556.00	4470.02	22556.00	(-) 46476.98	---
2003-04	37332.00	47500.00	21308.28	47500.00	(-) 16023.72	---
2004-05	44040.00	78000.00	19010.29	78000.00	(-) 25029.71	---
<b>Total</b>	<b>363439.00</b>	<b>185016.00</b>	<b>47498.23</b>	<b>160376</b>		

(Source: Directorate records)

There was short lifting of rice during 2000-05 and short lifting of wheat during 2000-02. On this being pointed out in audit, it was stated (October 2005) by the department that higher Central Issue Price (CIP) than the market price and inferior quality of foodgrains resulted in low off-take.

#### *Short deposit of cost of ration cards for families living Above Poverty Line amounting to Rs.16.67 lakh*

3.3.29 Scrutiny of stock register of ration cards revealed that, 1,52,903 number ration cards were issued during 2000-05 to different districts/centres from the Directorate office. An amount of Rs.13 was to be charged on the issue of each ration card. An amount of Rs.19,87,739 was to be received on this account.

However, only Rs.3,21,178 was deposited and the balance amount of Rs.16,66,561 was not deposited till the date of audit.

***Non submission of utilisation certificates regarding distribution of APL wheat and rice***

**3.3.30** During test check of records of Director Food and Civil Supply, it was noticed that against the allotment of 1,85,016 MT wheat and 3,63,439 MT rice during 2000-05, 1,60,376 MT wheat and 47,498 MT rice were lifted by the State appointed stockist, while 1,47,788 MT wheat and 32,588 MT rice was shown issued on the basis of permits issued by the State Government.

In reply, the State Government stated (October 2005) that foodgrains of better quality were available in the open market at the APL rate which resulted in less lifting by the APL stockist.

Utilisation certificates were not furnished either by the stockists or by the permit holders appointed by the State Government. No response was, however, received from the State Government about outstanding utilisation certificates.

***Function of Fair Price Shops (FPS)***

**3.3.31** 408 Fair Price Shops (202 rural and 206 urban) are functioning in the State as of March 2005. Apart from this, all Village councils are also acting as fair price shops to facilitate easy collection by the rural beneficiaries.

During test check (August – September 2005) of 30 fair price shops in three districts<sup>4</sup>, the following common irregularities were noticed:

- None of the fair price shops as well as Village Councils were submitting monthly reports/returns to the concerned officers.
- Ration cards register and stock register were not maintained.
- Cash memos were not being issued to the consumers.
- None of the fair price shop owners is displaying the details of the foodgrains such as stock position, rate, number of ration card holders etc.

***Quality control***

**3.3.32** Foodgrains supplied under Targeted Public Distribution system (TPDS) through fair price shops were required to be of good quality. The State Government was required to monitor supply and issue at every stage to ensure that foodgrains were of good quality.

The State Government has no mechanism/arrangement for checking of foodgrains supplied from Food Corporation of India to fair price shops.

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<sup>4</sup> *Kohima, Dimapur and Mokokchung.*



### ***Monitoring and Evaluation***

**3.3.33** Vigilance committees were constituted at Fair Price Shops, Block and District level. Neither was any meetings held nor were periodical inspection/surprise checks conducted by the vigilance committees. “Task Force Teams” for surprise checks were also not constituted.

The department had not carried out any evaluation of the impact of the schemes either by themselves or through outside agency.

Thus, monitoring of distribution and of quality of foodgrains etc. by the vigilance committee was ineffective.

### ***Conclusion***

**3.3.34** The purpose of implementation of various schemes under Targeted Public Distribution System (TPDS) is to provide food security to economically weaker and vulnerable sections of society at subsidised prices. Performance audit revealed the following deficiencies.

- Delay in identification of beneficiaries.
- Non issue of ration cards to identified beneficiaries in time.
- Extending of undue benefit to millers by allowing less recovery of atta from wheat resulting in extra burden to beneficiaries.
- Delay in lifting and distribution of foodgrains to the beneficiaries.
- Non existence of any mechanism for checking the quality of foodgrains supplied to the beneficiaries.
- Non-maintenance of records of the foodgrains lifted and distributed by the stockists and FPS.

The objectives of the targeted public distribution system could not be achieved due to these deficiencies in the system.

### ***Recommendations***

**3.3.35** The following recommendations are made:

- ❖ Arrangements should be made for timely identification of targeted beneficiaries and distribution of foodgrains to them in time.
- ❖ An effective mechanism should be established for monitoring the working of stockists and fair price shops.
- ❖ Proper arrangement should be made for lifting the foodgrains from the nearest food storage depot, which will reduce the transportation cost.

- ❖ Foodgrains quality checking mechanism should be established and enforced.
- ❖ Proper records should be kept by Stockists and FPS of the foodgrains lifted and distributed.

The matter was reported to the Government; reply had not been received (November 2005).