

**REPORT OF THE  
COMPTROLLER AND AUDITOR GENERAL OF  
INDIA**

**PERFORMANCE AUDIT ON  
PUBLIC DISTRIBUTION SYSTEM  
IN NAGALAND**

**FOR THE YEAR ENDED  
31 MARCH 2011**

**GOVERNMENT OF NAGALAND**

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## Glossary of Abbreviations

AAY	Antyodaya Anna Yojana
ADS	Assistant Director of Supplies
APL	Above Poverty Line
DFCS	Department of Food and Civil Supplies
SOS	Superintendent of Supplies
PDS	Public Distribution System
DCP	De-Centralised Procurement
FCI	Food Corporation of India
PDCs	Public Distribution Centres
FPS	Fair Price Shop
BPL	Below Poverty Line
WBNP	Wheat Based Nutrition Programme
PAC	Public Accounts Committee
MDM	Mid Day Meal
NPAG	Nutrition Programme for Adolescent Girls
TPDS	Targeted Public Distribution System
GON	Government of Nagaland
GOI	Government of India
CSS	Centrally Sponsored Scheme
VC	Village Council
NGOs	Non Governmental Organisations
NOAP	National Old Age Pension
GB	Gaon Buda
MT	Metric Tonne
FSD	Food Storage Depots
HTS	Hill Transport Subsidy
OBC	Other Backward Community
SC	Scheduled Caste
ST	Scheduled Tribe
VGB	Village Grain Bank
MARCOFED	Marketing Cooperative Federation
SKO	Superior Kerosene Oil
EAS	Employment Assurance Scheme
RPDS	Revamped Public Distribution System
DIS	Deputy Inspector of Schools
ICDS	Integrated Child Development Scheme
CDPO	Child Development Project Officer
CIP	Central Issue Price
RGSEAG	Rajiv Gandhi Scheme for Empowerment of Adolescent Girls

# PREFACE

1. This Report of the Comptroller and Auditor General of India contains the results of performance audit on 'Public Distribution System' in Nagaland. The Report has been prepared for submission to the Governor under Article 151(2) of the Constitution of India.
2. The audit was conducted through a test-check of the records of the Director of Food and Civil Supplies and field level implementing agencies viz., District, Public Distribution Centres, Village Councils and Fair Price Shops during the period from 2005 to 2011.
3. The Audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.



## ***Executive Summary***

Government of India in order to strengthen the Public Distribution System in India introduced (June 1997) the Targeted Public Distribution System (TPDS) to provide foodgrains to rural poor at subsidised prices by issuing special cards to families Below Poverty Line (BPL). Under the TPDS, the States were required to formulate and implement foolproof arrangements for identification of the poor, delivery of foodgrains to Fair Price Shops (FPS) in a transparent and accountable manner at the FPS level to enhance the food security for the poor. Antyodaya Anna Yojana (AAY) launched in December 2000 was a part of TPDS which focused on the poorest of the poor to provide more substantial benefit and nutrition to reduce hunger among the poorest segment of the BPL population through issue of distinctive ration cards.

The Performance review on the Public Distribution System in Nagaland was undertaken to review the systems adopted by the Department and the efforts of the State Government to bridge the gap in distribution, to highlight the deficiencies and issues of public concern which remained unaddressed and to recommend remedial measures to enable achievement of the essence and objectives of public distribution system. This performance audit also covered Wheat Based Nutrition Programme, Nutritional Programme for Adolescent Girls implemented by the Department of Women Development and the Mid-Day Meal scheme implemented by the Department of School Education.

The State Government did not conduct any baseline survey for identification of beneficiaries but relied on the identification of BPL families as provided by the Union Ministry of Rural Development. The Department also did not carry out periodical revision of beneficiary list for addition/deletion of eligible/ineligible beneficiaries. As a result, 41 per cent of the households in the State remained outside the PDS since 2005. As the Department failed to comply with the scheme guidelines, eligible beneficiaries were deprived of benefits whereas ineligible beneficiaries continued to enjoy the benefits for years together.

**(Paragraph 4.1 &4.2)**

### ***Recommendation***

***Beneficiary list should be reviewed annually for the purpose of deletion of ineligible families and inclusion of eligible families through the designated authorities.***

Excess ration cards were issued by the Directorate to the district offices without any requisition which resulted in misuse of 5069 ration cards.

**(Paragraph 5.2)**

### ***Recommendation***

***Steps should be taken to weed out bogus ration cards already issued. Effective control mechanism should also be formulated to prevent issue of bogus ration cards in future.***

The Department did not monitor the pricing pattern of foodgrains sold at different levels. As such, both the Department-authorised stockist and the Fair Price Shops charged higher rate than the Government notified rate putting extra burden on the beneficiaries.

**(Paragraph 6.2 & 6.3)**

### ***Recommendation***

***The pricing pattern as notified by the Government should be strictly monitored. Periodical reviews of TPDS by the Vigilance Committees should be conducted.***

There were many instances of short allocation, partial receipts and non-lifting of foodgrains at different levels with cascading effect on the scale of delivery to the beneficiaries. The possibility of diversion of excess foodgrains with an estimated value of ₹ 479.49 crore to the open market and resultant unintended benefit of ₹ 201.60 crore to the state stockists cannot be ruled out

**(Paragraph 7.3;7.4;7.5;7.6.2;7.7.1;7.7.2;7.8 & 7.10)**

### ***Recommendations***

***The Department should conduct periodical verification and monitor the distribution of essential commodities under PDS to ensure that the commodities are not misused or diverted to open market.***

***The possibility of diversion of foodgrains requires thorough investigation.***

The Department was not adequately equipped with storage facility for foodgrains. As a result, against the off-take of 11774 MT foodgrains per month from the FCI, the Department could store only 7300 MT per month.

**(Paragraph 8.2)**

### ***Recommendation***

***There is an urgent need to augment the storage capacity to avoid pilferage of foodgrains.***

The implementation of convergence programmes in the State fared badly as the public was not aware of such schemes being implemented in the State. Besides, assistance was given to non-existent institutions, hostels and Village Grain Banks. The achievement of Mid-Day Meal Scheme and Wheat Based Nutrition Programme in the State was also insignificant.

**(Paragraph 9.1 to 9.3; 9.4.1.3; 9.4.1.4 ;9.4.2.5;9.4.2.6 & 9.4.3.2)**

### ***Recommendation***

***Selection of non-existent institutions, hostels and VGBs needs to be reviewed immediately.***

The quality of foodgrains distributed to the beneficiaries remained doubtful in the absence of quality control mechanism.

**(Paragraph 11.1)**

### ***Recommendation***

***Government should develop a mechanism to gauge and ensure equitable distribution of foodgrains without compromising the quality.***

### **Conclusion**

Public Distribution System is one of the most important functions which help in providing food security to the needy and the poorest sections of the society especially in the rural areas. However, performance of the PDS in the State for the last six years suffered due to non-finalisation of beneficiaries after conducting baseline survey to ascertain the actual number of households/beneficiaries, periodic revision of beneficiary list to weed out ineligible beneficiaries and addition of eligible beneficiaries. The Department also randomly issued ration cards. As a result, ration cards were misused. Short allocation and short lifting of foodgrains, delayed distribution of foodgrains, charging of higher rates, undue benefits to handling agents and inadequate infrastructure affected the implementation of PDS in the State. Implementation of convergence programmes in the State was not encouraging as the public were not aware of the schemes and also the Department allocated foodgrains to non-existent institutions, hostels and VGBs. Absence of quality control mechanism in the State also adversely affected the implementation of PDS as the quality and the scale of distribution were compromised. Mandatory inspections by district level officers, Vigilance Committees, Departmental Officers and the Special Area Officers were not carried out.

## Chapter 1 Introduction

### 1.1 The Scheme

Public Distribution System is an instrument of the Governments' economic strategy to ensure timely availability of essential commodities to the public, particularly to the weaker sections of the society. The Department distributes rice, wheat, levy sugar, iodised salt and kerosene as notified by the Central Government. The system involves procurement, storage and distribution of foodgrains to the ration card holders and it is regulated under the provision of "Public Distribution System (Control) order, 2001".

To strengthen the PDS, Government in June 1997 introduced the Targeted Public Distribution System (TPDS) to provide foodgrains to rural poor at subsidised prices by issuing special cards to families Below Poverty Line (BPL). Under the TPDS, the States were required to formulate and implement foolproof arrangements for identification of the poor, delivery of foodgrains to Fair Price Shops (FPS) and distribution in a transparent and accountable manner at the FPS level to enhance the food security for the poor.

The identification of poor under the scheme was done by the State as per State-wise poverty estimates of Planning Commission based on the methodology of the 'Expert Group on estimation of proportion and number of poor in 2004'.

**Below Poverty Line (BPL)** Scheme intended for providing foodgrains at subsidised rates to the identified families through issue of distinctive ration card. The State was required to formulate and implement arrangements for identification of poor and distribution of foodgrains through the Fair Price Shops (FPS) in an accountable and transparent manner. The scale of issue of foodgrains (either rice or wheat or combination of both) was fixed at 35 kilogram (Kg) per month since April 2002. The cost of foodgrains was fixed at ₹6.15 and ₹6.25 per kg of rice and wheat (atta) respectively.

**Antyodaya Anna Yojana (AAY)** launched in December 2000 was a part of TPDS, focused to the poorest of the poor to provide more substantial benefit and nutrition to reduce hunger among the poorest segment of the BPL population through issue of distinctive ration cards. The scale of issue of foodgrains was fixed similar to BPL Scheme. However, the cost of foodgrains was fixed at ₹3 per Kg in respect of rice and ₹2 per Kg in respect of wheat against the Central Issue Price (CIP)<sup>1</sup>.

**Above Poverty Line (APL)** families were also provided with family identity cards to avail foodgrains allocated through FPS. The scale of issue of foodgrains (either rice or wheat or combination of both) was fixed at 35 kg per month from April 2004. Central Issue

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<sup>1</sup> CIP is the uniform price of essential commodities fixed by GoI from time to time for issue to the States/UTs for distribution under TPDS.

Price of the foodgrains was fixed at ₹8.30 and ₹ 6.10 per kg of rice and wheat respectively.

***Annapurna*** scheme aims at providing food security to those senior citizens who were eligible but have remained uncovered under National Old Age Pension Scheme (NOAPS). The age of the identified beneficiary should be 65 years or above irrespective of gender, provided they were not in receipt of any pension either from State or under NOAPS. Distinctive ration cards would be issued to the beneficiaries so as to provide 10 kg rice per month free of cost.

Food Corporation of India provides the allocated foodgrains through five Food Storage Depots<sup>2</sup> and the Department of Food and Civil Supplies (FCS) ensures the lifting and supply of essential commodities through 238 authorised FPS and the subordinate offices in the district to cover 2.95 lakh households in the State.

***Convergence programme*** aims to provide assistance of 15 kg foodgrains per resident per month in hostels having 2/3rd students belonging to SC/ST/OBC, Welfare Institutions viz. NGOs/Charitable Institutions which help the shelterless poor and other categories not covered under TPDS or under any other Welfare Schemes.

To safeguard against malnourishment during the period of natural calamity or during lean seasons when the marginalised households do not have sufficient resource to purchase the rations, the PDS provides 4 MT rice to every Village Grain Bank set up in the selected villages. These programmes were operated through the Department of Food and Civil Supplies in accordance with the prescribed scale and criteria fixed by Government of India.

***Mid-day-meal programme*** implemented by the Department of School Education, aims to cover students of Class I-VIII in Government Schools, Schools aided by Government and the Schools run by local bodies at the rate of 150 gram per child per school day. Effective from April 2008, cooked/processed hot meal with a minimum content of 300 calories and 8-12 gms of protein was being served each day of school for a minimum of 200 days or 3 kgs per student per month for 9-11 months in a year, where foodgrains were distributed in raw form.

***Wheat Based Nutrition Programme (WBNP)*** launched by Department of Women and Child Development, Ministry of Human Resources Development was implemented through the Department of Social Welfare in Nagaland. The programme aims to provide nutritious energy food to the children between the age group of 1-6 years and pregnant lactating women from disadvantaged sections for 300 days in a year at 100 gram per beneficiary free of cost through ICDS projects.

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<sup>2</sup> Dimapur(2), Tuensang(1), Mokokchung (1) and Mon (1)

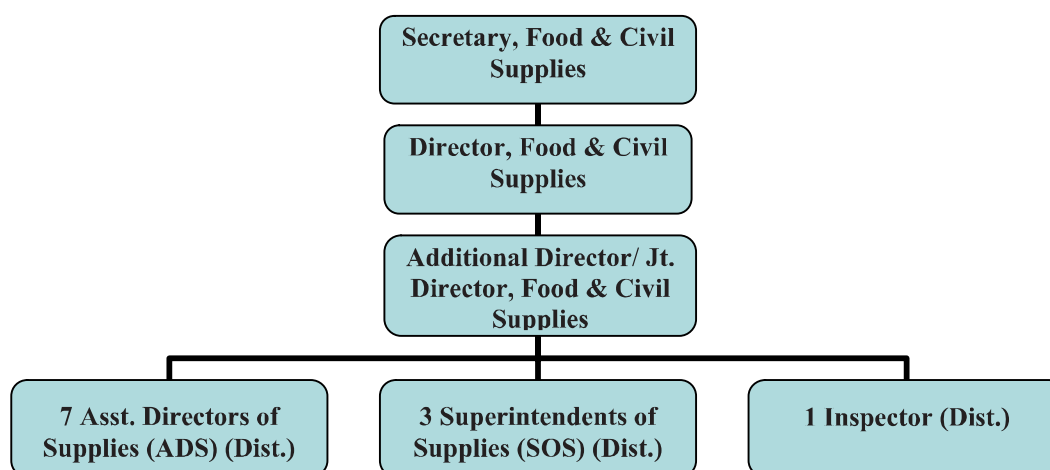
*Nutritional Programme for Adolescent Girls (NPAG)* is a centrally assisted programme implemented by the Department of Women Development in the State with an objective to improve the food security and healthcare to the undernourished adolescent girls in the State in the age group of 11-19 years @ 6 kg per beneficiary per month as identified by weight (less than 35 kg) which would be covered irrespective of financial status of the family to which they belong. Free foodgrains would be provided to the adolescent girls initially for a period of three months.

Foodgrains under convergence programmes were procured from FCI at BPL rates and distributed to the beneficiaries by the implementing Units.

## **Chapter 2 Framework of Audit**

### **2.1 Organisational Setup**

The Secretary, Food and Civil Supplies (FCS) is the administrative head of the Department and the Director, FCS is in charge of implementation of PDS in the State. He is assisted by Additional Director/Joint Director at the directorate level supported by the Assistant Directors/Superintendents of Supply/Inspectors at the district level.



The Assistant Director of Supplies/Superintendent of Supplies/Inspectors at district level are under the administrative control of Deputy Commissioners/ Sub-Divisional Officers (Civil) of respective Sub-Divisions. The utilisation certificates of the foodgrains are countersigned by the Deputy Commissioners/ Sub-Divisional Officers at district/sub-divisional level.

### **2.2 Flow chart of distribution of foodgrains**

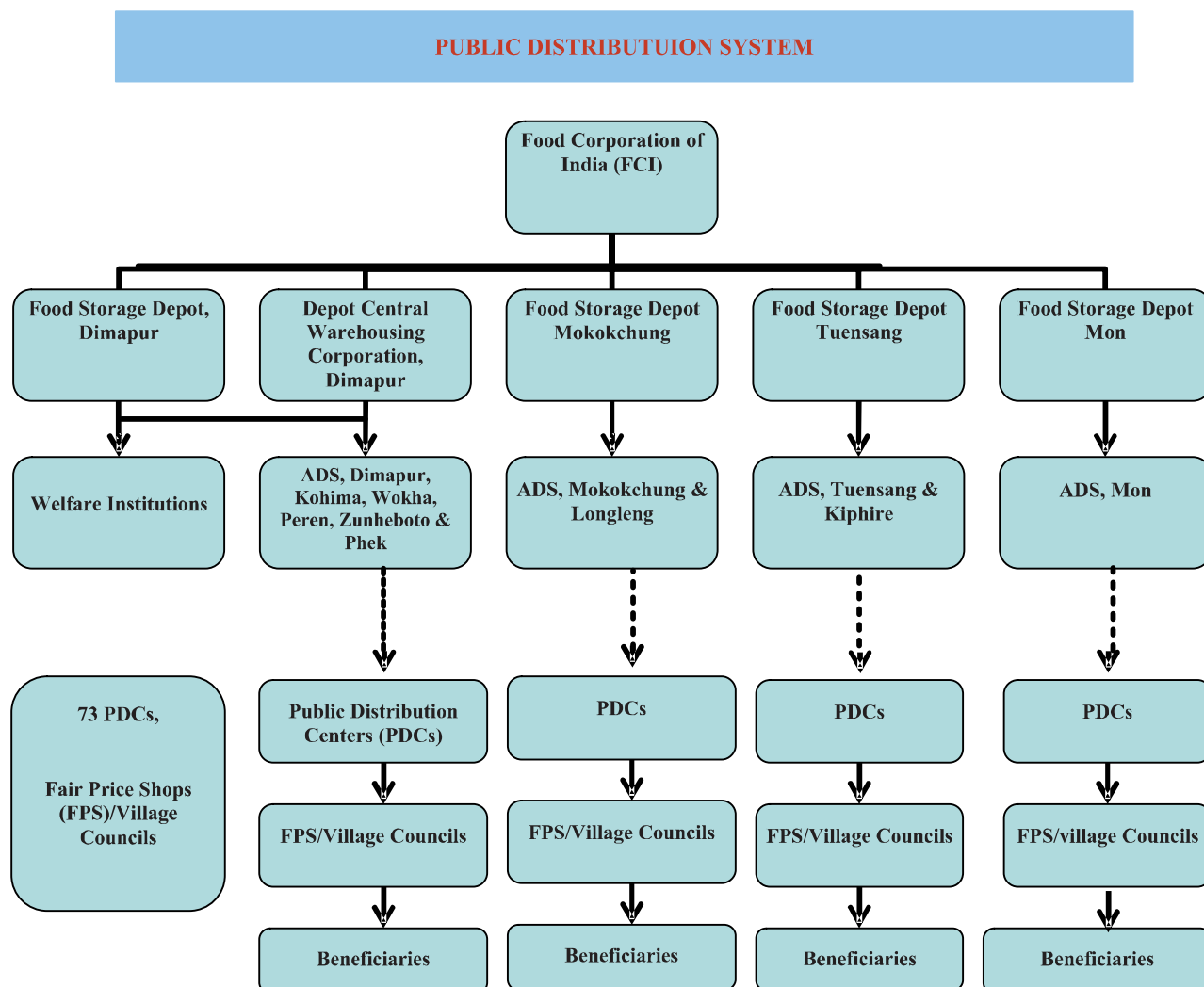
The Central Government shall make foodgrains available through Food Corporation of India (FCI) to the State for distribution under the PDS since Decentralised Procurement scheme<sup>3</sup> (DCP) is not adopted in Nagaland.

The objectives of the Department of Food and Civil Supplies (DFCS) are to ensure availability and distribution of essential commodities and check malpractices in supply and trade of commodities notified by the Government. The FCS has to ensure supply of essential commodities to the targeted population i.e. people living Below Poverty Line (BPL).

