

### 3.6 Management of food grains in Sampoorna Grameen Rozgar Yojana (SGRY) in Block Panchayats and District Panchayats

#### 3.6.1 Introduction

Sampoorna Grameen Rozgar Yojana (SGRY) is a Centrally Sponsored Scheme launched during September 2001 to provide additional wage employment and food security to rural poor. Out of 67.26 lakh households in the State, 17.24 lakh were below poverty line (25.63 per cent). The scheme envisaged execution of works, material component of which was not to exceed 40 per cent of total value of the work, without engaging contractors with a view to generate more employment in rural areas. To ensure food security to the rural workers, a part of the wages was to be paid in food grains at the rate of five kilogram per day for each worker. This cost was to be fully borne by the Government of India (GoI). The quantity of food grains was reduced to three kilograms from 1 November 2005. The cash component of the wages was to be shared by Central and State Governments in the ratio 75 : 25. The scheme was implemented in the state through the three tier Panchayat Raj Institutions (PRIs) and monitored by the Commissioner of Rural development (CRD) at state level and by Ministry of Rural Development (MoRD) at national level. The scheme was discontinued from 2006-07 in Palakkad and Wayanad districts where National Rural Employment Guarantee Scheme was implemented. A review on the management of food grains under the scheme for the period from 2002-03 to 2006-07 was conducted during the period from March to July 2007 with particular reference to the records of eight Block Panchayats<sup>†</sup> (BPs), District Panchayats (DPs) and the Poverty Alleviation Units (PAUs – erstwhile District Rural Development Agency) in three selected districts<sup>‡</sup> and the CRD.

#### 3.6.2 Provision of resources

During the period from 2002-03 to 2006-07 the resources provided for the scheme were as follows:

Year	Cash (Rs in crore)			Food grains (MT) lifted		
	Central share	State share	Total	Rice	Wheat	Total
2002-03	77.40	23.55	100.95	52297	2519	54816
2003-04	86.85	19.47	106.32	50583	10725	61308
2004-05	78.04	36.92	114.96	64761	32242	97003
2005-06	91.38	30.25	121.63	54205	27599	81804
2006-07	74.62	24.13	98.75	5240	1076	6316
<b>Total</b>	<b>408.29</b>	<b>134.32</b>	<b>542.61</b>	<b>227086</b>	<b>74161</b>	<b>301247</b>

<sup>†</sup> Anchal, Angamali, Chadayamangalam, Koduvally, Kottarakkara, Kunnamangalam, Vazhakkulam and Vypin.

<sup>‡</sup> Ernakulam, Kollam and Kozhikode.

Against 3.01 lakh MT of food grains and Rs.408.29 crore provided by GoI, the State Government provided Rs.134.32 crore. According to the accounts maintained by CRD, 4.59 crore persondays of employment was generated in the state under the scheme during the above period.

### 3.6.3 Allotment and lifting food grains

**Issue of food grains to convenors direct from FCI godown instead of the labourers through ARDs led to diversion and fraud.**

MoRD intimated the CRD every year about the allotment of food grains to each district which was to be provided by the Food Corporation of India (FCI) free of cost. Even though the food grains were released by FCI free of cost, MoRD was to pay the value at the economic cost<sup>§</sup>. However, the State Government had freedom to fix the rate at which the food grains were to be issued to the workers recoverable from their wages, which could be either BPL rate<sup>\*\*</sup> or APL rate<sup>††</sup> or anywhere between the two rates. The rates fixed by the State Government for rice and wheat were Rs.6.20 and Rs.5.50 per kilogram respectively. According to the guidelines issued by GoI the distribution of food grains to the workers was to be either through PDS or by GP or any other Agency appointed by the State Government. However, lifting of food grains for all the implementing agencies including BPs and GPs was to be made either by DPs/PAUs or through their authorised agencies only. The guidelines further stipulated that the Secretary of DP/Project Director of PAU should co-ordinate the release and lifting of stocks under the scheme. The PRI-wise allocation out of the district allocation was to be made by the PAU of that district. However, the State Government prescribed (November, December 2001) a slightly different procedure for lifting and distribution, according to which PAU was to gather ARD<sup>‡‡</sup>-wise details of quantities of food grains required by PRIs each year and PAU had to prepare and issue an AWD<sup>§§</sup>-wise consolidated indent to the FCI Depot. AWDs were to lift and transfer the food grains from FCI to ARDs wherefrom the food grains were to be distributed to the workers. In actual practice, the PAU followed a procedure different from that prescribed. PAU issued indents to the FCI Depot authorising to release food grains to the secretary of the PRI who in turn issued the entire quantity of food grains required for the work to the convenor after obtaining his receipt. Instead of issuing foodgrains from ARDs to the labourers based on actual work done, the foodgrains were issued directly from FCI godown to the convenors in lump resulting in diversion and fraud as mentioned in paragraphs included under section 4.