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<sup>3</sup> The policy of procurement and distribution of foodgrains from farmers by the State

The flow of allocated foodgrains from FCI to beneficiaries through different stages is projected below:

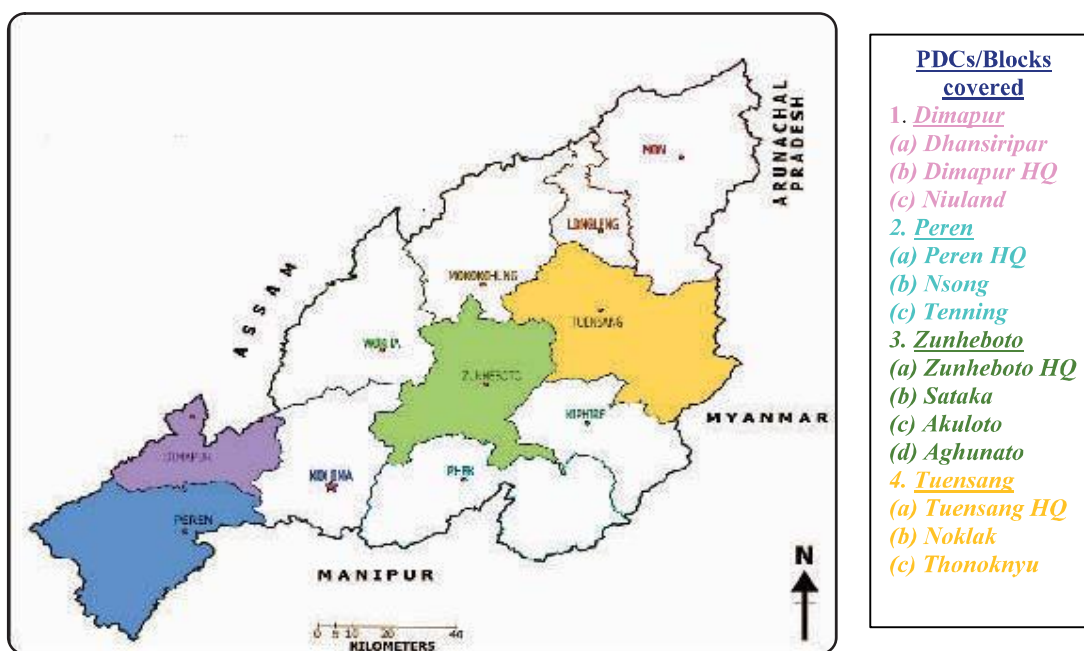




## 2.3 Scope of Audit

Performance Audit on Public Distribution System in Nagaland was conducted in the year 1999 and the findings of audit were incorporated in the Audit Report of the Comptroller and Auditor General of India for the year 1998-99 which were also discussed by the Public Accounts Committee (PAC) in June 2005 but their report is awaited. The Performance Audit on Food Security, Subsidy and Management of Foodgrains incorporated in the Audit Report of the Comptroller and Auditor General of India for the year 2004-05 contained a paragraph<sup>4</sup> on delay in identification of families living below poverty line (BPL). The PAC discussed the Performance Audit in June 2009 and recommended for identifying all BPL, AAY and Annapurna families and to submit the list of beneficiaries to the Committee within 6 months from the date of laying of the recommendations on the table of the House. However, the Department had not finalised the list of beneficiaries identifying all BPL, AAY and Annapurna families as recommended by the PAC (September 2011).

The instant Performance Audit covered the period from 2005-2010 through test check of records of the Director of FCS, four ADS/SOS, 13 PDCs and 24 FPS<sup>5</sup> in the four sampled districts during May 2010 to October 2010. The Performance Audit was updated upto March 2011 and the receipt and issue of Superior kerosene Oil was included during the period from April 2011 to August 2011. The details of coverage are indicated in the map below:



(Source: National Sample Survey of India)

<sup>4</sup> Paragraph 3.3.9

<sup>5</sup> Dimapur(7), Peren(4), Zunheboto(7) and Tuensang(6)

Audit also covered the convergent foodgrains based welfare schemes viz, Wheat Based Nutrition Programme (WBNP), Department of Social Security and Welfare, Mid Day Meal (MDM), Department of School Education and National Programme for Adolescent Girls (NPAG), Department of Women development in the selected four districts.

## **2.4 Audit Objectives**

The broad objectives of the Performance Audit of PDS were to evaluate whether:

- Identification of different categories of beneficiaries and issue of ration cards was efficient;
- Infrastructure for storage of essential commodities was developed effectively;
- Allocation and distribution of foodgrains by Government were effective to ensure that all targeted groups had access to foodgrains in time at prescribed rate and quantity;
- Convergence with other foodgrains based welfare schemes was operational and effective in the State; and
- Adequate and effective monitoring systems were adopted.

## **2.5 Audit Criteria**

The following audit criteria were adopted for the performance audit:

- GOI orders/guidelines on identification of beneficiaries;
- The Public Distribution System (Control) Order 2001;
- Guidelines on measures adopted for implementation of TPDS;
- Circulars issued by GON from time to time; and
- Essential Commodity Act, 1955.

## **2.6 Audit Methodology**

Apart from the inspection of records of Directorate of FCS in the State, four districts were selected through a simple random sampling without replacement (SRSWOR) method, considering the factors viz. number of beneficiaries, number of FPS, backwardness and off take of foodgrains.

Audit methodology employed in conducting the Performance Audit included:

- ❖ Briefing the management of the objective of the review through a power point presentation in an entry conference (9 June 2010). An entry conference was held during updation of the Performance Audit (8 April 2011);

- ❖ Issuing questionnaires and collecting information and clarification to audit observations;
- ❖ Conducting beneficiary survey of the ration card holders to ascertain the satisfaction level of existing PDS delivery system by analysing replies to questionnaire issued to the public; and
- ❖ Analysis of data, documentary evidence and physical verification.

Audit findings were communicated to the management and a presentation was made on the findings which were also discussed in an exit meeting held on 21 November 2011. The Department formally furnished their replies in December 2011. The views expressed by the Department have been considered while finalising the Report.

## **2.7 Acknowledgement**

The Indian Audit and Accounts Department acknowledges the cooperation extended by the Department of Food and Civil Supplies, Department of School Education, Department of Social Welfare and Department of Women Development, Nagaland during the course of audit.

## Chapter 3 Financial Management

### 3.1 Financial Outlay and Expenditure

The Department operates the PDS system in the State with the support of District Supply offices. There was no direct financial role of Government of Nagaland (GON) in the operation of PDS in the State except the transportation cost of APL commodities from FCI to FPS as the same was to be borne by the State as per norms.

The year-wise receipt and expenditure of funds for the period from 2005-11 for implementation of the programmes are detailed below:

**Table No. 3.1**

(₹ in lakh)

Type of expenditure/ Name of the Programme	Receipts						Total	Expenditure						Total
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11		2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	
FUNDS FROM GOI														
Annapurna	56.32	74.94	101.98	0	53.25	0	286.49	45.61	50.21	49.30	54.61	0	65.52	265.25
Village Grain Bank	0	21.00	18.30	2.70	22.69	0	64.69	0	21.0	18.30	2.70	22.69	0	64.69
<b>TOTAL</b>	<b>56.32</b>	<b>95.94</b>	<b>120.28</b>	<b>2.70</b>	<b>75.94</b>	<b>0</b>	<b>351.18</b>	<b>45.61</b>	<b>71.21</b>	<b>67.60</b>	<b>57.31</b>	<b>22.69</b>	<b>65.52</b>	<b>329.94</b>
FUNDS FROM GON														
Transportation	0	500.80	660.82	0	0	0	1161.62	0	500.80	660.82	0	0	0	1161.62
Operational cost of AAY	0	20.36	30.00	40.00	33.41	37.00	160.77	0	20.36	29.94	40.00	33.41	37.00	160.71
<b>TOTAL</b>	<b>0</b>	<b>521.16</b>	<b>690.82</b>	<b>40.00</b>	<b>33.41</b>	<b>37.00</b>	<b>1322.39</b>	<b>0</b>	<b>521.16</b>	<b>690.76</b>	<b>40.00</b>	<b>33.41</b>	<b>37.00</b>	<b>1322.33</b>
<b>Grand Total</b>	<b>56.32</b>	<b>617.10</b>	<b>811.10</b>	<b>42.70</b>	<b>109.35</b>	<b>37.00</b>	<b>1673.57</b>	<b>45.61</b>	<b>592.37</b>	<b>758.36</b>	<b>97.31</b>	<b>56.10</b>	<b>102.52</b>	<b>1652.27</b>

(Source: Departmental records)

It can be seen from the above table that out of the total receipt of ₹351.18 lakh under CSS during 2005-11, ₹286.49 lakh was meant for implementation of the Annapurna Scheme.

- Out of ₹286.49 lakh received by the Department for implementation of Annapurna scheme during 2005-06 to 2010-11, the Department could utilise only ₹265.25 lakh. The Department could not utilise the balance funds of ₹21.24 lakh for Annapurna scheme and instead retained it in the bank as of July 2011 thereby depriving the scheme benefit to the beneficiaries as detailed in Paragraph 7.6.
- Further, out of ₹53.25 lakh received by the Department for implementation of Annapurna scheme during 2009-10, the Department could utilise the funds only during 2010-11. This was due to non-allocation of foodgrains by GOI owing to delay in submission of Utilisation Certificate (UC) by the Department for the year 2008-09. The impact on implementation is discussed in paragraph 7.6 of Chapter-7.

The Department while admitting the facts (December 2011) stated that foodgrains could not be lifted for five months in 2006-07 and 12 months in 2009-10 due to non-allocation

of foodgrains by GOI on account of delay in submission of utilisation certificate by the State Government.

- The State Government also did not release the funds for transportation of foodgrains on a regular basis. A total amount of ₹1161.62 lakh was sanctioned by the State Government during 2006-07 and 2007-08 for clearance of pending transportation charges in respect of BPL, AAY and APL categories for the period from 1990 to 2006.

The Department while admitting the facts (December 2011) stated that due to financial constraints GON could not release the funds and hence the outstanding liability of transportation cost for the years 1988-2006 could be cleared only in 2006 and 2008.

- The State Government did not release any funds for transportation during 2008-11 resulting in accumulation of transportation bills from the year 2006 onwards. Besides, the Department did not maintain proper documentation showing the actual transportation of foodgrains vis-à-vis charges to be paid. Hence, the payment of transportation charges could not be vouched in audit and the amount outstanding as on 31 March 2011 could not be ascertained in audit.

The Department in its reply (December 2011) stated that the outstanding liability of transportation cost as of March 2011 was ₹6.50 crore.

### **Conclusion**

***The Department was unable to utilise the entire funds provided by GOI on year to year basis which deprived the beneficiaries of the indented benefits. The State Government also did not release the transportation cost during 2008-2011 which resulted in accumulation of outstanding bills.***

### **Recommendation**

***The State Government should release funds on a regular basis for clearance of outstanding transportation charges in order to avoid accumulation of bills for long periods.***

## AUDIT FINDINGS

### Chapter 4 Identification of targeted beneficiaries

#### 4.1 Survey, investigation and identification

Efficacy of PDS is based on the identification of targeted groups in different categories. Public Distribution System (Control) order, 2001 envisages that States should formulate suitable guidelines by involving the Gram Panchayats/Village Councils for the purpose of identification of families living Below Poverty Line (BPL) including the Antyodaya families as per the estimates adopted by the Central Government. The State Government should provide sufficient attention to ensure that the identified families are really the poorest of the poor.

The DFCS adopted the list of BPL targeted groups identified by the Union Ministry of Rural Development. Out of the list of BPL beneficiaries, the Department increased (January 2006) the number of AAY beneficiaries from 37600 to 47500 from amongst the BPL beneficiaries. However, the Department did not involve the Village Councils for the purpose of identification of families while increasing the AAY beneficiaries from BPL list.

The Department did not take any other action for identification of BPL beneficiaries during 2005-11. The position of beneficiaries availing the benefit of PDS from January 2006 till the end of March 2011 is given below:

**Table 4.1**

Scheme	Beneficiaries
BPL	76500
AAY	47500
Annapurna	6727
<b>Total</b>	<b>130727</b>

Out of 7200 beneficiaries identified by the Department, GOI approved 6727 Annapurna families in 2004-05 and the number of beneficiaries remained constant till the end of 2010-11.

As per 2001 Census, eighty nine *per cent* of the population in the State belongs to scheduled tribe category. Out of a total of 2.95 lakh households in the State, 1.31 lakh households were identified under BPL, AAY and Annapurna categories. Over and above this, an average of 0.42 lakh APL households were in possession of ration cards leaving 1.22 lakh households (41 *per cent*) remaining out of PDS. The Department needs to look into the reasons for keeping 41 *per cent* of the population in a scheduled tribe dominated State beyond the purview of PDS.

The Department in reply stated (June and December 2011) that beneficiary survey is under progress in co-ordination with the District Administration and local bodies. They further stated that efforts were being made to identify the targeted beneficiaries in appropriate groups as per the norms fixed by the GOI.

## **4.2 Review of Households**

The PDS Control order 2001 envisages that the State Governments/UTs shall review the lists of BPL, Antyodaya families and Annapurna beneficiaries every year for deletion of ineligible families and inclusion of eligible families through the designated authorities.

Audit scrutiny, however, revealed that a review of the lists of beneficiaries was conducted only once in 2009 in two<sup>6</sup> out of the four test-checked districts at the District level without involving the Village Councils which was not in conformity with the PDS Control order 2001. The remaining two<sup>7</sup> test-checked districts did not review the list of beneficiaries identified under different targeted groups.

The Department, therefore, did not conduct regular review of beneficiaries from time to time. The audit findings in this regard are discussed in the appropriate paragraphs in Chapter VII.

- Audit review of the list of beneficiaries revealed that 586 BPL beneficiaries (474 in Dimapur and 112 in Zunheboto) reported as ineligible were deleted from the lists. In their place, 586 new beneficiaries were included in the list. It was further noticed that out of the 112 beneficiaries declared ineligible in Zunheboto, six beneficiaries were Government servants, nine beneficiaries had relocated out of the district and 97 beneficiaries were reported dead.
- Similarly, 84 beneficiaries under AAY in Zunheboto were reported as dead, seven beneficiaries had relocated out of the district and four beneficiaries were Government servants.

Thus, failure on the part of the Department to review the lists of beneficiaries on yearly basis resulted in undue benefit of 787.60 MT<sup>8</sup> rice and 196.90 MT<sup>9</sup> wheat to the non-entitled BPL beneficiaries during 2005-09. The Department also extended undue benefit of 127.68 MT rice and 31.92 MT wheat to ineligible AAY beneficiaries during 2005-09. Besides, the entitled beneficiaries were deprived of their rightful benefits under the Schemes.

The Department in reply (December 2011) stated that ineligible beneficiaries were now being replaced in consultation with the village authorities. The fact, however, remains that undue benefit was extended to 670 ineligible beneficiaries.

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<sup>6</sup> Dimapur and Zunheboto

<sup>7</sup> Peren and Tuensang

<sup>8</sup> 586 x 28kg x 48 months = 787.60 MT rice

<sup>9</sup> 586 x 7kg x 48 months = 196.90 MT wheat



- Test-check of records of SOS, Peren and Zunheboto disclosed that the benefits of Annapurna scheme involving 13.75 MT rice were extended to 25<sup>10</sup> dead beneficiaries during 2005-11. Department in reply (December 2011) stated that the Village Councils were not reporting the death cases of Annapurna Beneficiaries in time. Instead they were extending the benefits to other beneficiaries selected by them in order to retain the benefits in their area. This reflects poor monitoring of the scheme by the Department.
- The scheme guidelines of Annapurna provides that the age of the beneficiaries should be 65 years and above. However, a review of the list of beneficiaries showed that 127 persons (Peren - 82 and Zunheboto - 45) in the age group of 19-62 years were also given the benefits of 69.85 MT rice<sup>11</sup> under the scheme in violation of the scheme guidelines. Department stated that (December 2011) it was a typing error and a revised list of Annapurna beneficiaries was produced to audit. However, even the revised list had 33 beneficiaries who were under age.

The Department in reply (December 2011) stated that ineligible beneficiaries were being replaced in consultation with the village authorities. The fact however remains that undue benefits were extended to 152 ineligible beneficiaries.

- It was further noticed in audit that the benefits under Annapurna Scheme were extended to 15 beneficiaries (Peren-8 and Tuensang-7) who were also beneficiaries under National Old Age Pension Scheme (NOAPs) and were being provided benefits by the Department of Social Welfare. Thus, the Department provided double benefits to 15 beneficiaries in violation of the Annapurna Scheme guidelines to whom 8.25 MT rice was given under Annapurna Scheme during the period from 2005-11, which was irregular.

The Department in reply (December 2011) stated that the matter had been forwarded to the Department of Social Welfare Department for cross checking.

In sum, lack of effective action on the part of the Department to review the list of beneficiaries on yearly basis coupled with absence of coordination with the local bodies resulted in extension of undue benefit to ineligible beneficiaries of 1007.13 MT rice and 228.82 MT wheat/atta valued at ₹76.24 lakh<sup>12</sup> during the period 2005-11 while denying the rightful benefits to the eligible beneficiaries.

## **Conclusion**

***The State Government did not conduct any baseline survey to identify the BPL beneficiaries. As a result 41 per cent of the households in the State remained outside***

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<sup>10</sup> 20 in Peren and 5 in Zunheboto

<sup>11</sup> for 55 months (April 2005 to June 2006, December 2006 to March 2009 and April 2010 to March 2011)

<sup>12</sup> 1007.13 MT rice x ₹6.15 per kg + 228.82 MT wheat x 6.25 per kg (atta) = ₹76.24 lakh



*the PDS since 2005. The Department also did not carry out periodic revision of beneficiary list for addition/deletion of eligible/ineligible beneficiaries.*

*Since the Department failed to comply with the scheme guidelines, eligible beneficiaries were deprived of benefits whereas ineligible beneficiaries continued to enjoy the benefits for years together.*

#### *Recommendations*

*The State Government should identify the BPL, AAY and Annapurna beneficiaries in the State.*

*The State Government should review the beneficiary list annually for the purpose of deletion of ineligible families and inclusion of eligible families through the designated authorities.*

## Chapter 5 Ration Cards

Ration card is a document issued under an order or authority of the State Government for purchase of essential commodities under PDS through the network of FPS. The Director, FCS issues distinctive ration cards to BPL, AAY, Annapurna and APL beneficiaries for the said purpose.

### 5.1 Estimation and printing of ration cards

The estimation of printing of ration cards should be based on the requirement received from district supply offices in consultation with local bodies duly approved by the District administrative officers. The periodicity of printed BPL & AAY ration cards is for two years and were required to be renewed after every two years. The periodicity of printed Annapurna card was for three years and were being renewed after every three years. APL card did not have any periodicity printed on the card. The position of printing and issue of ration cards to the District authorities for renewal or fresh distribution in respect of different targeted groups is depicted below:

Table No. 5.1

Category of Ration cards	BPL	AAY	Annapurna	APL	TOTAL
Number of Ration cards printed during 2005-11	244500	147100	21800	129397*	542797
Number of ration cards retained with Directorate	2510	1775	378	87346	92009
Total ration cards issued	241990	145325	21422	42051	450788

\*balance out of 3 lakh APL ration cards brought forward from 2004-05

Statement showing the requirement, issue and retention of ration cards with the district supply offices												
Name of the district	Total number of Ration cards <sup>13</sup> required for 6 years				Total number of Ration cards issued for 6 years				Total number of Ration cards issued beyond the requirement			
	BPL	AAY	Annapurna	Total	BPL	AAY	Annapurna	Total	BPL	AAY	Annapurna	Total
Dimapur	35514	18240	3240	56994	36376	18490	3350	58216	862	250	110	1222
Kohima	25515	14430	2307	42252	26460	14680	2419	43559	945	250	112	1307
Phek	24522	13515	1689	39726	25253	13765	1803	40821	731	250	114	1095
Wokha	23529	12810	1380	37719	24656	13060	1490	39206	1127	250	110	1487
Zunheboto	24861	13425	1605	39891	25894	13750	1725	41369	1033	325	120	1478
Tuensang	10560	12555	2421	25536	12590	12805	2537	27932	2030	250	116	2396
Mokokchung	29985	16500	2613	49098	30915	16750	2721	50386	930	250	108	1288
Mon	21747	13995	2475	38217	22978	14245	2585	39808	1231	250	110	1591
Peren	8697	8370	1074	18141	10028	8620	1188	19836	1331	250	114	1695
Kiphire	18396	10770	819	29985	19224	11020	933	31177	828	250	114	1192
Longleng	6174	7890	558	14622	7616	8140	671	16427	1442	250	113	1805
<b>Total</b>	<b>229500</b>	<b>142500</b>	<b>20181</b>	<b>392181</b>	<b>241990</b>	<b>145325</b>	<b>21422</b>	<b>408737</b>	<b>12490</b>	<b>2825</b>	<b>1241</b>	<b>16556</b>

(Source:- Departmental figures)

<sup>13</sup> Maximum requirement has been calculated on the basis of beneficiaries stated in Table 4.1

- It was noticed from the records of the Department that assessment of requirement of ration cards was not made from the field units in order to estimate the quantity of ration cards to be printed in respect of targeted groups. The Department printed distinctive coloured ration cards for targeted groups for ₹31.90 lakh<sup>14</sup> during 2005-11 through a private printer located at Dimapur without observing the purchase procedures and financial rules. It can be seen from the above table that the total requirement of ration cards (excluding APL households) during 2005-11 was 3,92,181. The Director, FCS however, issued 4,08,737 ration cards resulting in excess issue of 16,556 ration cards during the same period. The Department also did not exercise any control over the issue of ration cards through periodical physical verification which facilitated issue of duplicate and bogus cards at the district level as discussed in succeeding paragraph.

The Department stated (November 2010) that due to the inability of the 'Department of Printing and Stationery' to undertake the printing job, the Department engaged a renowned printing press after obtaining 'No Objection Certificate' from the Department of Printing and Stationery which was approved by the Government. The Department further stated that extra number of ration cards was printed in anticipation of cases such as cancellation, mutilation, loss, etc. However, the fact remains that the excess cards were not traceable as explained in Paragraph 5.2.

- Audit scrutiny in the selected districts revealed that the ration cards were issued to the beneficiaries without affixing the photographs of the beneficiaries in the cards. As the ration cards issued did not bear the photograph of the beneficiary, the possibility of misuse of the cards by unauthorised persons cannot be ruled out.

The Department stated (December 2011) that ration cards had been redesigned and photograph of the beneficiary incorporated.

- It was also seen that the database of the ration card holders were not maintained by the Department systematically by mentioning the age of the card holders, father's name, card numbers of the beneficiaries. Hence, the database of ration cards could not be vouchsafed and verified in audit.

The Department stated (December 2011) that the database of the ration cards was being updated with detailed particulars of beneficiaries.

## **5.2 Existence of bogus/duplicate ration cards**

The Director abruptly issued printed ration cards of various targeted groups of beneficiaries to the district controlling officers in excess of the actual number of beneficiaries without receipt of any request/application from the district offices except for APL group. Scrutiny of stock registers maintained at the four selected districts revealed the following:

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<sup>14</sup> BPL ( 76500 Nos) & AAY (47500 Nos)- ₹ 31 lakh (on two occasions)  
Annapurna (6727 Nos)- ₹ 0.90 Lakh (once only)

**Table No. 5.2**

Name of District	Number of Ration Cards issued by the FCD			Total	Number of RCs issued to beneficiaries			Total	Cards available with ADS			Total	Short (5-9-13)
	BPL	AAY	Annapurna		BPL	AAY	Annapurna		BPL	AAY	Annapurna		
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>	<i>11</i>	<i>12</i>	<i>13</i>	<i>14</i>
Dimapur	36376	18490	3350	58216	35514	18240	3240	56994	22	15	12	49	1173
Peren	10028	8620	1188	19836	8697	8370	1074	18141	140	14	41	195	1500
Tuensang	12590	12805	2537	27932	10560	12555	2421	25536	0	0	0	0	2396
Zunheboto	25894	13750	1725	41369	24861	13245	1605	39711	1033	505	120	1658	0
<b>TOTAL</b>	<b>84888</b>	<b>53665</b>	<b>8800</b>	<b>147353</b>	<b>79632</b>	<b>52410</b>	<b>8340</b>	<b>140382</b>	<b>1195</b>	<b>534</b>	<b>173</b>	<b>1902</b>	<b>5069</b>

*(Source: Departmental records)*

As could be seen from the table above, against the actual requirement of 140382 ration cards, the Director issued 147353 ration cards to the district offices during 2005-11 resulting in excess issue of 6971 cards.

Physical verification of stock register by audit (July 2011) in the three (Dimapur, Peren and Tuensang) test-checked districts, revealed that against the actual closing balance of 6971 ration cards, only 1902 ration cards were physically available in stock. Thus, there was a possibility of misuse of 5069 cards.

The Department did not create a healthy system to eliminate the risk for issue of Bogus/Duplicate Ration Cards by constituting FPS Committees and Vigilance Committees as well as periodical verification of ration cards to check the diversion of essential commodities.

The Department stated (June 2011) that identification to weed out bogus/duplicate ration cards was under investigation by the Committee constituted for the purpose and the outcome would be intimated to audit. In addition to their earlier reply, the Department while accepting the facts (December 2011) stated that Ration Cards were issued in excess to replace cards which had been lost, torn or contained clerical errors. But records in this regard could not be furnished to audit, though called for.

### **Conclusion**

*As the database of ration card holders was not maintained systematically, audit could not vouchsafe the veracity of the records. The excess ration cards issued to the district offices without any requisition point towards possibility of misuse of 5069 ration cards. The possibility of diversion of essential commodities to unauthorised persons also cannot be ruled out.*

### **Recommendations**

*The Department should maintain the database of ration card holders systematically mentioning all the details of the card holders in order to assess the requirements and also to avoid duplicate ration cards.*

*Steps should be taken to weed out bogus ration cards already issued. Effective control mechanism at district level should also be formulated to prevent issue of bogus ration cards in future.*

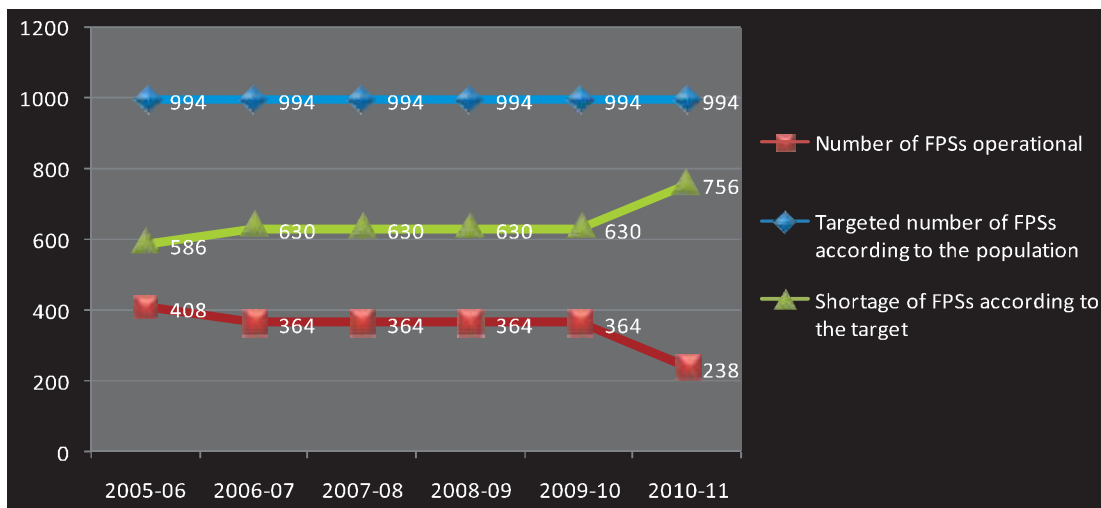
## Chapter 6 Fair Price Shops (FPS)

Fair Price Shop is a shop licensed by an order issued under Section 3 of the PDS Act, to distribute essential commodities to the ration card holders under the PDS owned by either a person or Co-operative Society or Corporation or a Company of a State Government or a Village Council or any other body. FPS should cover a minimum population of 600 and a maximum of 2000 in rural and urban areas which should be certified by the local administration. The factors such as financial background of the applicant/Society/ Corporation should be considered before approval for opening of the FPS.

It is the responsibility of the FPS to sell essential commodities as per the entitlements of ration card holders at the retail issue price fixed by the GOI or GON and also maintain necessary documents of ration card holders, stock registers, issue and sale registers and to redress the grievances of the beneficiaries pertaining to the quantity and quality of essential commodities being issued under PDS. The FPS is required to furnish UC to the Department with a copy to the Village Council showing the actual distribution of essential commodities and the stock balance at the end of each month. A Vigilance Committee is also required to be constituted in each village to ensure smooth functioning of PDS and to take up redressal of grievances related with it.

The status of FPS functioning in the State during the last six years is as detailed below:

Chart-6.1



It can be seen from the graphical representation that the number of FPS operational in the entire State was much less than the norms/target fixed by GON. The shortage of FPS in the State ranged from 59 to 76 *per cent* during 2005 to 2011.

The position of shortage in the four test checked districts ranged from 19 per cent to 75 per cent during 2005-11. The maximum number of shortage of FPS was noticed in Tuensang district having a population of 414807 at an average shortage of 73 *per cent* throughout the period of six years.

The Department replied (December 2011) that all the Village Councils have the status of FPS to provide foodgrains in the villages and the numbers of Village Councils functioning as FPS was not reflected in their administrative reports, which will be rectified by incorporating the same in future.

#### **6.1 Operation of non-viable FPS**

Out of 174 functional FPS as of March 2010 in the four test-checked districts, GON renewed and approved only 99 FPSs during 2010-11 and others were closed due to non-viability. Audit covered 24 FPS (24 percentage) out of the renewed and functional FPS covering 22579 cardholders (BPL-7709, AAY-6919, Annapurna- 1270, and APL- 6681).

- Scrutiny of records of test-checked FPS disclosed that 7 FPS out of 57 under Dimapur district were not functioning from 2006-07 to 2009-10 which was also reported by the village authorities. This indicates that FPSs were approved without ascertaining the necessity of the same. Due to lack of monitoring, the Department also failed to ensure that the approved FPSs were functional.

According to GON order (March 1999), all the FPS shall maintain separate registers for APL and BPL regarding (i) number of ration card holders allotted to the FPS mentioning ration card number, name of ration card holders, full address, number of family members indicating the number of adults and minors etc., (ii) stock ledger commodity-wise, (iii) issue register showing ration card number, name of ration card holder, commodity and quantity issued, signature or thumb impression of the recipient. The FPS were also required to display a signboard indicating the name of FPS dealer, FPS license number, location etc. at a conspicuous place in front of the FPS outlet. Similarly, a citizen charter showing the name of commodities, price etc. should be displayed inside the FPS outlet at a prominent place. FPS Committees should also be formed to monitor the functioning of the FPSs.

- Physical verification (June-July 2011) of 24 FPS revealed that only stock/sale register was maintained and no signboards were displayed in the FPSs indicating the required information. The Department also did not form FPS Committees to monitor the functioning of the FPSs. The details of receipt and utilisation of the commodities sold through the FPSs were neither maintained nor reported to the Department. Hence, the actual receipt and issue of the commodities could not be ascertained and verified at the FPS. Further, viability of 24 test checked FPSs could not be assessed in audit.

- FPS commission at the rate of ₹15 per quintal is admissible to the FPS owners while distributing AAY and BPL foodgrains. However, 5 FPS<sup>15</sup> in Tuensang district received and distributed foodgrains ranging from 10 to 25 quintals per month against their average entitlement of 64 to 125 quintals per month under AAY and BPL category. Thus, due to less allotment of foodgrains to the FPS, the owners of this FPS earned commission in the range of ₹150 to ₹375 per month rendering the FPS non-viable and the prospect of diverting foodgrains to open market cannot be ruled out.

The Department in reply (December 2011) stated that correct procedures will be followed from the current year.

## 6.2 Procurement of BPL/AAY foodgrains at non-subsidised rate by FPS owners

Physical verification of 6 operational FPS test checked in Tuensang district revealed that the PDS foodgrains were procured at higher rate than GOI/GON notified rate by the FPS from the Department authorised stockist. Instances are detailed below:

Table No. 6.1

Name of the FPS	Name of the block	No. of BPL/AAY beneficiaries	Category of targeted group	Qty of rice procured for PDS (MT)	Rate per MT approved by GOI/GON (In ₹)	Cost of commodity paid to Deptt/Sub Stockist (₹ per MT)	Extra burden to the FPS owners (In lakh of ₹)
M/s Hatho	Noklak	215	AAY	3.2	3000	4150	0.037
M/s Thangio	Noklak	45	AAY	3.2	3000	4150	0.037
M/s P Muno	Noklak	83	AAY	3.2	3000	4150	0.037
Tuensang VC	Tuensang	358	BPL	134	6150	7000	1.14
<b>TOTAL</b>		<b>701</b>		<b>143.6</b>			<b>1.251</b>

(Source: Departmental records and FPS records)

As could be seen from above, against the approved rate of ₹3000 per MT rice, the FPS procured the rice from the Department authorised stockist at ₹4150 per MT which is 38 per cent higher than the notified rate of AAY. In respect of BPL, against the approved rate of ₹6150 per MT, the FPS procured the rice at ₹7000 per MT representing 14 per cent increase over the approved rate. The Department did not monitor the pricing pattern of foodgrains sold at stockist level and this had put extra burden on the beneficiaries.

The Department stated that (December 2011) as per Assistant Director of Supplies, Tuensang, the food grains were delivered to the FPS at the Govt. approved rate. The reply is however, not tenable as the FPSs and Village Council had categorically stated that they have procured the commodities at the price mentioned above.

<sup>15</sup> Hatho FPS, Thangio FPS, Muno FPS, Mure FPS and Pongsang FPS at Tuensang.



### 6.3 Sale of foodgrains above the rate fixed by GOI/GON

As discussed in the preceding paragraph, the FPS procured foodgrains at higher rate than the Government notified rate during 2005-10. The FPS in turn sold to the beneficiaries at higher rate putting extra burden on the beneficiaries. Instances are detailed in the table below:

**Table No. 6.2**

Name of the FPS	Name of the block	No. of BPL/AAY beneficiaries	Category of targeted group	Qty of rice sold (MT)	Rate approved by GOI/GON(MT)	Selling price of the FPS owner (MT)	extra burden on consumers (In lakh of ₹)
M/s M Pongsang	Thonokhnyu	149	BPL	60	6150	8000	1.11
M/s Mure	Tuensang HQ	106	BPL	168	6150	6400	0.42
M/s Mure	Tuensang HQ	79	AAY	62.4	3000	3400	0.25
M/s Tsikhase	Tuensang HQ	79	BPL	168	6150	6400	0.42
M/s Tsikhase	Tuensang HQ	79	AAY	62.4	3000	3400	0.25
M/s Hatho	Noklak	50	BPL	8.16	6150	8000	0.15
M/s Hatho	Noklak	215	AAY	3.2	3000	7000	0.13
M/s Thangio	Noklak	138	BPL	8.16	6150	8000	0.15
M/s Thangio	Noklak	45	AAY	3.2	3000	7000	0.13
M/s P Muno	Noklak	226	BPL	8.16	6150	8000	0.15
M/s P Muno	Noklak	83	AAY	3.2	3000	7000	0.13
<b>Total</b>		<b>1249</b>		<b>554.88</b>			<b>3.29</b>

(Source: Departmental records and FPS records)

As could be seen from the table, the FPS sold the foodgrains to the beneficiaries at higher rate ranging from 4 per cent to 30 per cent in respect of BPL and 14 per cent to 113 per cent in respect of AAY putting extra burden on the beneficiaries.

On this being pointed out by Audit (October 2010), the FPS owners reduced the consumer end retail price in respect of foodgrains from 2010-11 onwards. However, the rates fixed by them were still higher than the subsidised rate fixed by GOI/GON which is detailed below:

**Table No. 6.3**

Name of the FPS	Name of the block	No. of BPL/AAY beneficiaries	Category of targeted group	Qty of rice sold (MT) during 2010-11	Rate approved by GOI/GON(MT)	Selling price of the FPS owner (MT)	Extra burden on consumers (In lakh of Rupees)
M/s M Pongsang	Thonokhnyu	149	BPL (R)	89.4	6150	7500	1.21
M/s Mure	Tuensang HQ	106	BPL(R)	41.75	6150	6400	0.10
M/s Mure	Tuensang HQ	79	AAY(R)	26.4	3000	3250	0.07
M/s Tsikhase	Tuensang HQ	79	BPL(R)	40.9	6150	6400	0.10
M/s Tsikhase	Tuensang HQ	79	AAY(R)	13.68	3000	3250	0.03
M/s Hatho	Noklak	50	BPL(R)	52.4	6150	7500	0.71
M/s Hatho	Noklak	215	AAY(R)	41.38	3000	3500	0.21
M/s Thangio	Noklak	138	BPL(R)	51.2	6150	7500	0.70
M/s Thangio	Noklak	45	AAY(R)	41.38	3000	3500	0.21
M/s P Muno	Noklak	226	BPL(R)	52.4	6150	7500	0.71
M/s P Muno	Noklak	83	AAY(R)	41.38	3000	3500	0.21
<b>Total</b>		<b>1249</b>		<b>492.27</b>			<b>4.26</b>

(Source: Departmental records and FPS records)



Non-compliance with the notified rate by the FPS had put an extra burden of ₹7.55 lakh (₹3.29 lakh + ₹4.26 lakh) on the beneficiaries during the period from 2005-11. Thus, the objective of the scheme to provide foodgrains at subsidised rate was defeated. This also indicates lack of monitoring and control over the FPS.

While accepting the facts (December 2011) the Department stated that directives have now been issued to strictly adhere to the pricing pattern.

#### **6.4 FPS Commission**

The FPS owners were entitled to FPS commission @ ₹15 per quintal on production of UCs showing foodgrains sold through them. The retail price of ₹6.15 per Kg in respect of BPL foodgrains includes FPS commission and in the case of AAY, the commission was to be reimbursed to the stockists/sub-stockists on receipt of UCs by the Department. As the FPSs failed to submit the UCs to the Department, no commission was paid to them.

In reply to audit query (October 2010), three out of 24 FPS stated that the commission of ₹6.95 lakh were not received from the Department on the sale of 46340<sup>16</sup> quintals of AAY foodgrains during the period covered in audit. As a result, they had to enhance the retail price and also put an extra burden as discussed in the preceding paragraphs.

The Department stated (July 2010) that the matter is under departmental enquiry and in December 2011 stated that the commission had been cleared upto June 2010.

#### **6.5 Non-functional Vigilance committees and surprise inspection of FPS**

The PDS Control order envisage for creation of Vigilance Committees at the State, District and FPS level to review the overall functioning of TPDS in the State on a quarterly basis. The Vigilance Committees at all the levels were constituted in November 2009 but the Committees did not conduct any review of TPDS till March 2011.

The State Area Officer required to be appointed by the Union Ministry to conduct surprise checks on the functioning of TPDS was appointed in the State only in April 2011.

The Department also appointed 45 Inspectors/Sub-Inspectors to conduct surprise check of FPS in the State. However, the Department did not frame any guidelines regarding the performance, reporting and corrective measures to be followed by the Inspectors to conduct surprise inspection of FPS in consultation with the Vigilance Committees constituted at the FPS/District level. The Department carried out 12 surprise inspections during 2005-10 in four test checked districts. After this was pointed out in audit, the Department stated (October 2010) that efforts were being made to activate the Vigilance Committees at all levels to monitor the performance of PDS.

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<sup>16</sup> M/S, Hatho FPS-9006 quintals ; M/S. Mure FPS-32565 quintals and M/S Pongsang FPS-4769 quintals

During 2010-11 the Department carried out 224 surprise inspections. However, all the surprise inspection reports during the period covered in audit contain a NIL report indicating that the surprise inspections were carried out only to observe the formalities. Thus, the viability of 24 test checked FPSs could not be ascertained.