#### 3.6.3.1 Transportation/handling charges of food grains met from SGRY funds

As per SGRY guidelines, the transportation charges and handling charges to ARDs/AWDs on food grains were to be borne by the State Government. The guideline also provided for utilisation of the sale proceeds of the gunny bags in which the food grains were received for making payment towards transportation cost/handling charges. However, PAU Kollam incurred an expenditure of Rs.20.42 lakh from SGRY funds for meeting the above

<sup>§</sup> Words used in guidelines.

<sup>\*\*</sup> Rs.6.20 per kilogram.

<sup>††</sup> Rs.8.90 per kilogram

<sup>‡‡</sup> Authorised Retail Dealers (of the locality)

<sup>§§</sup> Authorised Wholesale Dealers (wherefrom ARD is authorised to lift food grains)

expenses during 2002-03 and 2003-04. The diversion of fund for purposes not permitted under the scheme was unauthorised.

As the food grains were distributed by the convenors and not by PRIs, the cost of gunny bags should have been recovered from the convenors. However, audit scrutiny revealed that the cost of 1.44 lakh gunny bags amounting to Rs.7.20 lakh calculated at Rs.5 each was not recovered from the convenors in four out of 11 PRIs test checked.

**Cost of gunny bags amounting to Rs.7.20 lakh not recovered from convenors.**

### 3.6.3.2 Non utilisation of food grains kept at private godown

Ernakulam DP lifted food grains from FCI and kept it in the godowns of Kerala State Civil Supplies Corporation/convenors. However, it was seen in audit that 235.03 MT of rice and 10.27 MT of wheat remained unutilised in the private godowns as of July 2007 for periods ranging from one year to six years as shown below:

**Food grains costing Rs.34.28 lakh kept idle in private godowns for long periods.**

Period for which the food grains had been lying idle	Rice (MT)	Wheat (MT)
Between 5 years and 6 years	125.00	-
Between 2 years and 3 years	92.27	7.40
Between 1 year and 2 years	17.76	2.87
<b>Total</b>	<b>235.03</b>	<b>10.27</b>

This was due to lifting of food grains without ascertaining the actual requirement and non-issue of the food grains thus lifted during next year. It is apprehended that prolonged storage of food grains would lead to deterioration of its quality. The value of food grains kept idle in private godowns worked to Rs.34.28 lakh.

### 3.6.3.3 Allotment of food grains lapsed

In Ernakulam District, 437.67 MT of rice and 37.07 MT of wheat valued at Rs.65.54 lakh were not lifted from FCI during 2002-03 to 2006-07. As a result, the quantity of food grains allotted free of cost by GOI lapsed which led to non-achievement of the objective of food security. The Project Director, PAU stated (May 2007) that this was due to non lifting of food grains by GPs.

## 3.6.4 Accounting

### 3.6.4.1 Fraudulent accounting of food grains

PAU Kollam during 2002-03 allotted 2243 MT of rice to DP, Kollam for implementation of the scheme. Though the entire quantity of rice was shown as lifted from FCI as per the records of FCI and PAU, the quantity of rice actually lifted by DP, Kollam was only 804.357 MT. Thus 1438.643 MT of rice had been lifted either by somebody else on behalf of the PRI or by the PRI themselves without making any entry in the Stock Register which tantamounts to fraud. This fraud cost the exchequer an amount of Rs.2.04 crore.

**Fraud involving Rs.2.04 crore detected in audit.**

### 3.6.4.2 Discrepancy in accounting food grains

On a scrutiny of stock register of food grains, it was noticed that the closing stock recorded by Vazhakulam and Angamali BPs were minus figures. The closing stock of rice in Vazhakulam as on 31 March 2004 was (-) 4.94 MT. In

Angamali BP the closing stocks of rice and wheat as on 31 March 2006 were (-) 20.20 MT and (-) 8.10 MT respectively. The discrepancy occurred as a result of lack of periodical physical verification of stock and reconciliation.

### 3.6.5 Diversion

Scrutiny of records of selected PRIs, PAUs and CRD revealed that large scale diversion of food grains took place causing huge loss to GoI besides defeating the objective of providing food security to the rural poor.

#### 3.6.5.1 Diversion of food grains to other districts

According to the guidelines, diversion of resources (including food grains) from one District to another was not permissible. However, it was seen in audit that this was violated by PAU, Kozhikode which transferred 2000 MT of rice to PAU, Wayanad.