The Department in reply (December 2011) stated that Vigilance Commission had now been constituted.

## **6.6 Performances of FPS**

The Peshu Village under Thonoknyu PDC in Tuensang district was to avail PDS facility through M/s Pongsang FPS.

During scrutiny it was noticed that the Village Development Board Chairman and the Secretary, Peshu Village complained to the Sub-Divisional Officer (Civil) that no foodgrains were received during 2005-11 from M/S Pongsang FPS. However, the Supply Department furnished UC stating the distribution of 88.43 MT foodgrains to 38 cardholders<sup>17</sup> of Peshu Village during the period under reference.

Thus, 88.43 MT foodgrains meant for Peshu village were fraught with the risk of diversion to open market depriving 38 beneficiaries for the last six years.

The Department in reply (December 2011) stated that the full material was received and distributed by the Village Council and also enclosed the certificate to that effect. The fact however, remains that the same Village complained to the Sub-Divisional Officer that foodgrains were not received during 2005-11. The matter therefore, requires further investigation.

## **Conclusion**

***As the Department failed to ensure allocation of the allotted foodgrains to the FPS, the commissions earned by the FPS owners were very minimal rendering the FPS non-viable. The Department also did not monitor the pricing pattern of foodgrains sold at different levels. As such, the Department authorised stockist charged higher rate than the Government notified rate putting extra burden on the beneficiaries. The Department was also not sincere in carrying out the surprise inspections as none of the inspection reports contain any findings inspite of many lacunae in scheme implementation pointed out in last two Audit Reports of the Comptroller and Auditor General of India and findings of instant audit.***

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<sup>17</sup> BPL-14; AAY-20 and Annapurna-4 cardholders.

***Recommendations***

*The Department should take steps to ensure that the allotted foodgrains reach the FPS. The pricing pattern as notified by the Government should be monitored for strict compliance.*

*Periodical reviews of TPDS by the Vigilance Committees should be conducted and surprise inspections prescribed should be strengthened to its logical conclusion to detect the lacuna in implementation of PDS in the State.*

## Chapter 7 Allotment, Lifting and Distribution

### 7.1 Allocation and Distribution

The process of allocation broadly consists of two main components namely:- (i) Actual allocation of Commodities based on the number of identified beneficiaries; and (ii) Consumption Reporting.

Based on the availability and requirements, allocation is made to the Districts and Blocks from one level to the next lower level i.e. State allocates to Districts, Districts to Blocks and Blocks to FPS. Consumption reporting on closing balance under different targeted groups starts from the FPS level and moves through the Blocks and Districts finally to the Director, FCS who consolidates the district-wise information and arrives at the total consumption.

The ratio of Rice and Wheat, in the allotment of foodgrains under BPL/APL, was streamlined by the GOI effective from August 2005 keeping in view the food habits of each State. The norm for the State of Nagaland was fixed at 28 kg rice and 7 kg wheat per month per card holder to the targeted beneficiaries except Annapurna Scheme. The beneficiaries under Annapurna were provided 10 kg rice per month per card holder.

The Department conveyed the requirement of rice and wheat to the GOI on a static basis without either a periodical survey or obtaining the inputs from the lower formations in respect of all the targeted beneficiaries.

Results of audit findings are discussed below:-

### 7.2 Delay in lifting of foodgrains from FCI

The time limit prescribed for lifting of foodgrains from FCI, Dimapur was 50 days starting from the first day of the month preceding the month of allocation and ending on the 20<sup>th</sup> day of the allocation month. The average delay in lifting by the Department during the last six years is detailed below:

Table No. 7.1

(In MT)

Targeted beneficiaries	Total allocation during last six years		Delay in lifting during the last six years							Quantity lapsed and not lifted	
	Rice				wheat			Rice	wheat		
	1	2	3	4	5	6	7				
	1-3 months	4-6 months	7-12 months	Above one year	1-3 months	4-6 months	7-12 months				
BPL	166288	40058	4834	0	0	0	517	0	0	854	277
AAY	92904	22740	1691	0	0	0	333	0	0	593	7
Annapurna	4036.24	0	7403	2019	3365	0	0	0	0	343	0
Gross Total	263228.24	62798	13928	2019	3365	0	850	0	0	1790	284
APL	346635	175058	16835	0	0	10874	9875	654	654	26038	2764
Net Total	609863.24	237856	30763	2019	3365	10874	10725	654	654	27828	3048
Sugar	86022		28231	10748	4147	0	NA			5613.53	

(Source: Departmental records)

- As could be seen from the above, out of 847719.24 MT foodgrains (609863.24 MT rice and 237856 MT Wheat) allocated by GOI during 2005-11, the Department failed to lift 30876 MT foodgrains (27828 MT rice and 3048 MT wheat) even after extension of maximum time limit granted by GOI. Thus, the Department failed to lift 30876 MT of foodgrains which deprived the beneficiaries to that extent.
- There was delay in lifting of 59054 MT foodgrains ranging from one month to more than one year. The delay in lifting of foodgrains resulted in delay in distribution to the beneficiaries which are also discussed in paragraph 8.1 & 12.3.
- Similarly, against the allocation of 86022 MT levy sugar for the last six years, the Department authorised the stockist to lift only 80408.47 MT sugar resulting in lapse of 5613.53 MT of sugar. The Department attributed the lapse to non-availability of levy sugar with FCI, Dimapur. Besides, during the last six years 43126 MT (50 *per cent*) sugar was lifted after a delay ranging from one to eleven months.

While accepting the facts, the Department stated (October 2010 and December 2011) that the period of delay in lifting of commodities had reduced substantially from 2008 onwards after operation of closed FSDs at Tuensang, Mon and Mokochung.

### **7.3 Distribution- Below Poverty Line**

The identified BPL beneficiaries were entitled to 35 Kgs foodgrains (28 kg rice and 7 kg wheat or 35 kg rice or 35 kg wheat) per month at a price of ₹6.15 and ₹6.25 per kg of rice and wheat (atta) respectively. The requirement, allocation and quantity of foodgrains lifted and lapsed are detailed below:

**Table No. 7.2**

year	Targeted BPL beneficiaries	Requirement for the targeted group		Quantity allocated by GOI through FCI		Total foodgrains lifted from FCI		Quantity not lifted/lapsed		Remarks
		Rice	Wheat	Rice	Wheat	Rice	Wheat	Rice	Wheat	
1	2	3	4	5	6	7	8	9	10	
2005-06	86400	21773	5443							Variation in allocation & non-lifting was due to switch over of 9900 beneficiaries from BPL to AAY.
2005-06	76500	6426	1606	29160	7116	28306	6909	854	207	
2006-07	76500	25842	6288	25824	6288	25824	6218	0	70	
2007-08	76500	25926	6204	25908	6204	25908	6204	0	0	
2008-09	76500	25926	6204	25908	6204	25908	6204	0	0	
2009-10	76500	25926	6204	25908	6204	25908	6204	0	0	
2010-11	76500	25926	6204	25908	6204	25908	6204	0	0	
<b>Total</b>	<b>545400</b>	<b>157745</b>	<b>38153</b>	<b>158616</b>	<b>38220</b>	<b>157762</b>	<b>37943</b>	<b>854</b>	<b>277</b>	

(Source: GOI orders and Departmental records)

As could be seen from the above table, a total of 195898 MT foodgrains (157745 MT rice + 38153 MT wheat) were required for distribution at the prescribed scale against which the GOI allocated 196836 MT foodgrains (158616 MT rice + 38220 MT wheat) to the State for distribution during 2005-11. Against the GOI allocation, the Department lifted

only 195705 MT and therefore 1131 MT foodgrains valued at ₹59.74 lakh were allowed to lapse.

The Department while accepting the facts (December 2011) stated that this was due to switching over of 9900 BPL beneficiaries to the category of AAY, the transition period for which took 9 months during which period the allocation lapsed.

**7.3.1** As against the authorised foodgrains of 9437.40 MT for BPL beneficiaries under Tuensang during the period covered in audit, the three test checked PDCs received 4682.10 MT of foodgrains of which the six test checked FPS were entitled to receive 4207.76 MT of foodgrains (*Appendix-I*).

Scrutiny of the six test checked FPS however revealed that against their entitlement of 4207.76 MT, the FPS received only 926.65 MT resulting in short receipt of 3281.11 MT foodgrains valued at ₹ 1.73 crore during 2005-11. The short receipt of foodgrains not only deprived the beneficiaries of availing 35 kgs foodgrains per month by 1302 BPL families but was also fraught with the risk of diversion to open market.

The Department in reply (December 2011) stated that full materials were received and distributed by the FPS/Village Council and also enclosed the certificates to that effect stating only delay in receipt and poor maintenance of records. The fact however, remains that the same FPS/Village Councils reported short receipt in October 2010 and July 2011, for the commodities received under PDS during 2005-11. The matter therefore, requires further investigation.

#### **7.4 Distribution- adhoc additional Below Poverty Line**

GOI allocated adhoc additional 9510 MT BPL foodgrains (7672 MT rice and 1838 MT wheat) under TPDS during 2010-11. The adhoc additional allocation was meant to be provided @ 35 Kgs foodgrains (28 kg rice and 7 kg wheat or 35 kg rice or 35 kg wheat) in six phases at Central Issue Price to those BPL households which were not covered in the existing list of BPL beneficiaries.

As per the guidelines issued by the GON, ADS/SOS of respective districts were required to identify the BPL beneficiaries who were not covered in the existing BPL list.

Scrutiny of records in four test checked districts revealed that out of 9510 MT of foodgrains, 3595.59 MT were earmarked for 8576 beneficiaries in four districts of Dimapur (2780), Peren (1720), Zunheboto (2144) and Tuensang (1932). Against the earmarked allocation, the four districts received and distributed only 2690.50 MT of foodgrains resulting in short receipt of 905.09 MT.

#### **7.5 Distribution- Antyodaya Anna Yojana**

The Department provides 35 kgs foodgrains per family per month with effect from April 2002 at the rate of ₹2 per kg for wheat and ₹3 per kg for rice to 37600 AAY identified families which was increased to 47500 families since January 2006.

The scale of foodgrains @28 kg rice and seven kg wheat per month per beneficiary was approved by the GOI considering the food habit of the State. The requirement, allocation and quantity of foodgrains lifted and lapsed are detailed below:

**Table No. 7.3**

(In MT)

Year	Targeted AAY beneficiaries	Requirement for the targeted group		Quantity allocated by GOI through FCI		Total foodgrains lifted from FCI		Quantity not lifted /lapsed		Remarks
		Rice	Wheat	Rice	Wheat	Rice	Wheat	Rice	Wheat	
1	2	3	4	5	6	7	8	9	10	11
2005-06	37600	9475	2369	12672	3132	12151	3125	521	7	Variation in allocation and non-lifting was due to transfer of 9900 beneficiaries from BPL to AAY
2005-06	47500	3990	998							
2006-07	47500	15990	3960	16008	3960	15990	3960	18	0	
2007-08	47500	16038	3912	16056	3912	16038	3912	18	0	
2008-09	47500	16038	3912	16056	3912	16038	3912	18	0	
2009-10	47500	16038	3912	16056	3912	16038	3912	18	0	
2010-11	47500	16038	3912	16056	3912	16038	3912	18	0	
<b>Total</b>		<b>93607</b>	<b>22975</b>	<b>92904</b>	<b>22740</b>	<b>92293</b>	<b>22733</b>	<b>611</b>	<b>7</b>	

(Source: GOI orders and Departmental records)

A total of 116582 MT foodgrains were required for distribution at the prescribed scale and the GOI allocated 115644 MT foodgrains to the State against which the Department lifted 115026 MT leaving 618 MT foodgrains unlified/lapsed which deprived 246 AAY beneficiaries.

The Department in reply (December 2011) stated that the process of switching over of 9900 BPL to AAY took nine months which resulted in non-lifting of foodgrains.

**7.5.1** As against the authorised foodgrains of 9992.43 MT for AAY beneficiaries under Tuensang during the period covered in audit, the three test checked PDCs received 5560.69 MT of foodgrains of which the six test checked FPS were entitled to receive 4849.40 MT of foodgrains (*Appendix-II*).

Scrutiny of the six test checked FPS however, revealed that against their entitlement of 4849.40 MT, the FPS received only 442.92 MT resulting in short receipt of 4406.48 MT valued at ₹ 1.20 crore during 2005-11. The short receipt of foodgrains not only deprived the beneficiaries of availing 35 kgs foodgrains per month to 1749 AAY families but was also fraught with the risk of diversion to open market.

The Department in reply (December 2011) stated that full materials were received and distributed by the FPS/Village Council and also enclosed the certificates to that effect stating only delay in receipt and poor maintenance of records. The fact however, remains that the same FPS/Village Councils reported short receipt in October 2010 and July 2011, for the commodities received under PDS during 2005-11. The matter therefore, requires investigation.



## 7.6 Distribution - Annapurna

Indigent senior citizens in the age group of 65 years and above, who were eligible for old age pension under the National Old Age Pension Scheme (NOAPS) but were not in receipt of the pension, were covered under “Annapurna Scheme”. They were entitled to receive 10 kgs of rice per person per month free of cost under the scheme.

The overall position of allocation, lifting and distribution of foodgrains by the State Government against the funds received from the GOI under the programme is detailed below:

Table No. 7.4

year	OB	Targeted Annapurna beneficiaries	Requirement of rice for the targeted group (MT)	Quantity allocated by GOI through FCI (MT)	Total foodgrains lifted from FCI (MT)	Quantity not lifted /lapsed (MT)	Distributed to targeted group (MT)	Funds released by GOI during the year (₹ in lakh)	Expenditure (₹ in lakh)			Total (₹ in lakh)	Balance (₹ in lakh)
									FCI	Printing of RC	others		
1	2	3	4	5	6	7	8	9	10	11	12	13	14
2005-06	5.32	6727	807.24	807.24	807.24	0	807.24	51.00	45.61	0	0	45.61	10.71
2006-07	10.71	6727	807.24	807.24	464.24	343	464.24	74.94	26.23	0.90	23.08	50.21	35.44
2007-08	35.44	6727	807.24	807.24	807.24	0	807.24	101.98	45.61	0	3.69	49.30	88.12
2008-09	88.12	6727	807.24	807.24	807.24	0	807.24	0	45.61	0	9.00	54.61	33.51
2009-10	33.51	6727	807.24	0	0	0	0	53.25	0	0	0	0	86.76
2010-11	86.76	6727	807.24	807.24	807.24	0	807.24	0	45.61		19.91	65.52	21.24
<b>Total</b>			<b>4843.44</b>	<b>4036.20</b>	<b>3693.20</b>	<b>343</b>	<b>3693.2</b>	<b>281.17</b>	<b>163.06</b>	<b>0.9</b>	<b>55.68</b>	<b>265.25</b>	<b>21.24</b>

(Source: GOI allocation orders & Departmental records)

As seen from the table, during 2006-07, the Department did not lift 343 MT rice for five months (July to November 2006) due to non-deposit of cost of rice to FCI within the time frame fixed (May 2006) by GOI. Further, GOI did not allocate rice for 2009-10 (12 months) due to the delay in submission of UC for 2008-09 by the State Government though the funds against both the above allocations were provided by GOI. Thus, due to ineffective management by the Department, 6727 beneficiaries were deprived of the benefit of free rice for 17 months.

The Department in reply (December 2011) stated that failure on the part of the Planning Department in submission of UCs in time to GOI had resulted in non-receipt of foodgrains.

**7.6.1** According to Annapurna Scheme guidelines, GOI would provide the funds for the foodgrains and the State Government was required to provide funds for manpower and transportation for subsequent distribution of foodgrains to the end beneficiaries. During the period from 2005-11, the Department received ₹281.17 lakh from GOI being the cost of foodgrains. Out of the funds released by GOI, the Department incurred an expenditure of ₹28.15 lakh for procurement of one truck (TATA), two mini trucks and a Bolero vehicle during 2006-07 and 2008-09 in contravention of scheme guidelines. Besides, the Department retained ₹21.24 lakh in the bank account till March 2011.



The Department accepted the facts (December 2011).

**7.6.2** To verify the distribution of rice under Annapurna Scheme, four districts were test checked in audit which revealed the following:

- Out of the total allocation of 443.85 MT rice in Tuensang district (*Appendix-III*) for the period from 2005-11, the three test checked PDCs were allocated 229.90 MT. of which, the six test checked FPS were allocated 139.06 MT. However, test check revealed that the six FPS received only 77.90 MT resulting in short receipt of 61.16 MT rice valued at ₹ 3.45 lakh by the FPS.

The Department in reply (December 2011) stated that full materials were received and distributed by the FPS/Village Council and also enclosed the certificates to that effect. The fact however, remains that the same FPS/Village Councils reported short receipt in October 2010 and July 2011, for the commodities received under PDS during 2005-11. The matter, therefore, requires investigation.

Thus, the Department incurred ₹28.15 lakh in contravention of Scheme guideline. Short distribution of 61.16 MT rice to the FPS not only deprived 111 beneficiaries for 55 months but was also fraught with the risk of diversion of foodgrains to the open market.

## **7.7 Lapse of foodgrains allocated for Above Poverty Line families**

Provision for distribution of foodgrains was extended to APL families at a scale of 35 kgs per month. On receipt of applications, the Department was required to verify the authenticity of the applicants and issue APL ration cards at a cost of ₹15 which were to be renewed every two years on payment of ₹13 per card. Considering the prevalent food habit of the people in the State, the scale of foodgrains was fixed at 28 Kg rice and 7 Kg wheat per month per beneficiary.

The allocation and lifting of foodgrains to APL beneficiaries are detailed in the table below:

**Table No. 7.5**

<b>(In MT)</b>							
<b>Year</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>Total</b>
<b>Allocation-Rice</b>	<b>71640</b>	<b>52428</b>	<b>56706</b>	<b>52320</b>	<b>52320</b>	<b>52320</b>	<b>337734</b>
<b>Allocation-Wheat</b>	<b>50400</b>	<b>24576</b>	<b>25550</b>	<b>22476</b>	<b>24349</b>	<b>22476</b>	<b>169827</b>
<b>Total Allocation of foodgrains</b>	<b>122040</b>	<b>77004</b>	<b>82256</b>	<b>74796</b>	<b>76669</b>	<b>74796</b>	<b>507561</b>
<b>Lifting of Rice</b>	<b>50426</b>	<b>52307</b>	<b>54574</b>	<b>52320</b>	<b>52320</b>	<b>52320</b>	<b>314267</b>
<b>Lifting of Wheat</b>	<b>50400</b>	<b>24576</b>	<b>22899</b>	<b>22476</b>	<b>21665</b>	<b>22476</b>	<b>164492</b>
<b>Total Lifting</b>	<b>100826</b>	<b>76883</b>	<b>77473</b>	<b>74796</b>	<b>73985</b>	<b>74796</b>	<b>478759</b>
<b>Lapsed-Rice</b>	<b>21214</b>	<b>121</b>	<b>4703</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>26038</b>
<b>Lapsed-Wheat</b>	<b>0</b>	<b>0</b>	<b>80</b>	<b>0</b>	<b>2684</b>	<b>0</b>	<b>2764</b>
<b>Total quantity Lapsed</b>	<b>21214</b>	<b>121</b>	<b>4783</b>	<b>0</b>	<b>2684</b>	<b>0</b>	<b>28802</b>

As can be seen from the above, out of the total allocation of 507561 MT foodgrains for APL during 2005-11, the Department lifted only 478759 MT foodgrains. Due to non-lifting of foodgrains from the FCI within the time frame fixed by GOI, the Department

allowed 28802 MT of foodgrains (26038 MT rice and 2764 MT wheat) valued at ₹23.30 crore<sup>18</sup> to lapse.

While accepting the facts (December 2011) the Department stated that non-lifting of APL rice during 2005-07 was due to the price of rice at FCI remaining almost equal to the price in the open market during the period.

### 7.7.1 Diversion of foodgrains to the open market out of allocation for APL families

The Director, FCS issued 59751 Above Poverty Line (APL) ration cards to the districts during 2005-11, out of which the district authorities had issued 42051 APL ration cards valid for two years during the aforementioned period.

The lifting vis-à-vis requirement of foodgrains in the State during the period from 2005 to 2011 is detailed in the following table:

Table No.7.6

	(In MT)
Allocation of Rice	337734
Allocation of Wheat	169827
Total Allocation of foodgrains	507561
Requirement of Rice	84774.82
Requirement of Wheat	21193.70
Total requirement of foodgrains	105968.52
Lifting of Rice	314267
Lifting of Wheat	164492
Total lifting of foodgrains	478759
Excess lifting of rice as compared to the requirement	229492.18
Excess lifting of wheat as compared to the requirement	143298.30
Total excess lifting of foodgrains as compared to the requirement	372790.48

It is evident from the above that the Department lifted 478759 MT of foodgrains (314267 MT rice and 164492 MT wheat) for 189983 APL beneficiaries against the requirement of 105968.52 MT of foodgrains (84774.82 MT rice and 21193.70 MT wheat) for 42051 beneficiaries during 2005-11. Thus, the Department lifted 372790.48 MT of foodgrains (229492.18 MT<sup>19</sup> rice and 143298.30 MT<sup>20</sup> wheat) costing ₹277.89 crore<sup>21</sup> in excess of actual requirement from GOI. The possibility of diversion of excess foodgrains with an estimated value of ₹479.49 crore<sup>22</sup> (₹14000 per MT in respect of rice and ₹11040 per MT in respect of wheat<sup>23</sup>) to the open market and resultant unintended benefit of ₹201.60 crore (₹479.49 crore - ₹277.89 crore) to the state stockists cannot be ruled out. Further, considering the food habits of the people of Nagaland where rice is predominantly consumed, the possibility of 143298.30 MT of wheat being diverted for sale outside the

<sup>18</sup> 26038 MT rice x ₹8300 per MT + 2764 MT wheat x ₹6100 = ₹23.30 crore

<sup>19</sup> 42051 x 28Kgs. x 12 months x 6 years / 1000 = 84774.82 MT

<sup>20</sup> 42051 x 7Kgs. X 12 months x 6 years / 1000 = 21193.70 MT

<sup>21</sup> 229492.18 MT rice x ₹8300 per MT + 143298.30 MT wheat x ₹6100 = ₹277.89 crore

<sup>22</sup> 229492.18 MT rice x ₹14000 per MT + 143298.30 MT wheat x ₹11040 = ₹479.49 crore

<sup>23</sup> The minimum wholesale price during the period covered by audit as available from the weekly report (March 2007) of the Department of Food and Civil Supplies, Nagaland to the Ministry of Consumer Affairs, New Delhi have been considered to arrive at the money value of foodgrains.

State valuing ₹ 70.79 crore<sup>24</sup> seems to be strong. Therefore, the entire matter requires thorough investigation.

In order to substantiate the above diversion, an attempt was made to analyse the actual distribution of foodgrains in the test-checked districts. As against 42051 APL beneficiaries in the State, 30351 beneficiaries comprising 72 *per cent* were covered in the four test-checked districts.

The position of requirement, allocation and distribution of foodgrains in the four test checked districts for the period from 2005 to 2011 is given in the Table below:-

**Table No. 7.7**

(In MT)

Name of the district	Total number of beneficiaries as per APL ration cards	Requirement of foodgrains		Allocation of foodgrains made by the Department		Receipt and distribution of foodgrains made by the ADS/SOS		Short distribution of foodgrains		Total quantity of short distribution of foodgrains
		Rice	Wheat	Rice	Wheat	Rice	Wheat	Rice	Wheat	
Dimapur	19101	38508	9627	40320	17280	7300	0	33020	17280	50300
Peren	8250	16632	4158	28800	7200	9600	0	19200	7200	26400
Zunheboto	3000	6048	1512	25200	10800	3631.78	0	21568.22	10800	32368.22
Tuensang	0	0	0	32400	14400	4800	0	27600	14400	42000
<b>Total</b>	<b>30351</b>	<b>61188</b>	<b>15297</b>	<b>126720</b>	<b>49680</b>	<b>25331.78</b>	<b>0</b>	<b>101388.22</b>	<b>49680</b>	<b>151068.22</b>

(Source:-Departmental figures)

As would be seen from the table, against the requirement of 76485 MT of foodgrains (61188 MT rice plus 15297 MT wheat) during the above period, the Department allocated 176400 MT of foodgrains (126720 MT rice plus 49680 MT wheat), i.e. an excess of 99915 MT representing 131 *per cent* above the requirement. Against this allocation of 176400 MT of foodgrains (126720 MT rice and 49680 MT wheat), the Department lifted 165926 MT<sup>25</sup> rice and 48675 MT wheat<sup>26</sup> from the FCI for distribution to the four test-checked districts during the above period.

Though the Department had allocated 131 *per cent* more than the requirement and also lifted 117 *per cent* more than the requirement, the distribution to the beneficiaries was only 25331.78 MT thus depriving the needy of 51153.22 MT (67 *per cent*) of foodgrains. Surprisingly, against the requirement of 15,297 MT of wheat, distribution of this foodgrains was nil.

Further, this strengthens the finding of audit in the previous para as the possibility of diversion of excess 91919.22 MT<sup>27</sup> rice and 48675 MT wheat costing ₹105.98 crore<sup>28</sup> to the open market for ₹182.42 crore<sup>29</sup> (₹ 14000 per MT in respect of rice and ₹ 11040 per MT in respect of wheat<sup>30</sup>) and estimated unintended benefit of ₹76.44 crore (₹182.42

<sup>24</sup> (143298.30 MT wheat x ₹11040) minus 143298.30 MT wheat x ₹6100 = ₹ 70.79 crore

<sup>25</sup> 126720 MT rice – 9469 MT rice which was lapsed quantity against the 4 test checked districts) = 117251 MT rice

<sup>26</sup> 49680 MT wheat – 1005 MT which was lapsed quantity against the 4 test checked districts) = 48675 MT wheat.

<sup>27</sup> 117251 MT rice – 25331.78 MT rice = 91919.22 MT rice

<sup>28</sup> 91919.22 MT rice x ₹8300 plus 48675 MT wheat x ₹ 6100 = ₹ 105.98 crore.

<sup>29</sup> 91919.22 MT rice x ₹14000 per MT **plus** 48675 MT wheat x ₹ 11040 per MT=₹182.42 crore

<sup>30</sup> The minimum wholesale price during the period covered by audit as available from the weekly report (March 2007) of the Department of Food and Civil Supplies, Nagaland to the Ministry of Consumer Affairs, New Delhi have been considered to arrive at the money value of foodgrains.

crore -₹105.98 crore) to the state stockists in the four test-checked districts itself cannot be ruled out. The estimated unintended benefit in the remaining seven districts was ₹125.16 crore.

The Department in its reply (December 2011) stated that GOI did not take the requirement of the State but made assessment on the basis of the off take of foodgrains in the previous year and the Department issued the excess allocation to non-card holders. The reply itself indicates that the foodgrains were diverted to open market.

#### **7.7.2 Distribution- adhoc- additional Above Poverty Line families**

GOI allocated adhoc additional 14132 MT APL foodgrains (8901 MT rice and 5231 MT wheat) under TPDS during 2010-11 to all the accepted number of families (AAY, BPL & APL) at a price of ₹11.85 per kg rice and ₹8.45 per kg for wheat in three phases @ 35 kg foodgrains (28 kg rice and 7 kg wheat or 35 kg rice or 35 kg wheat). The Government of Nagaland did not frame any guidelines to identify the additional beneficiaries.

Scrutiny of records of four test checked districts revealed that though 5402 MT foodgrains (3398 MT rice and 2004 MT wheat) were earmarked and stated to be released to the districts, none of the districts received the allocated foodgrains under this special programme. Instead the foodgrains were distributed through the allottees/permit holders in violation of Scheme guidelines.

Thus, the Department diverted 5402 MT foodgrains valued ₹ 5.48 crore<sup>31</sup> provided at subsidised rate to the open market.

The Department while accepting (December 2011) stated that keeping in view the requirement of the public, foodgrains under adhoc additional was made through allottees/permit holders of respective districts nominated by the Government.

#### **7.8 Distribution of Levy Sugar**

Government of India fixed the annual allocation of 14148 MT of levy sugar in respect of Nagaland since 2001. The Department fixed the district-wise allocation on lump sum basis and continued to allot without any change. Levy sugar (six kg per month per card holder) is distributed through the FPS irrespective of distinctive ration cards at an average end user price of ₹ 15/kg fixed by GON. However, the ration cards do not have a column for recording the sugar consumption of card holders except in APL cards. In the absence of such vital records, audit could not verify the actual receipt of sugar by the beneficiaries.

The position of allocation, lifting and distribution of levy sugar for the period 2005-11 is detailed in the table below:

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<sup>31</sup> Average cost of foodgrains(₹ 11.85+₹ 8.45 per Kg )/2 X 5402 MT=₹ 5.48 crore

**Table No. 7.8**

**(In MT)**

Year	Total allocation by GOI	Lifted	Non - lifted/lapsed	Allocation made to					Receipt and Issue/distribution reported at					Short in supply to Districts
				Dimapur	Peren	Tuensang	Zunheboto	TOTAL	Dimapur	Peren	Tuensang	Zunheboto	Total	
2005-06	14192	14192	0	1200	312	1344	960	3816	50	0	26.10	0	76.10	3739.90
2006-07	14334	14334	0	1800	540	1980	1440	5760	50	15	65	0	130	5630.00
2007-08	14148	14148	0	1243.2	393.6	556.8	868.8	3062.4	103.60	15	40.00	0	158.60	2903.80
2008-09	14148	8578.47	5569.53	684	180	732	588	2184	120	25	66.40	0	211.40	1972.60
2009-10	14880	14836	44	2400	1200	3360	2400	9360	50	0	187.50	160	397.50	8962.50
2010-11	14320	14320	0	1770	1296	1014	1254	5334	250	150	40	250	690	4644.00
<b>Total</b>	<b>86022</b>	<b>80408.47</b>	<b>5613.53</b>	<b>9097.2</b>	<b>3921.6</b>	<b>8986.8</b>	<b>7510.8</b>	<b>29516.4</b>	<b>623.6</b>	<b>205</b>	<b>425</b>	<b>410</b>	<b>1663.6</b>	<b>27852.8</b>

(Source: Departmental records)

- Out of the allocation of 86022 MT levy sugar by GOI during 2005-11, the Department lifted 80408.47 MT levy sugar for 11 districts and allowed 5613.53 MT to lapse due to non-availability of the commodity with FCI, out of the allocation made.
- Further, against 80408.47 MT of levy sugar lifted, the Department furnished UC to GOI for 67093.60 MT levy sugar for the period from 2005-11. The Department could not furnish any records in connection with the issue/distribution of 13314.87 MT of levy sugar valued at ₹ 19.97 crore which remained unaccounted.

In reply the Department stated (July 2011) that levy sugar was directly distributed to the allottee/permit holders by the Government.

The fact however, remained that distribution of sugar through the permit holders was against the Scheme guidelines and resulted in diversion of sugar to open market. This also indicates that there was no proper monitoring mechanism in the Department.

- Scrutiny of the UCs in four test-checked districts also revealed that against the allocation of 29516.40 MT levy sugar, the ADSs/SOS of the four test checked districts received only 1663.60 MT levy sugar resulting in short receipt of 27852.80 MT levy sugar valued at ₹ 41.78 crore which needs proper examination.

The Department while accepting (December 2011) stated that the lapse of sugar was due to non-availability of sugar with the FCI. Further, it stated that sugar being a perishable item was distributed through allottees/permit holders of respective districts nominated by the Government. However, the fact remains that this is in violation of the prescribed guidelines.

## 7.9 Other Operational programmes

### 7.9.1 Superior Kerosene Oil (SKO)

#### 7.9.1.1 Allocation and lifting of SKO

The Director, FCS on receipt of allocation of Superior Kerosene Oils on quarterly/monthly basis from Ministry of Petroleum and Natural Gas, GOI, allocates the same to the districts on the basis of number of household position (both urban and rural areas) submitted by the district supply authorities. The distribution of SKO is limited to three litres for single LPG cylinder holder (urban) and five litres for non ration card holders (rural) per month through FPS. Distribution was, further, revised (February 2008) to 4.71 litres per household per month through APL ration cards.

The position of allocation and lifting of SKO during 2005-11 is shown in the table below:

**Table No. 7.9**  
**Allocation and lifting of SKO for the State during 2005-11**

<i>(In Kilo Litres)</i>		
Year	Allocation	Lifting
2005-06	17100	17064
2006-07	17487	17475
2007-08	17100	17073
2008-09	17100	17100
2009-10	17100	17103
2010-11	17100	17088
<b>Total</b>	<b>102987</b>	<b>102903</b>

*Source: Director, FCS, Nagaland and SLC, Nagaland*

#### 7.9.1.2 Utilisation Certificates

Though the Department claimed lifting of 102903 KL SKO from the IOC and showed distribution to the districts, the Department could not furnish to audit the consolidated consumption reports and records relating to subsequent distribution to the beneficiaries. In the absence of detailed consolidated utilisation reports, the authenticity of actual distribution to the beneficiaries could not be ascertained in audit.

The Department while accepting stated that the UCs were misplaced due to poor attention at the initial stage of reporting (December 2011).

#### 7.9.1.3 Monthly allocation of SKO to the districts

With effect from February 2008, the Department distributes the SKO lifted from the IOC to 11 districts as per the monthly requirements as detailed below:



**Table No. 7.10**

Name of the District	Monthly Requirement (4.71 litre per household) (KL)	Distribution		Total distribution	Excess (+)/ Short (-) in distribution (2-5) (KL)
		by the Department	Permit holders		
1	2	3	4	5	6
Dimapur	10849.00	6555.00	11172.00	17727.0	(+)6878.00
Peren	2687.74	1881.00	1368.00	3249.00	(+)561.26
Phek	4410.66	3249.00	4104.00	7353.00	(+)2942.34
Kohima	5237.92	4788.00	1026.00	5814.00	(+)576.08
<b>Total (A)</b>	<b>23185.32</b>	<b>16473</b>	<b>17670</b>	<b>34143</b>	<b>(+)10957.68</b>
Kiphire	2794.14	1539.00	1026.00	2565.00	(-)229.14
Zunheboto	4088.42	2736.00	0	2736.00	(-)1352.42
Tuensang	4943.42	2736.00	0	2736.00	(-)2207.42
Mon	5910.90	3420.00	0	3420.00	(-)2490.90
Mokokchung	6405.28	4275.00	0	4275.00	(-)2130.28
Longleng	2766.40	1368.00	0	1368.00	(-)1398.40
Wokha	4056.12	2907.00	0	2907.00	(-)1149.12
<b>Total (B)</b>	<b>30964.68</b>	<b>18981</b>	<b>1026</b>	<b>20007</b>	<b>(-)10957.68</b>
<b>Total (A+B)</b>	<b>54150.00</b>	<b>35454.00</b>	<b>18696.00</b>	<b>54150.00</b>	<b>0</b>

(Source: Director, FCS, Nagaland)

As could be seen from the table, against the requirement of 23185.32 KL in four districts of Dimapur, Phek, Peren and Kohima, 34143 KL was distributed to these districts by diverting the allocation meant for the remaining seven districts during the period from February 2008 to March 2011. Irregular diversion of 10957.68 KL of SKO deprived 173071 households in seven districts to avail the benefits of SKO.

In the absence of accurate and regular data regarding actual lifting and distribution of SKO at district level, the position of actual intake of SKO at the end level could not be ascertained. The Department also irregularly diverted 10957.68 KL of SKO to four districts.

The Department in reply (December 2011) stated that allocation was made on the basis of floating population from rural to urban areas. The reply is not acceptable as the Department could not furnish records indicating the quantum of migrating beneficiaries from rural to urban and from one district to another district during 2008-11.

#### **7.10. Allocation and distribution of SKO through Agencies in the test-checked districts.**

Audit scrutiny of the allocation and distribution of SKO in the four test checked districts disclosed the following:

##### **1. Dimapur**

In Dimapur district, the allocated SKO was distributed through five agencies during the last six years. Test check of three agencies (out of five agencies) disclosed the following:

**Table No. 7.11**

*(In Kilo Litres)*

Year	Total lifting of SKO through 3 <sup>32</sup> agencies	Distribution through the test checked 3 agencies												Total reported distribution
		RBCA				NSC				PCTC				
		ADS/ FPS	Admin istration	Per mit holders	Total	ADS/ FPS	Admin istration	Permit holders	Total	ADS/ FPS	Admi nistra tion	Permit holders	Total	
1	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2005-06	2556	125.52	306.48	144	576	97.5	233.05	533.45	864	171.12	260.88	684	1116	2556
2006-07	3468	109.2	247.8	288	645	141.97	177.84	796.19	1116	171.12	260.88	1275	1707	3468
2007-08	3726	131	202	279	612	130.08	244.2	705.72	1080	0	0	2034	2034	3726
2008-09	4239	203	121	324	648	147.72	604.32	543.96	1296	0	0	2295	2295	4239
2009-10	4293	0	0	936	936	113.28	483.96	392.76	990	290.52	357.48	1719	2367	4293
2010-11	4470	48	168	546	762	129.12	734.88	351	1215	331.44	100.56	2061	2493	4470
Total	22752	616.72	1045.28	2517	4179	759.67	2478.25	3323.08	6561	964.2	979.8	10068	12012	22752

*(Source: Departmental figure & Agency figure)*

Out of the total reported distribution of 22752 KL SKO by the three agencies, 2340.59 KL (Column 4+8+12) SKO was distributed through FPS, 4503.33 KL SKO was distributed directly by the District Administration and 15908.08 KL SKO was distributed by the unlicensed permit holders during 2005-11.

In connection with the distribution of 15908.08 KL of SKO allotted to the unlicensed permit holders, neither the Department nor the District Administration of Dimapur could furnish records showing the details of distribution to the households. The possibility of diversion of the SKO allotted to the unlicensed permit holders valued at ₹ 13.52 crore<sup>33</sup> to open market cannot be ruled out. Diversion to open market is also fraught with the risk of adulteration.

## 2. Peren

The position of allocation and distribution of SKO in Peren district through M/s B. Zeliang during the last six years is as given below:

**Table No. 7.12**

*(In Kilo Litres)*

Year	Total allocation made by IOC for the district	lifting and distribution made through agency	Distribution through the test checked B.Zeliang				Total reported distribution
			ADS/FPS	Administ ration	Others <sup>34</sup>	Total	
2005-06	1647	1647	339	228	1080	1647	1647
2006-07	1548	1548	366	228	954	1548	1548
2007-08	999	999	366	228	405	999	999
2008-09	1026	1026	366	228	432	1026	1026
2009-10	1026	603	357	228	18	603	603
2010-11	864	540	300	240	0	540	540
<b>Total</b>	<b>7110</b>	<b>6363</b>	<b>2094</b>	<b>1380</b>	<b>2889</b>	<b>6363</b>	<b>6363</b>

*(Source: Departmental figure & Agency figure)*

Against the allocation 7110 KL of SKO by the IOC, the agency lifted and distributed 6363 KL during 2005-11 of which, 2094 KL was distributed through the FPS, 1380 KL

<sup>32</sup> Rai Bahadur Chunilal (RBC), National Service Centre (NSC), Phul Chand Trilok Chand (PCTC)

<sup>33</sup> Average cost of ₹ 8.50 x 15908080 litres = ₹ 13.52 crore

<sup>34</sup> Permit holders, private schools, individuals etc



by the District Administration and 2889 KL distributed to the unlicensed permit holders, individuals, private schools etc.