#### 3.6 5.2 Diversion of food grains for other purposes

Audit scrutiny revealed that 4683.83 MT of rice allotted in seven districts were diverted (**Appendix-XII**) to Tribal Development Department for other purposes such as providing free ration to tribal people and backward classes. The total value of food grains diverted worked out to Rs.6.64 crore at the average rate of Rs.14170 per MT.

#### 3.6 5.3 Diversion of food grains to open market

As mentioned in paragraph 3.6.3, the secretaries of PRIs issued foodgrains lifted by them from the FCI depot to the convenors instead of the workers. Though the food grains were to be distributed to the workers, the convenors sold the same in wholesale market and fetched prices higher than the issue rate fixed by the State Government. As a result, wages to workers were paid fully in cash and no food grain was distributed as evidenced from the details given below.

4683.83 MT of food grains costing Rs.6.64 crore diverted to Tribal Development Department.

As a result of diversion of 7666.66 MT of food grains to open market, middlemen derived undue benefit of Rs.5.44 crore.

Sl. No.	No. of works where food grains were diverted	No. of PRIs involved	Quantity diverted		Evidence of diversion
			Rice	Wheat	
			(MT)		
1	204	5	1518.50	469.99	Convenors lifted food grains after the completion of works.
2	126	7	2218.32	1194.97	As per muster rolls, only cash was paid.
3	52	4	1922.63	14.46	No muster rolls or other evidence to show the distribution of food grains.
4	21	1	307.79	20.00	Short distribution as per muster roll.
<b>Total</b>	<b>403</b>		<b>5967.24</b>	<b>1699.42</b>	

Apart from violation of the guidelines, the non-distribution of food grains helped the middlemen to derive undue benefit at the expense of GoI. Though the cost of rice and wheat recoverable from the convenors was at the concessional rate of Rs.6.20 and Rs.5.50 per kilogram, the actual cost payable by GoI to the FCI was Rs.14.17 and Rs.9.54 respectively. The undue benefit derived by the convenors by diverting 5967.24 MT of rice and 1699.42 MT of wheat worked out to Rs.5.44 crore.

### 3.6.5.4 Diversion of food grains to Kerala State Civil Supplies Corporation (KSCSC)

**Kerala State Civil Supplies Corporation derived an undue benefit of Rs.1.65 crore.**

In order to check unauthorised diversion and black marketing of food grains allotted for SGRY Government issued orders (13 November 2006) that food grains allotted under SGRY should be released to KSCSC by authorising it to lift the food grains from FCI. KSCSC was to lift the rice from FCI and to pay the cost at the rate of Rs.6.20 per kilogram to the PAUs concerned. The PAUs in turn were required to release the fund so received in lieu of rice to the PRIs for making payment of wages entirely in cash. As this system was against the guidelines, Government after four months *suo moto* withdrew (March 2007) this order. During the intervening period, KSCSC lifted 2075 MT of rice and paid Rs.128.65 lakh being its cost to the PAUs in the state. Against this value of rice payable to FCI by GOI was Rs.294.03 lakh at the rate of Rs.14.17 per kilogram. Thus, there was an unintended benefit of Rs.1.65 crore in the form of foodgrain to the KSCSC.

### 3.6.5.5 Excess issue of food grains

**Non-linking the issue of food grains to the number of person days resulted in excess expenditure of Rs.29.98 lakh.**

According to the guidelines, food grains were to be issued to the workers as part of their wages and not for meeting the cost of materials. The labour involved as per estimates and standard data \*\*\* in respect of 27 works executed during 2002-03 to 2006-07 in five PRIs out of 11 test checked was 48264 person days. As such the food grains that was to be distributed was 419.64 MT at the rate of 10 or 3 kilogram\* per person. Against this, 678.31 MT of rice and 166.37 MT of wheat were issued to the convenors. This resulted in excess issue of 325.80 MT of rice and 99.24 MT of wheat. The excess expenditure due to such excess allotment worked out to Rs.29.98 lakh as the cost recoverable from convenors was at the concessional rates of Rs.6.20 and Rs.5.50 per kilogram of rice and wheat respectively against Rs.14.17 and 9.54 payable by GoI.

Under special component of the scheme, food grains upto a maximum of 75 *per cent* of wages could only be met from the scheme. However, three PRIs test checked in Kozhikode district distributed 484.07 MT of rice in excess of 75 *per cent* of wages in respect of 13 works taken up under special component during 2002-03 to 2005-06. As 25 *per cent* of wages was to be met from other sources, the excess issue of rice was equivalent to excess expenditure of Rs.68.59 lakh.