In connection with the distribution of 2889 KL of SKO distributed to the unlicensed permit holders, individuals and private schools, neither the Department nor the District Administration of Peren could furnish records showing the details of distribution to the households. The possibility of diversion of the SKO valued ₹ 2.45 crore allotted to the unlicensed permit holders to open market cannot be ruled out. Diversion to open market is also fraught with the risk of adulteration.

### **3. Zunheboto**

The position of allocation of SKO in Zunheboto district through Rai Bahadur Chunilal Agency during the last six years is given below:

**Table No. 7.13**

*(In Kilo Litres)*

Year	Total allocation made by IOC for the district	Lifting and distribution made through agency	Distribution through the test checked RBCA				Total reported distribution
			ADS/FPS	Administration	Others	Total	
2005-06	864	864	173.40	513.6	177	864	864
2006-07	864	864	288	535.2	40.8	864	864
2007-08	945	945	288	616.2	40.8	945	945
2008-09	864	864	288	535.2	40.8	864	864
2009-10	864	864	288	535.2	40.8	864	864
2010-11	864	864	396.60	385.8	81.6	864	864
<b>Total</b>	<b>5265</b>	<b>5265</b>	<b>1722</b>	<b>3121.2</b>	<b>421.8</b>	<b>5265</b>	<b>5265</b>

*(Source: Departmental figure & Agency figure)*

Out of the total reported distribution of 5265 KL of SKO during 2005-11, 1722 KL was distributed through the FPS, 3121.2 KL by the District Administration, Zunheboto and 421.80 KL distributed to the unlicensed permit holders, individuals, private schools etc.

In connection with the distribution of 421.80 KL of SKO distributed to the unlicensed permit holders, individuals and private schools, neither the Department nor the District Administration of Peren could furnish records showing the details of distribution to the households. The possibility of diversion of the SKO valued at ₹35.85 lakh allotted to the unlicensed permit holders to open market cannot be ruled out. Diversion to open market is also fraught with the risk of adulteration.

The Department while accepting that the SKO was issued to non-card holders stated that (December 2011) UCs were misplaced. However, the Department did not furnish any reply in respect of the audit observation on diversion of SKO through unlicensed permit holders.

#### **7.11 Procurement of SKO at non-subsidised rate from IOC Agents**

The GON/GOI fixed the wholesale price at ₹ 12.93 per litre by the IOC in respect of agency at Tuensang effective from July 2010. However, the District Administration irregularly issued an order (July 2010) fixing the retail rate for FPS owners at ₹14.70 per

litre which resulted in putting an extra burden of ₹15.29 lakh on the FPS owners against the lifting of 864 KL during 2010-11. Subsequently, the FPS owners charged ₹16.70 per litre instead of ₹ 14.937 (wholesale price of ₹ 12.937 plus margin of ₹ 2) which in turn put an additional extra burden of ₹15.23 lakh on the beneficiaries.

While accepting the facts (December 2011) the Department stated that the DC fixed the rate above the Government approved rate due to oversight which has since been rectified. The fact remains that the beneficiaries had already been burdened with extra cost.

#### **7.12 Interesting points on distribution of SKO**

Against the annual allocation of 432 KL SKO for Longleng district, 264 KL were annually reserved for VIPs which deprived the public of the district. As the beneficiaries of the district were deprived of getting the SKO, the public of Longleng lodged a complaint to cancel the allocation of SKO to the VIPs. Based on the complaint, the Governor of Nagaland reviewed the complaint and cancelled (January 2008) the quota reserved for VIPs and directed the Department to streamline the distribution system through FPS. In spite of the directive issued by the Governor, the Deputy Commissioner, Longleng allotted only 282 KL through FPS and 150 KL was being distributed by the District administration. Such random violation of the directives of the constitutional authority resulted in denial of quota meant for the public.

While accepting the facts (December 2011) the Department stated that the issue was settled and no more complaints were received. The fact remains that SKO was being irregularly issued depriving the genuine beneficiaries.

#### **7.13 Poor storage facility for SKO**

The Legal Metrology Department and the IOC authorities were required to inspect the storage facility of petroleum products by the IOC agents to ascertain whether that conformed to the safety measures and specifications approved by the Indian Standards Institution to prevent occurrence of disaster and adulteration. However, neither the Legal Metrology Department nor the IOC authorities carried out any inspection to check the storage of SKO through the IOC agency. As could be seen from the photograph given below, the SKO agency in Tuensang district was found to be storing the SKO in over ground iron tank without any safety measures. Such exposure of petroleum products in open entails the risk to human life and to the environment in the case of leakage.



*SKO Agency operated at Tuensang Photograph dated 9 July 2011*

The Department in reply (December 2011) stated that the matter had been taken up with the IOC authorities. However, it was the responsibility of the Department to ensure adherence to safety standards.

#### **7.14 Iodised Salt**

Iodised Salt was distributed through the PDS with an intention to eradicate Goitre by discouraging sale of common salt. The yearly requirement of iodised salt in the State ranged from five to seven rakes<sup>35</sup>. However, the Department did not receive any allocation during the period from 2005-08.

During 2008-09, Director, FCS conveyed the appointment of state stockist to the Salt Commissioner, Jaipur. However, the Department did not appoint sub-stockists to lift the consignment from the state stockists to the districts.

The Department received (March and April 2009) two rakes of Iodised salt consisting 73360 bags (36985 loose and 36375 bags of one kg packets) against the allocation of seven rakes made by the Salt Commissioner. The Department also fixed the selling price of iodized salt (September 2009) at Rs 3.92 per kg and Rs 4.12 per kg for loose and packet type respectively without obtaining the approval of the Salt Commissioner, Jaipur.

The consignments delivered in March 2009 and April 2009 were not tested by any medical authority for quality assessment. The Department did not appoint sub-stockists to lift and distribute the iodised salt to public through FPS. Thus, the perishable iodised salt delivered by the State stockist remained unsold leading to exposure in unhygienic storing facility.

Meanwhile National Iodine Deficiency Programme (NIDCP) reported (June 2010) 49 Goitre cases and confirmed the existence of iodine deficiency in the State. The policy of

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<sup>35</sup> Rakes are wooden storage boxes with shelves separated from each other.

the Government to eradicate Goitre by banning the sale of common salt and introducing use of iodised salt was also defeated due to improper management by the Department.

The Department in reply (December 2011) stated that none of the stockist or the agencies were willing to procure the subsidised iodised salt brought by the State nominee as it had changed its colour to off-white. The reply is not acceptable as the Department was required to physically inspect the quantity and quality before taking delivery.

## **Conclusion**

**There were instances of non-lifting of 30876 MT foodgrains which in turn deprived the scheme beneficiaries.**

The Department reported issue of 4207.76 MT BPL foodgrains to FPS in Tuensang district, against which the FPS received only 926.65 MT resulting in short receipt of 3281.11 MT BPL foodgrains. Similarly, against the reported issue of 4849.40 MT of foodgrains to FPS under Tuensang district for implementation of AAY, the FPS received only 442.92 MT resulting in short receipt of 4406.48 MT. The probable diversion of foodgrains to open market deprived 1302 BPL beneficiaries and 1749 AAY beneficiaries during 2005-11

Against the actual requirement of 105968.62 MT of foodgrains for 42051 APL beneficiaries, the Department lifted 478759 MT for 189983 beneficiaries. The exaggerated reporting of APL beneficiaries resulted in excess lifting of 372790.48 MT of foodgrains. However, test check of records in four districts revealed that against the allocation of 126720 MT of rice under APL, the districts received only 25331.78 MT resulting in short receipt of 101388.22 MT of rice.

Against GOI adhoc additional allocation of 14132 MT APL foodgrains during 2010-11, the Department reported release of 5402 MT to four districts. Test check in the four districts however, revealed that none of these districts received the foodgrains. Instead, the foodgrains were diverted to permit holders in violation of the scheme guidelines.

During 2005-11, the Department diverted 13314.87 MT levy sugar to unlicensed permit holders in violation of Scheme guidelines. There were instances of short receipt of 27852.80 levy sugar valued at ₹ 41.78 crore in four test checked districts.

Against the requirement of 30964.68 KL of SKO in seven districts, only 20007 KL of SKO was distributed to them resulting in short distribution of 10957.68 KL. The short distribution was diverted to the four districts where against the requirement of 23158.32 KL, the Department distributed 34141 KL.

Due to arbitrary fixation of rate by the District Administration of Tuensang district, the GOI approved wholesale price of SKO at ₹12.93 per litre from IOC by the FPS

were enhanced to ₹14.70 per litre. Thus, the end users were burdened with an additional cost of ₹30.52 lakh as the FPS sold the SKO to the end users at ₹16.70 per litre.

The policy of GOI to eradicate goitre by banning the sale of common salt in the State was defeated due to inefficient management in the Department for distribution of Iodised Salt.

*Recommendations*

Government should ensure proper and accurate allocation and distribution of all essential commodities through the Department of Food and Civil Supplies. The Department should conduct periodical verification and monitor the distribution of essential commodities under PDS to ensure that the commodities are not misused and diverted to open market.

## Chapter 8 Storage

### 8.1. Delay in lifting and distribution of foodgrains due to non- operation of FSD operated by FCI

The foodgrains allocated by GOI were initially stored in FCI godown in Dimapur which were then transported to the five Food Storage Depots (FSD) located at Dimapur (2 depots), Mokokchung, Tuensang and Mon. Out of the five Depots operated by FCI in the State, only two Depots with a storage capacity of 15500 MT located at Dimapur were operational and the remaining three depots were closed since last 10 years. Though FCI operationalised 3 closed FSDs since November 2009, scrutiny revealed that only 500.45 MT BPL rice were lifted from FSD Tuensang and distributed till March 2011 and the remaining 1162.51MT foodgrains were lifted from FSD, Dimapur. Since the FSD Tuensang was not operational, the stockist in the vicinity of Tuensang had to lift the allotted foodgrains directly from FSD Dimapur resulting in delay in lifting and subsequent distribution to the beneficiaries as discussed in paragraph 7.2.

### 8.2. Performance of godowns operated by the State

As per records made available to audit, there were 81 departmental godowns with storage capacity of 10550 MT as of March 2005 out of which 30 godowns with storage capacity of 3250 MT were reported as non-functional.

Scrutiny revealed that during April 2005 to March 2011, the Department renovated 11 godowns with storage capacity of 550 MT at a cost of ₹31.46 lakh. Further six new godowns (capacity-200 MT) were constructed at a cost of ₹80.58 lakh and construction of one godown was under progress (₹18.39 lakh). The Department further, reported that 16 godowns (900 MT) were non-functional from April 2005 due to deterioration of the building. Thus, there were only 50 functional godowns in the State with storage capacity of 7150 MT as of March 2011. In addition, the Department hired three private godowns (150 MT) on rent. Details are as given below:-

**Table No. 8.1**

Particulars	Quantity	Capacity
No. of godowns operated by the State (as of March 2005)	81	10550 MT
No. of non-functional godowns (as of March 2005)	26	3050 MT
Godowns in dilapidated conditions(as of March 2005)	04	200 MT
No. of godowns renovated during last five years	11	550 MT
No. of godowns constructed during last six years (completed)	06	300 MT
No. of godowns under construction	01	50 MT
No. of godowns which became non operational during 2005-11	16	900 MT
No. of godowns occupied on rent	03	150 MT
No. of godown with functional status (including rented)	53	7300 MT

(Source: Departmental figures)

As per the off-take status obtained from FCI, Dimapur, the Department was lifting an average of 11774 MT foodgrains in a month against the total storage capacity of 7300 MT. Inadequate storage capacity of 4474 MT with the Department point towards the



chances of pilferage of 4474 MT of foodgrains on monthly basis and also deterioration of foodgrains.

Photographs showing the performance of two district godowns out of four test checked districts are depicted below:

District godown (50 MT) at Peren (*Photograph dated 22.7.2011*)



District godown (100MT) at Tuensang (*Photograph dated 29.6.2011*)



As could be seen from the photographs above, the infrastructure of the godowns at Peren and Tuensang was poor.

Department accepted the facts (November 2011) in the exit conference.

### **8.3 Storage of foodgrains at private godowns operated by the State stockist**

According to PDS Control Order, the Department was responsible for the safe custody and storage of foodgrains. Scrutiny of the joint inspection reports of the FCI and the F&CS Department revealed that the appointed State stockist stores the foodgrains in their private godowns instead of storing in the Department owned 500 MT capacity godown within the premises of the Directorate office at Dimapur which remained empty and idle during the period covered in audit. By not adhering to the PDS Control Order of management of foodgrains, the Department extended undue benefit and created a scope for mismanagement and malpractice by the stockists. The photograph below depicts the

idle status of the departmental state godown at Dimapur. The impact in this regard is discussed in paragraph 7.7.1 & 7.8 of chapter 7.

Departmental State godown (500MT) at Dimapur *Photograph dated 25.7.2011*



While accepting the facts (December 2011) the Department stated that the godown was reserved for storage of Annapurna rice. The Department reply was not satisfactory as average monthly lifting of Annapurna rice was only 67.27 MT and thus the facility had remained idle.

#### **8.4. Non-utilisation of CSS funds by GON**

To enhance the storage capacity of godowns in the State, GOI sanctioned (February 1997) and released ₹60 lakh (loan component ₹30 lakh and subsidy ₹30 lakh) for construction of 17 godowns during 1996-97. The Department could not utilise the funds of ₹30 lakh sanctioned by GOI till 2009-10. Therefore, the Ministry of Consumer Affairs, GOI issued an order (August 2009) to refund the unutilised CSS fund of ₹30 lakh with penal interest of ₹36.25 lakh. In compliance with the directive of the Ministry of Consumers Affairs, the Department refunded (February 2010) the entire amount of ₹66.25 lakh to the Ministry.

Though the storage capacity in the State was not sufficient, the Department could not utilise the funds provided by GOI for enhancing the storage capacity and had to pay the penal interest of ₹36.25 lakh.

The Department accepted the facts (November 2011) in the exit conference.



### **Conclusion**

Three out of five Food Storage Depots of the FCI remained non-functional till October 2009. The Food Storage Depot at Tuensang remained non-functional and as a result, the stockist located within the vicinity of Tuensang had to lift the foodgrains from Dimapur leading to delay in distribution.

The Department was not adequately equipped with storage facility for foodgrains. As a result, against the off-take of 11774 MT foodgrains per month from the FCI, the Department could store only 7300 MT in Government godowns and 4474 MT foodgrains were stored in private godowns of the stockist every month.

### **Recommendations**

The Department should insist on the FCI to operationalise all the FSDs and also augment the storage capacity to avoid pilferage of foodgrains and their deterioration.

Foodgrains should be stored only in specified godowns as per PDS Control order for proper foodgrains management.

## **Chapter - 9                      Convergence schemes**

### **9.1                      Scheduled Caste/Scheduled Tribe/OBC Hostel scheme**

The Scheduled Caste/Scheduled Tribe/ OBC Hostel scheme introduced in October 1994 under the aegis of Ministry of Consumer Affairs, Food & Public Distribution aimed to provide 15 kgs of foodgrains per month to each resident in the hostels having 2/3rd population of SC/ST/OBC in the State.

Though the scheme was operational in the State from September 2008, GOI permitted to avail the scheme benefit from April 2008.

The Department authorised the stockist to lift and distribute 15349.92 MT foodgrains (7673.46 MT rice and 7673.46 MT wheat) allocated by GOI during 2008-11 at BPL rate directly to the 82 private hostels.

- Scrutiny revealed that Director, FCS did not obtain the list of approved Hostels (upto March 2010) having 2/3<sup>rd</sup> students population belonging to SC/ST/OBC in the State from the Department of Higher Education to ascertain and evaluate the actual requirement. Instead, the Department assigned (September 2008) the ADSs/SOSs in the districts to identify the hostels according to the guidelines of Ministry to ascertain the enrolment of boarders, registration number of Hostels, grants-in aid received by the Hostels and the latest status of their existence. None of the ADSs/SOSs reported the status of eligible hostels under their jurisdiction. However, the Department selected and approved 82 private hostels under this scheme. The scheme benefit was extended to 57 hostels without observing any criteria of Scheme guidelines and the remaining 25 hostels were selected without receiving any request from the Hostel authorities.

During joint physical verification (August-September 2010) with the Departmental officials and members of local bodies in the four test-checked districts, it was confirmed that 23 selected hostels were not in existence. As a result, 413.38 MT rice<sup>36</sup> and 413.38 MT wheat<sup>37</sup> were provided to non-existent hostels and the genuine and entitled hostels were deprived of the scheme benefit.

The Department identified 104 hostels as per the list provided by the Department of Higher Education, Kohima only from the year 2010-11 onwards.

- Scrutiny however, revealed that against the requirement of 297.72 MT of foodgrains for 1654 boarders in seven private hostels, the Department provided only 240 MT foodgrains under the scheme. Three hostels (one each at Zunheboto,

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<sup>36</sup> Rice-Tuensang(88 MT); Dimapur(280 MT), Zunheboto (6MT) and Peren (39.38 MT)

<sup>37</sup> Wheat-Tuensang(88 MT); Dimapur(280 MT), Zunheboto (6MT) and Peren (39.38 MT)

Peren and Dimapur) received 132 MT foodgrains having 297 boarders against the requirement of 53.46 MT foodgrains from the Department of FCS which resulted in excess distribution of 78.54 MT foodgrains in violation of the norms prescribed by GOI.

In sum, the Department diverted 826.76 MT foodgrains to non-existent hostels during 2008-10 and four hostels were deprived of their entitlement of 78.54 MT foodgrains valued at ₹ 40.29 lakh<sup>38</sup> during 2010-11.

The Department accepted the audit observations in the Exit Meeting (November 2011). However, the Department in reply (December 2011) stated that hostels were closed during vacation or educational trip during which time physical verification by audit might have taken place. The reply is not acceptable because according to the academic calendar issued by the Director of School Education, Nagaland during the month of August and September there were no declared holidays. Further, the ADSs of four test checked districts had categorically stated non-existence of SC/ST hostels in August-September, 2010.

## **9.2 Welfare institutions and hostels scheme**

This scheme was introduced in the State in 2003 with a view to meet the requirement of Welfare Institutions viz. NGOs/Charitable Institutions which help the shelterless poor and other categories not covered under TPDS or any other Welfare Schemes. Accordingly, 5 per cent of the BPL allocation (1295 MT rice and 310 MT wheat) of the State was earmarked annually to support such organisations.

- Scrutiny revealed that Department did not frame any selection criteria, identification, evaluation, distribution etc in the State. Further, neither the District Administration nor the departmental officers at district level were assigned to identify the bona fide institutions. Instead, the Department entertained applications from societies (both registered and unregistered) as well as institutions without any notification regarding the implementation of the Scheme.
- During 2005-11, the Department selected 1359 institutions without observing any criteria for identification or selection of organisations. However, during joint physical verifications (August-September 2010 and June-July 2011) with the Departmental officials and members of local bodies in the four test-checked districts, the Departmental officers as well as the members of the local bodies expressed their ignorance about the implementation of welfare institutions and hostel scheme and the existence of such institutions in their area. Thus, the Department issued 3194 MT rice<sup>39</sup> and 1140.02 MT wheat<sup>40</sup> valued at ₹ 2.27crore

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<sup>38</sup> Average of (rice ₹6.10 per kg + ₹4.15 wheat per kg) x 78.54 MT = ₹40.29 lakh

<sup>39</sup> Rice-Tuensang(1359 MT); Dimapur(1713 MT), Zunheboto (112 MT) and Peren(10 MT)

<sup>40</sup> Wheat-Tuensang(841.36MT); Dimapur(271.66MT) and Zunheboto (27 MT)

to 140 non-existent institutions which was suspected to have been diverted to the open market.

The Department accepted the audit observation in Exit Meeting (November 2011). However, the Department in reply (December 2011) stated that the selection of Welfare Institutions under the Scheme was done on the basis of applications received from the Welfare Institutions/Hostels which were registered. The District administration may not have been aware that the Welfare Institutions had applied and received the allocation from the Directorate as the applications had been submitted directly to the Directorate Office. However, the allocations were made only when the Department was satisfied about the genuineness of the applicants.

It was however, not clear to audit as to how the Department satisfied itself about the genuineness of the applicants without involving the District Administration.

### **9.3 Village Grain Bank scheme**

The Village Grain Bank (VGB) under the PDS aimed to safeguard against malnourishment during the period of natural calamity or during lean seasons when the marginalised households do not have sufficient resource to purchase the ration. Towards achieving these aims, the VGBs were to be set up in the food scarce areas/tribal areas which were prone to natural calamities. The cost of rice was re-imbursed by GOI directly to FCI at 4 MT per VGB set up in the State. In addition, GOI funds the training/administrative cost (₹10400) of the VGB and fifty per cent of the transportation cost of foodgrains. A Committee was to be constituted in the selected villages to run the grain bank wherein 4MT of foodgrains would be stored and the quantum of foodgrains to be provided on loan and the period of repayment by the households was to be decided by the Committee.

The Department was required to identify the villages according to the size of the population of ST and non-ST in the ratio of 50:50 to safeguard against malnourishment with the help of executing agency nominated by the State Governments. Executing agency would provide the storage arrangement for the VGBs in the identified villages with a onetime grant of ₹6000 assisted through the State Governments. Further, ₹4400 per bank would be paid to the executing agency for imparting training, framing rules and monitoring the scheme.

During 2006-07, GON appointed M/s MARCOFED, Dimapur as the executing agency for identification of villages followed by framing rules and storage facilities for VGBs. During 2007-08, the programme was executed departmentally. The scheme was not operational during 2008-09 due to non-submission of proposal to GOI. Appointment of the agency (M/s MARCOFED) was renewed in 2009-10 after a gap of two years.

The Department selected 246 villages to set up 529 VGBs in the State on the basis of the recommendation by M/s MARCOFED during 2006-11 without observing any norms prescribed by the GOI.

Scrutiny of the UCs in 300 VGBs revealed that during 2006-08, 1200 MT of rice was issued to individuals instead of issuing to the Committee entrusted for the purpose. Thus, payment of ₹21 lakh to M/s MARCOFED during 2006-07 being the expenses for storage and monitoring was injudicious. During 2010-11, the programme did not take off due to late receipt of sanction from GOI.

Joint physical verification (August-September 2010 and June-July 2011) with the Departmental officials and members of local bodies revealed that 143 VGBs in the four test-checked districts reported to be set up and functional were not in existence.

The Department accepted the audit observations in Exit Meeting (November 2011). However, the Department in reply (December 2011) stated that the Foodgrains along with cash component issued have been received by the concerned Village Council Authorities and not individually. As a token of acceptance, the Village Council Authorities Official seals have been obtained in all the Utilisation Certificates which may be verified. MARCOFED had submitted the Utilisation Certificates as per Government of India prescribed format signed by Managing Director. However, in order to have a fool proof implementation of the Scheme, the Department directed MARCOFED to submit Village-wise implementation Certificate.

The reply of the Department was not acceptable as in the first place the cash component was meant for administrative and training purposes and was to be spent by the implementing agencies and not by the Village Councils. The Departmental officers and local bodies explicitly stated that VGBs were not set up and also expressed ignorance of the scheme implementation in their jurisdiction. Thus, the claim of the Department that VGBs were set up is factually incorrect and 572 MT of foodgrains purportedly issued to the VGBs might have been diverted to open market.

#### **9.4 Convergence programmes through other Departments**

Foodgrains based convergent programmes namely, Mid-Day Meal (MDM), Wheat Based Nutrition Programme (WBNP) and National programme for Adolescent Girls (NPAG) were being implemented by the Department of Education, Social Security and Welfare and Women Development respectively.

### **DEPARTMENT OF SCHOOL EDUCATION**

#### **9.4.1 Mid-Day Meal (MDM) programme**

The Mid-Day Meal Scheme for students in primary schools under Revamped Public Distribution System (RPDS) was launched by the Ministry of Human Resources Development from 15 August, 1995 with the primary objective to boost enrolments, retention, attendance and simultaneously improvement of the nutritional status of students in primary schools. The Scheme covers students of Class I-V in Government Middle and Primary Schools, Middle and Primary Schools aided by Government and the Middle and Primary Schools run by local bodies which were subsequently revised in April 2008 to cover the students in upper primary (class VI to VIII).

The Foodgrain (wheat or rice) supplied free of cost at the rate of 100 grams per day per child was revised to 150 grams per child per school day with effect from April 2008 where cooked/processed hot meal was being served with minimum content of 300 calories and 8-12 gms of protein each day of school for a minimum of 200 days. Where foodgrains were distributed in raw form, each student should have been given 3 kgs per month for 9-11 months in a year. As per the allocation made by the Ministry, the FCI released the foodgrains to the States and Union Territories at BPL rates. Handling agents were nominated by the States for lifting the rice from FCI and for subsequent distribution to the districts.

#### **9.4.1.2 Audit coverage**

Out of 26 Deputy Inspector of Schools and 2188 schools covered under the MDM scheme, six DISs and 15 schools (7 GMS and 8 GPS) in four districts (Dimapur, Peren, Zunheboto and Tuensang) were selected for test check.

#### **9.4.1.3 Utilisation at the level of Deputy Inspectors of Schools**

Against the requirement of 7268.81 MT rice for 538 schools (74 Middle Schools, 433 Primary Schools and 31 High Schools) to cover 342444 students (lower Primary-300451 and upper primary 41993) during 2006-11, six Deputy Inspectors of School (DIS)<sup>41</sup> in four test-checked districts received and utilised only 6213.63 MT rice. Thus, there was short release of 1055.18 MT (15 percent) to 538 schools and deprived 342444 students of the benefits during that period. Scrutiny, further, revealed that foodgrains reached the district headquarters only once in three months. Due to irregular supply of foodgrains to the school children, the primary objective to boost enrolments, retention, attendance and simultaneously improve the nutritional status of students in primary schools could not be ensured.

Though 1055.18 MT rice were not received by the six DIS and delivered to the schools, the handling agent was paid even for foodgrains which were not delivered to the schools resulting in extension of undue benefit of ₹64.89 lakh (PDS approved rate of ₹6150 per MT including handling and FPS charges). Non-delivery of 1055.18 MT rice further deprived the scheme benefit to 342444 students in 538 schools.

There was delay in release of cooking cost ranging from 6-14 months and also the cooking cost did not commensurate with the foodgrains released during the period of programme implementation.

The Department in reply (December 2011) stated that against the requirement of 7268.06 MT of rice by the six DISs, only 7213.54 MT of rice was released by GOI. Thus, there was short release of 54.52 MT. The Department further stated that audit observation that 1055.18 MTs was not received was not acceptable as the respective DISs had received the full quantity as could be seen from the delivery challans enclosed. The reply of the Department was not tenable as the delivery challans produced by the Department was

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<sup>41</sup> DIS, Dimapur, Niuland, Peren, Zunheboto, Noklak and Shamatore



only a statement containing new set of figures and not a challan. Further, all the DISs had authenticated the actual receipt and utilisation figures during audit.

#### **9.4.1.4 Utilisation at School level**

Joint physical verification of eight Government Middle Schools<sup>42</sup> and seven Government Primary schools<sup>43</sup> in six selected Deputy Inspector of Schools further revealed that 213.97 MT rice was required for an average of 11551 students for five years. However, the schools received only 121.69 MT rice resulting in short receipt of 92.28 MT (43 *per cent*). The Teachers in charge of 15 schools stated (September 2010 and July 2011) that the foodgrains provided by DIS were hardly sufficient for two days in a week. Meals were provided to the school children without any vegetables as there was delay in release of the cooking cost. Thus, the objective of providing nutritional food was defeated.

Against the reported achievement of 200 days by the Department of School Education to the Ministry of HRD, 15 test checked schools could achieve only 80 days. Shortfall in achievement of target (60 *per cent*) was attributable to short delivery of 92.28 MT rice and delay in release of cooking cost. This indicated that there was no monitoring mechanism in the Department and the reports were sent to the Ministry without compiling the feedback obtained from the grass root level.

The Department in reply (December 2011) stated the full entitlements were released to the schools and therefore short achievements were attributed to failure of the head teachers in maintaining proper records. The reply of the Department was not convincing as the in-charge of all the test checked schools had categorically stated the fact of short supply and also furnished the actual receipt and the utilisation.

### **DEPARTMENT OF SOCIAL WELFARE**

#### **9.4.2 Wheat Based Nutrition Programme (WBNP)**

Wheat Based Nutrition Programme (WBNP) was launched by the Department of Women and Child Development, Ministry of Women & Child Development to provide nutritious energy foods to the children in the age group of 1-6 years and expectant /lactating women from disadvantaged sections for 300 days in a year at 100 gram per beneficiary on free of cost basis through ICDS projects.

Foodgrains were allocated by GOI and released through the nearest FCI in the State as per the requirement reported by the State at BPL rates (₹4.15 in respect of wheat and ₹5.65 in respect of rice per kg) payable to FCI on prepayment basis for distribution to the beneficiaries identified every year in coordination with the other departments in the State for synchronisation of the scheme.

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<sup>42</sup> GMS -Nsong, Jalukie, DC colony, Puranabazar, Sangkor, Hoker, Chipur and South point

<sup>43</sup> GPS -Heningkunglwa, Gaili, Peren Town, Dhansiripar, Nihokhu, Nikhekhu and DC Hill Zunheboto

#### **9.4.2.1 Audit coverage**

Out of 59 projects covered under the WBNP scheme, 12 projects were selected for test check in 4 districts (Dimapur, Peren, Zunheboto and Tuensang).

#### **9.4.2.2 Financial Outlay and Expenditure**

The GOI allocated foodgrains through FCI at BPL rates according to the number of identified beneficiaries reported to the Ministry of Women and Child Development every year. The Cost of foodgrains, transportation and other incidental charges were to be met by GON from their own resources.

The position of foodgrains allocated, lifted and released by the State Government is given below:-

**Table No. 9.1**

Year	Allocation of foodgrains by the GOI (MT)			Quantity lifted by the Department (MT)			Cost of the programme (₹ in lakh)			Total (₹ in lakh)	Release made by GON (₹ in lakh)	Liability (₹ in lakh)
	Rice	Wheat	Total	Rice	Wheat	Total	Foodgrains	TPT & Handling charges	Conversion & packing charges			
2006-07	4000	4000	8000	4000	4000	8000	392	44.00	112	548	0	548.0
2007-08	2250	11223	13473	2250	9223	11473	509.88	63.10	160.62	733.6	548.00	733.6
2008-09	2249	2926	5175	2249	2926	5175	248.49	28.46	72.45	349.4	548.00	535.0
2009-10	8243	8430	16673	8243	8430	16673	815.58	91.70	83.37	990.65	650.00	875.65
2010-11	11384	1267	12651	8538	1267	9805	534.98	53.93	49.03	637.94	0	1513.59
<b>Total</b>	<b>28126</b>	<b>27846</b>	<b>55972</b>	<b>25280</b>	<b>25846</b>	<b>51126</b>	<b>2500.93</b>	<b>281.19</b>	<b>477.47</b>	<b>3259.59</b>	<b>1746</b>	<b>1513.59</b>

(Source:- Departmental figures)

Out of the total allocation of 55972 MT foodgrains, the Department lifted only 51126 MT and the remaining 2000 MT lapsed due to non-availability of foodgrains with FCI, Dimapur and 2846 MT foodgrains were not lifted at all as the revalidation period allowed by GOI also expired and deprived the children in the age group of 1-6 years and lactating mothers of the scheme benefits.

While accepting the facts (November 2011) the Department stated that 2486 MT of foodgrains could not be lifted due to non-receipt of revalidation order by the Department.

- Against the allocation of 55972 MT foodgrains (28126 MT rice and 27846 MT wheat) costing ₹2744.73 lakh, the Department lifted 51126 MT foodgrains (25280 MT rice and 25846 MT wheat) costing ₹2500.93 lakh through the State nominated handling agent during the last five years.
- Against ₹2500.93 lakh payable to the handling agents, GON released only ₹1746 lakh during 2006-11 and the funds of ₹754.93 lakh was yet to be paid to the handling agent. Besides, the Department had not released ₹758.66 lakh transportation and other incidental charges. Due to irregular release of funds by GON to the handling agents, the foodgrains allocated by GOI could not be lifted and therefore lapsed which subsequently delayed the lifting and distribution.



The Department in reply (November 2011) stated that an amount of ₹8.60 crore had since been cleared leaving a liability of ₹6.54 crore.

#### **9.4.2.3 Reporting inflated number of children**

Though Base line survey was to be conducted by the Department of Social Welfare in coordination with other Departments for synchronisation of the scheme, the Department of Social Welfare did not conduct the survey and instead projected the number of beneficiaries as per the figures reported in the Monthly Progress Report of ICDS including children attached to pre-primary sections of Primary school. The Department also did not consider the birth and death reported by the Department of Economic and Statistics as per Registration of Birth and Death (RBD) Act, 1969 while proposing the allocations.

A comparative analysis of children in the age group of 1-6 years reported to GOI by the Department of Social Welfare and the Department of Economic and Statistics is tabulated below:

**Table No. 9.2**

Year	No. of children identified in the age group 1 to 6 as per Social Welfare Department	No. of Pregnant & Lactating women	Total	Requirement against col-4 (MT)	No. of children identified in the age group 1 to 6 as per dept of Economic and Statistics	No. of Pregnant & Lactating women	Total number of eligible beneficiaries	Actual requirement against Col.8 (MT)
1	2	3	4	5	6	7	8	9
2006-07	265000	87000	352000	10560	224818	87000	311818	9356
2007-08	265000	87000	352000	10560	224980	87000	311980	9360
2008-09	306698	82941	389639	10560	230240	82941	313181	9396
2009-10	323052	55630	378682	11689	230240	55630	285870	8577
2010-11	324652	55630	380282	11409	230240	55630	285870	8577
<b>Total</b>	<b>1484402</b>	<b>368201</b>	<b>1852603</b>	<b>54778</b>	<b>1140518</b>	<b>368201</b>	<b>1508719</b>	<b>45266</b>

(Source:- Departmental figures)

As seen from the above table, against 1140518 children in the age group of 1-6 years as reported to GOI by the Department of Economics & Statistic during the period from 2006-07 to 2010-11, the Department of Social Welfare reported 1484402 children during the same period which was an increase by 343884 children in the same age group. Ostensibly, the Department of Social Welfare had submitted an inflated figure to obtain more allocation of foodgrains which was corroborated by the facts as discussed in paragraph 9.4.2.5.

The Department in reply (December 2011) stated that the reports submitted by the Child Development Programme Officers will be cross-checked.

#### 9.4.2.4 Undue benefit to the appointed nominee for wastage on conversion to Dalia

As per conversion rate norms obtained from registered millers based at Dimapur, only seventy *per cent* wheat could be converted in to consumable form of *dalia* and the remaining thirty per cent was not fit for human consumption.

Scrutiny of the Dispatch register and UC furnished by the Department revealed that the stockist lifted 16149 MT of wheat from FCI, Dimapur during 2006-09. Records also revealed that the stockist transported 16149 MT of *dalia* and delivered to the CDPOs in the State. Accordingly, the stockist submitted the transportation and packing charge claim for ₹153.42 lakh which was admitted by the Department. As only 70 *per cent* of wheat could be converted into *dalia*, the stockist should have been paid ₹107.39 lakh for 11304.30 MT of Dalia. Thus, the Department incurred an avoidable extra expenditure of ₹46.03 lakh (16149-11304.30 x ₹ 950) being the transportation and packing charges.

The Department in reply (November 2011) stated that the charges were determined based on the total quantity lifted from FCI without conversion and however, from 2009 onwards foodgrains were distributed without conversion.

#### 9.4.2.5 Performance of the Programme at district level

The position of achievement against the physical target in respect of 12 CDPOs in four test-checked districts under WBN programme during 2006-11 is depicted below:

Table No. 9.3

Name of the CDPO	No. of Angan wadi Centres	Total beneficiaries identified	Total inadmissible beneficiaries (Adolescent girls)	Total number of admissible beneficiaries	Requirement for the admissible group (MT)	Quantity of foodgrains despatched by the Social Welfare Department	Qty of foodgrains reported as utilised including Adolescent girls (inadmissible group)	Short receipt at CDPOs
1	2	3	4	5	6	7	8	9
NUILAND	50	34164	7539	26625	798.75	790.38	1004.3	-213.92
DIMAPUR	106	48529	3084	45445	1363.35	1683.3	1677.20	6.10
DHANSIRIPAR	63	32576	2662	29914	897.42	907.64	980	-72.36
PEREN	44	13877	720	13157	394.71	663.87	644.2	19.67
TOKYE	56	15944	277	15667	470.01	848.81	174.1	674.71
AKULUTO	45	17022	1580	15442	463.26	708.54	588.59	119.95
ZUNHEBOTO	64	24174	559	23615	708.45	1072.19	1483.58	-411.39
NOKLAK	59	25234	3788	21446	643.38	889.66	712.97	176.69
NOKSEN	36	19089	5629	13460	403.8	523.9	517.52	6.38
THONOKNYU	37	27434	6335	21099	632.97	583.22	576.13	7.09
LONGKHIM	55	34546	9737	24809	744.27	809.58	659.26	150.32
SANGSANYU	79	35388	9859	25529	765.87	1144.88	609.91	534.97
<b>TOTAL</b>	<b>694</b>	<b>327977</b>	<b>51769</b>	<b>276208</b>	<b>8286.24</b>	<b>10625.97</b>	<b>9627.76</b>	<b>1695.88</b>

(-) figure in col-9 is due to the accounting of the foodgrains pertaining to previous years.

(Source: Departmental and project records)

From the table above, it could be seen that out of 327977 beneficiaries identified, 51769 adolescent girls comprising 16 per cent were not entitled under WBNP. Therefore, 1341.52 MT (9627.76 MT -8286.24 MT) of foodgrains issued to the inadmissible adolescent girls were irregular.

The Department in reply (December 2011) stated that a section of adolescent girls under ICDS was also covered by WBNP. The reply of the Department is not tenable as there was a separate programme Nutritional Programme for Adolescent Girls exclusively to cater to this segment which was implemented by Department of Women Development prior to March 2010, which was transferred to Department of Social Welfare during 2010-11.

- Against 10625.97 MT of foodgrains shown as despatched by the Director, Social Welfare Department, the CDPOs actually received and furnished UCs for 9627.76 MT of foodgrains. Thus, there was a short receipt of 1695.88 MT of foodgrains valued at ₹83.10 lakh<sup>44</sup> by the nine test-checked projects. It is thus, evident that 1695.88 MT of foodgrains might have been diverted to the open market thereby depriving 11306 beneficiaries during 2006-11.

The Department stated that (November 2011) there was no shortfall and difference was due to frequent transfer of the Officers and poor maintenance of records. However, the fact remains that all the CDPOs test checked had reported short receipt during audit.

- Against the actual requirement of 8286.24 MT of foodgrains for the admissible group, the Director of Social Welfare issued 10625.97 MT resulting in excess issue of 2339.73 MT of foodgrains. This indicates that the data furnished to GOI and the projection of foodgrains was faulty.

The Department stated that (November 2011) the foodgrains were issued to adolescent girls. The reply is not tenable as there was a separate scheme exclusively for adolescent girls.