### 3.6.5.6 Payment of cash in lieu of food grains

**Food grains were not issued to workers in 242 works in 11 PRIs.**

Under SGRY, the wages shall be paid partly in food grains and partly in cash. If there was non-supply or inadequate supply or inordinate delay in supply of food grains by the FCI, after obtaining a certificate to this effect from the concerned District Manager/State Regional Manager (FCI), to the extent of shortage of food grains required for wages, payment in kind component of wages could be paid in cash also. It was noticed that in eight out of 11 PRIs test checked, cash was paid to the workers in lieu of food grains in 242 works without obtaining the required certificate from the FCI authorities. This was against the guidelines and resulted in denial of foodgrains to the rural poor.

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\*\*\* Standard as per PWD

\* 3 kilograms/person days from 1 November 2005 onwards.

### 3.6.6 Non-distribution of food grains

#### 3.6.6.1 Work bills not paid

Sixty seven works taken up by two\* BPs out of eight test checked were completed during the period from 2004-05 to 2006-07. The value of works done was Rs.96.96 lakh. The BPs did not pay the work bills as of July 2007 for want of sufficient funds. The food grains entitled under the scheme were also not distributed to the workers. Non-payment of work bills led to non-payment of wages including food grains to workers. Non-availability of funds and food grains was due to taking up works having value exceeding the allotment. During 2006-07, Anchal BP had taken up works costing Rs.2.66 crore against the allotment of Rs.33.81 lakh, which was almost eight times the allotment.

#### 3.6.6.2 Irregular execution of works through contractors

Though no contractor could be engaged for execution of SGRY works, Kozhikode DP executed six works costing Rs.21.03 lakh through a contractor during the period from 2002-03 to 2004-05. As middlemen/intermediate agencies were engaged for execution DP could not ensure that the food grains reached the eligible workers.

### 3.6.7 Food grains not distributed to workers

**Distribution of 10 kilograms of food grains instead of 5 kilograms as per guidelines resulted in generation of 117.81 lakh person days of employment without issue of food grains.**

As the State Government was allowed as per guidelines, to give more than five kilograms of food grains per person day if they could do so within the state allocation subject to a minimum of 25 per cent of the wages being paid in cash, the State Government distributed 10 kilograms per personday till 31 October 2005. However, from 1 November 2005, food grains were distributed only at the rate of three kilograms as prescribed by GoI. Thus a total quantity of 385948 MT of food grains was required for 459.14 lakh persondays of employment generated during the period from 2002-03 to 2006-07. Against this, 299552 MT was distributed which resulted in short distribution of 86396 MT as shown in the table below.

Year	Employment generated (persondays in lakh)	Food grains to be distributed as per				Quantity Provided (MT)	Actual quantity distributed (MT)	Short distribution (MT)
		Central guidelines		State guidelines				
		Rate (Kg)	Quantity (MT)	Rate (Kg)	Quantity (MT)			
2002-03	70.95	5	35475	10	70950	54816	54691	16259
2003-04	100.87	5	50435	10	100870	61308	59726	41144
2004-05	118.91	5	59455	10	118910	97003	97003	21907
2005-06 upto 31 Oct	63.85	5	31925	10	63850	81804	81996	(-) 4463
2005-06 (From 1 Nov)	45.61	3	13683	3	13683			
2006-07	58.95	3	17685	3	17685	6316	6136	11549
<b>Total</b>	<b>459.14</b>		<b>208658</b>		<b>385948</b>	<b>301247</b>	<b>299552</b>	<b>86396</b>

\* Anchal and Kottarakkara

As a result of short distribution of food grains, 117.81 lakh persondays of employment were generated without distribution of food grains to the workers as worked out in **Appendix XIII**. Provision of food grains at double the quantity prescribed by GoI without taking into consideration the state allocation led to non-achievement of major objective of providing food security to such a huge number of rural workers.

### **3.6.8 Monitoring and internal control**

For every work undertaken by the PRIs there should be a monitoring committee of villagers of the area where the work is executed to monitor the progress and quality of the work. Besides, the officers at state, district, sub divisional and block levels were to monitor all aspects of the programme through visits to work sites which should be 10 *per cent* of PRIs by district level officers and two *per cent* of PRIs by state level officers. There was nothing on record to show that proper monitoring was done at any level. Had the monitoring been effective, the irregularities in food grain management could have been avoided.

### **3.6.9 Conclusion**

The control mechanism of the scheme was very weak leading to diversions and fraud. The major objective of providing food security to the rural poor could not be achieved.

### **3.6.10 Recommendations**

- Government should take measures to revamp the monitoring and internal control mechanism.
- Government should conduct a detailed enquiry into the implementation of the scheme including the large scale diversion of food grains.
- Government should take action against the officers responsible for misutilisation of food grains.