#### **9.4.2.6 Performance at the level of Anganwadi centres**

Joint physical verification of 15 Anganwadi Centres under 12 selected projects revealed that against the actual requirement of 1161.36 MT foodgrains during the last five years (*Appendix- IV*), the 15 centres received only 224.873 MT of foodgrains. Thus, there was short receipt of 936.487 MT of foodgrains (81 *per cent*) against their requirement.

It was also seen that against the requirement of 44.88 MT of foodgrains for 748 beneficiaries during 2006-11, the Anganwadi Centre II at Sangsangyu, Tuensang District received only 5 MT of foodgrains as per the records furnished by the CDPO, Sangsangyu. During physical verification it was also noticed that the Anganwadi Centre II, Sangsangyu, was closed. This indicates that the implementation of WBNP scheme in the State was not satisfactory.

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<sup>44</sup> Average value of foodgrains at BPL rate (rice ₹ 5.65 and wheat ₹ 4.15 per kg ÷ 2 = ₹ 4.90 per kg)

*Photograph showing the Closed Anganwadi centre at Sangsangnyu, Tuensang Photo dated 21 July 2010*



Department of Social Welfare (November 2011) stated that poor maintenance of records by Anganwadi workers could be the reason for short receipt. However, the fact remains that both Anganwadi workers as well as CDPOs had furnished actual receipt and utilisation stating short receipt.

## **DEPARTMENT OF WOMEN DEVELOPMENT**

### **9.4.3 Nutritional Programme for Adolescent Girls (NPAG)**

The Department of Women Development established in June 2003 was in charge of the Child Welfare and Development sector till November 2010 which was transferred to the Department of Social Welfare. The Ministry of Women and Child Development, New Delhi in December 2006 re-iterated for creation of a single Department for Women and Children to avoid hindrance in clearance of funds for their development.

The 'Nutritional Programme for Adolescent Girls' (NPAG) implemented by the Ministry of Women and Child Development aimed to improve the food security and healthcare of undernourished adolescent girls. In Nagaland, Tuensang district was selected as a pilot project being the most populous district (population 4.15 lakh as per 2001 census) in the State.

As per the revised guidelines of the programme, adolescent girls between the age group of 11-19 years whose weight was less than 35 kg irrespective of financial status of the family to which they belonged would be provided with free foodgrains @ 6 kg per beneficiary per month through the FPS (initially for a period of three months). This benefit would be stopped for those beneficiaries on attainment of the cut off point of weight and age. However, the scheme would be applicable to those beneficiaries for another three months until they attain the cut off weight and age duly certified by Doctors available with CHC/PHC/Hospital.

### 9.4.3.1 Short release of scheme funds by Government of Nagaland

The position of foodgrains allocated, lifted and distributed and the funds outlay is given below:-

Table No. 9.4

year	No. of adolescent girls identified /targeted in the age group	Total allocation of rice made by GOI (MT)	Total quantity of rice lifted from FCI (MT)	Funds released (₹ in lakh)		Short fall in release by GON	Total cost of food grains	Total cost of transportation	Others	Total expenditure on the programme	Unlifted qty from FCI
				GOI	GON						
1	2	3	4	5	6	7	8	9	10	11	12
2005-06	34263	600	600	38.00	38.00	0	33.60	2.10	2.3	38.00	0
2006-07	34980	590	551	35.26	35.26	0	31.14	2.07	2.05	35.26	39
2007-08	30000	399.70	199.85	35.26	17.63	17.63	11.29	0.70	5.64	17.63	199.85
2008-09	30000	1361.43	809.10	139.46	69.73	69.73	45.71	3.19	20.83	69.73	552.33
2009-10	30650	1367.03	1219	68.90	68.90	0	68.90	0	0	68.90	148.03
<b>Total</b>	<b>159893</b>	<b>4318.16</b>	<b>3378.95</b>	<b>316.88</b>	<b>229.52</b>	<b>87.36</b>	<b>167.48</b>	<b>8.06</b>	<b>30.82</b>	<b>229.52</b>	<b>939.21</b>

(Source:- Departmental figures)

As could be seen from the table above, during the period from 2005-10, GOI released ₹316.88 lakh for procurement of 4318.16 MT of rice. However, GON released only ₹229.52 lakh and lifted only 3378.95 MT. The Department could not lift 939.21 MT of rice from FCI as the State Government did not release the funds of ₹87.36 lakh thereby depriving the beneficiaries of the benefits.

During 2010-11, the Department of Women Development transferred the renamed programme Rajiv Gandhi Scheme for Empowerment of Adolescent Girls (RGSEAG) – ‘SABLA’ to Department of Social Welfare as the Child Welfare and Development sector was transferred to the Department of Social Welfare. Although ₹14.85 lakh was released to the Department of Social Welfare by the GOI, the Department did not implement the programme even after identifying 28387 beneficiaries in three districts<sup>45</sup> during 2010-11 due to delay in receipt of funds.

The Department accepted the facts (November 2011).

### 9.4.3.2 Injudicious utilisation of rice component

Test check of records of six CDPOs<sup>46</sup> out of 13 CDPOs under Tuensang District revealed that selection criteria was made merely against age group of 11 to 19 years irrespective of the body weight of the girls. Rice (6 kgs per month) was distributed customarily to the age group of girls of 11 to 19 years through Anganwadi centres instead of Fair Price Shops (FPS). Further, distribution of rice beyond first three months was not based on the investigation report of the Doctors available with CHC/PHC/Hospital. Moreover, Utilisation Certificates were not furnished at any stage of implementation of the scheme.

<sup>45</sup> Tuensang, Mon and Kohima

<sup>46</sup> Noklak, Noksen, Thonoknyu, Sangsanyu, Longkhim and Chessore

Test check of six anganwadi centres attached to six CDPOs in Tuensang district revealed the following:

**Table No. 9.5**

<b>(In MT)</b>								
<b>Year</b>	<b>Beneficiaries selected for the scheme in selected 6 CDPOs</b>	<b>Requirement for 6 months</b>	<b>Receipt of rice against col-2</b>	<b>Excess /Short receipt of rice</b>	<b>No. of adolescent girls in test checked 6 Anganwadi centres</b>	<b>Requirement for 6 months</b>	<b>Rice component released to the 6 test checked anganwadi centres</b>	<b>Excess receipt of rice</b>
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>
2006-07	5055	181.98	174.97	(-) 7.01	63	2.27	5.81	3.54
2007-08	6216	223.77	127.71	(-) 96.06	37	1.33	2.00	0.67
2008-09	9986	359.50	506.07	(+) 146.57	180	6.48	86.03	79.55
2009-10	10210	367.56	506.07	(+) 138.51	180	6.48	117.98	111.5
<b>Total</b>	<b>31467</b>	<b>1132.81</b>	<b>1314.82</b>	<b>(+) 182.01</b>	<b>460</b>	<b>16.56</b>	<b>211.82</b>	<b>195.26</b>

*(Source: Departmental records)*

- From the table above, it could be seen that against the requirement of 1132.81 MT of rice shown as despatched by the Director, Women Development Department, the six CDPOs actually received 1314.82 MT of rice. Thus, there was an excess receipt of 182.01 MT rice in the six test-checked projects. It is thus, evident that 182.01 MT rice was diverted to the projects beyond their requirement thereby depriving 252 beneficiaries during 2006-10.
- Against the requirement of 16.56 MT rice for 460 adolescent girls in the six test checked Anganwadi centres, the Director, Women Development despatched 211.82 MT rice during 2006-10, which was in excess by 195.26 MT. This not only indicates scheme mismanagement by the Department but also deprived the genuine beneficiaries.

The Department while accepting the facts (October 2010 and November 2011) stated that allocation and distribution of foodgrains would be reviewed for successful implementation of the scheme.

## **Conclusion**

*The Department provided 826.76 MT foodgrains to 23 non-existent hostels under Scheduled Caste/Scheduled Tribe/OBC Hostel schemes. Besides, 4334.02 MT of foodgrains were issued to 140 non-existent welfare institutions and hostels under welfare and hostel scheme. Thus, the possibility of 5160.78 MT of foodgrains being diverted to open market cannot be ruled out.*

*The claim of the Department that 143 Village Grain Bank was set up during 2006-11 appeared to be fictitious as the district level officers and the local bodies members in*



*the test checked districts explicitly stated that no VGBs were set up in their respective areas.*

*Though 1055.18 MT of rice was not received by six Deputy Inspector of Schools, the Department paid ₹64.89 lakh to the handling agent.*

*Though the Department reported achievement of mid-day-meal of 200 days in a year to GOI, 15 test checked schools achieved only 80 days in a year which was attributed to short or non-release of foodgrains and delay in supply of foodgrains.*

*Against the actual enrolment of 1140518 children in the age group of 1-6 years by the Economics & Statistics Department, the Department of Social Welfare reported to GOI and claimed foodgrains for 1484402. Thus, the Department irregularly inflated the number of children by 343884 to obtain more allocation.*

*The Department of Social Welfare paid avoidable extra expenditure of ₹46.03 lakh being transportation and packing charges for foodgrains which were not transported.*

*Though the Director, Social Welfare claimed despatch of 10625.97 MT foodgrains, 12 CDPOs received only 9627.76 MT. Thus, 1695.88 MT foodgrains were suspected to be diverted to open market.*

*Against GOI release of ₹16.88 lakh for procurement of 4318.16 MT of rice under Nutritional Programme for Adolescent Girls, the State Government in turn released only ₹229.52 lakh and lifted 3378.95 MT. Thus, 939.21 MT of rice valued at ₹87.36 lakh remained un-lifted due to non-release of funds by the State Government.*

*The Department of Women Development despatched 211.82 MT rice against the requirement of 16.56 MT rice for 460 adolescent girls which was in excess by 195.26 MT.*

#### **Recommendation**

*Implementation of convergence programmes under PDS needs to be rigorously monitored and the selection of non-existent institutions, hostels and VGBs needs to be reviewed immediately.*

*Photograph showing the Closed Anganwadi centre at Sangs*

## **Chapter 10                      Transportation**

As of March 2005, the Department was having a fleet of 21 trucks, of which only 12 trucks were on road to transport foodgrains. To augment the transportation facilities, the Department procured three new trucks (₹25.54 lakh) during 2006-08. However, another seven trucks were declared off road during 2005-10. Thus, as of March 2011, there were only eight trucks which were engaged for transportation of foodgrains.

Scrutiny of manpower position revealed that against 24 trucks, the Department engaged 25 drivers and 31 Handyman for transportation of foodgrains under Annapurna scheme from Dimapur to different districts/PDCs. As discussed, there were only 15 trucks which were on road, and therefore the services of only 15 drivers and 15 handyman could be utilised for transportation of foodgrains. The services of 10 drivers and 16 handymen were not utilised for the period from April 2005 to September 2010 though regular pay and allowances were paid to them amounting to ₹208.56 lakh<sup>47</sup>.

On this being pointed out in audit, two drivers and two handymen were sent on deputation (October 2010) to other Departments and a notification had been issued for attachment of the remaining idle staff to other departments on deputation. Final outcome was awaited in audit.

### **10.1                      Carriage capacity and utilisation**

According to the order issued by the Hon'ble Supreme Court of India (November 2005), to avoid any untoward incident during transit a truck should not exceed the carriage capacity of 9 MT. Further, the National Highway Division III notified and limited the carriage capacity to 8 MT only due to existence of weak bridge between Mokochung and Tuensang as shown in the photograph below. It was however, seen from the delivery challan certified by the District Administration and ADS, Tuensang that nine trucks transported 10 to 14 MT of foodgrains per trip which was in excess of the limit of eight tons fixed by the National Highway Authority.

nother three months until they attain the cut off weight and age duly certified by Doctors available with CHC/PHC/Hospital.

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<sup>47</sup> Driver @ ₹14000 per month for 66 months and handymen @ ₹11000 per month for 66 months



Weak bridge having capacity of 8MT- Mokokchung -Tuensang road (48 Km from Mokokchung) Photograph dated 30.9.2010



This indicated that there was violation of Hon'ble Supreme Court and the National Highway Authority's orders. This may also cause untoward incidents during transit of foodgrains.

The Department in reply stated (December 2011) that with the activation of FCI godown in Tuensang, the Department obtains delivery of foodgrains from Tuensang itself.

## **10.2 Hill Transport Subsidy**

The cost of transportation of foodgrains in hilly and remote localities in the State was reimbursed by GOI through the FCI as Hill Transport Subsidy (HTS). Out of the total HTS liability of ₹10.16 crore pertaining to the period from 1988 to 1997, FCI cleared ₹2.47 crores in October 2003 leaving ₹7.69 crore unsettled as of March 2011.

Though the Department preferred the claim for reimbursement of ₹4.23 crore (APL- ₹3.88 crore and AAY ₹0.35 crore) for HTS from 1997 to 2003, the claim remained unsettled as the Department could not furnish the clarification sought (December 2005) by the Area Manager, FCI. It was decided to settle the claim by August 2007 by removing the deficiencies in the joint meeting arranged by the State with FCI authorities (July 2007). It may further be stated that the HTS claim for the period after 2003 had not been forwarded to FCI for reimbursement.

The Department in reply (December 2011) stated that the matter had been taken up with the FCI.

### **Conclusion**

Though the on road fleet of truck was less, the Department continued to engage excess drivers and handymen.

The claim of the Department for transportation of foodgrains in excess of the limit of eight tons fixed by the Hon'ble Supreme Court of India and National Highways Authority was factually incorrect.

### ***Recommendation***

*Government should augment the fleet and the manpower should be judiciously engaged.*

## Chapter 11 Quality Control and Quantitative discrepancies

The State Government appoints nominees for lifting of allocated foodgrains from FCI to FPS. Before making the payment to FCI, a joint inspection of stock is conducted by the FCI representative along with the State nominees to check the quantity received and whether it conforms to the prescribed quality specifications. At the district level, the district administration and the district supply offices were entrusted to conduct physical verification of the stock allocated to ensure that foodgrains were not substituted, adulterated or diverted and to restrict the occurrence of theft.

Scrutiny revealed that the lifted from FCI, Dimapur did not bear any seal samples of the quality despatched by FCI. Though a Lab Assistant was appointed in the district supply offices, the Department did not have any equipment to determine the quality of foodgrains received to conduct quality check of foodgrains delivered to the beneficiaries. The Department also transferred the foodgrains to FPS in terms of bags instead of measuring by use of beam scale which indicated that poor scaling mechanism existed in the Department.

No assurance memo about issue of quality foodgrains conforming to the standard as laid down under the Prevention of the Food Adulteration Act, 1954 could be found on record.

Joint physical verification of godowns at Tuensang, Zunheboto and Dimapur revealed that the rice bag supplied by the stockist weighed only between 40-48 Kgs against the standard bag content of 50 kg.

It was further seen at district godown, Tuensang that two bags of rice meant for Annapurna beneficiaries were decomposed beyond human consumption. The Department officials accepted the facts.

Rice bags with weight of 40-45 kg in the godown at Zunheboto and Tuensang *Photo 26*  
*September 2010*

Non-consumable rice in the godown at  
Tuensang *Photo 30 September 2010*



*Rice bag weighs 48 in the bag of 50 kg sold out from godown at Tuensang Photo dated 7.7.2011*



*Rice bag weighs 48 in the bag of 50 kg sold out from godown at Dimapur*



Thus, due to non-existence of quality investigation equipment, gauging machines and other equipment for quality investigation, the Management failed to maintain the prescribed quantity and quality control of TPDS distributed to the bonafide beneficiaries through FPSs.

While accepting the facts (December 2011) the Department stated that procurement of digital weighing machine was under process and matter had been taken up with the FCI in respect of quality issue.

#### **11.1. Substandard status of Godown**

During joint physical verification of district Godown, Zunheboto, it was noticed that physical status of the godown was very poor and there was water logging inside the godown and was, therefore not fit for storing foodgrains. A theft case of 2.2 MT BPL rice from the godown in 2007-08 was also reported by the ADS, Zunheboto which is under investigation since last 3 years. Thus, poor management of Departmental godowns invited the prospect of pilferage of foodgrains from the district godowns.

Department accepted the facts (November 2011) in exit meeting.

#### **11.2 Unauthorised storage of foodgrains in rented Godown**

As per report furnished (September 2010) by the Director, FCS, the functional godown in Tuensang having a capacity of 50 MT was in good condition. However, during joint physical verification (October 2010), it was seen that the district godown was rented in a private building having 30 MT capacity since July 2010 as the departmental godown was not fit for storage. Hiring of rented godown was discontinued from November 2010. Hiring of rented godown without prior approval of the competent authority and misreporting of the status of the godown and illegal storage of foodgrains in private building need to be investigated.

Unauthorised occupancy of rented godown at Tuensang HQ (Photograph dated 29.9.2010)



While accepting the facts (December 2011) the Department stated that unauthorised storage of foodgrains in hired godown had been discontinued.

### **Conclusion**

**The Department was not equipped to gauge the quantity of foodgrains delivered by the stockist. Though a lab assistant was engaged for quality control investigation, the official did not conduct any investigation during the period covered in audit due to lack of necessary equipment. In the absence of gauging machines and other quality investigation equipment, the foodgrains were being distributed to the beneficiaries without ascertaining the exact weight and quality.**

### **Recommendation**

***For better management of TPDS in the State, the Government should develop a mechanism to gauge and ensure equitable distribution of foodgrains without compromising the quality.***

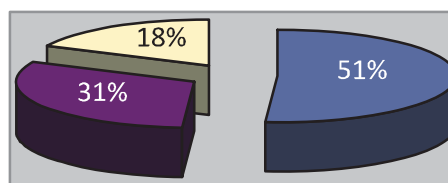
## Chapter 12 Audit survey

With a view to obtain beneficiary perception of the PDS and success rate of scheme in the State, an audit survey was conducted in four towns and eighteen villages in the four test-checked districts covering 1756 households through issue of audit questionnaires. A total of 1431 households responded and 325 households did not respond to the survey. The results of the survey conducted by audit are discussed below:-

### 12.1 Identification of beneficiaries

Out of 1431 responses received, 730 household were not aware of the criteria for identification under PDS, 443 households who were aware of the selection of beneficiaries obtained the information through Village Councils and 258 households were silent on the question.

Chart-12.1



■ Public not aware of the selection criteria of PDS    ■ Public who obtained awareness through VC  
 □ Public silent on the issue

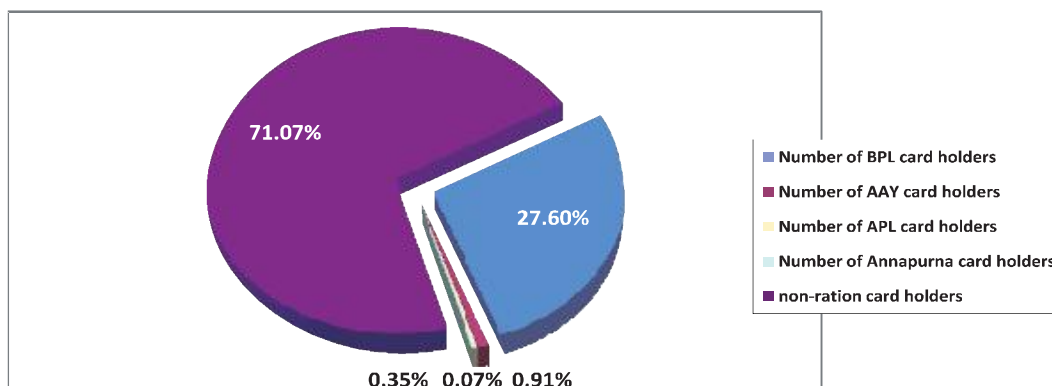
As could be seen from above 988 households (69 *per cent*) were not aware of the criteria for identification under PDS. The impact of implementation of PDS without conducting survey, investigation and awareness programmes are discussed in Paragraphs 4.1 and 13.1.

### 12.2 Possession of ration cards

Out of 1431 household respondents, 395 households were in BPL category, 13 AAY households, one Annapurna household and five APL households. The remaining 1017 (71 *per cent*) public did not have any ration card.

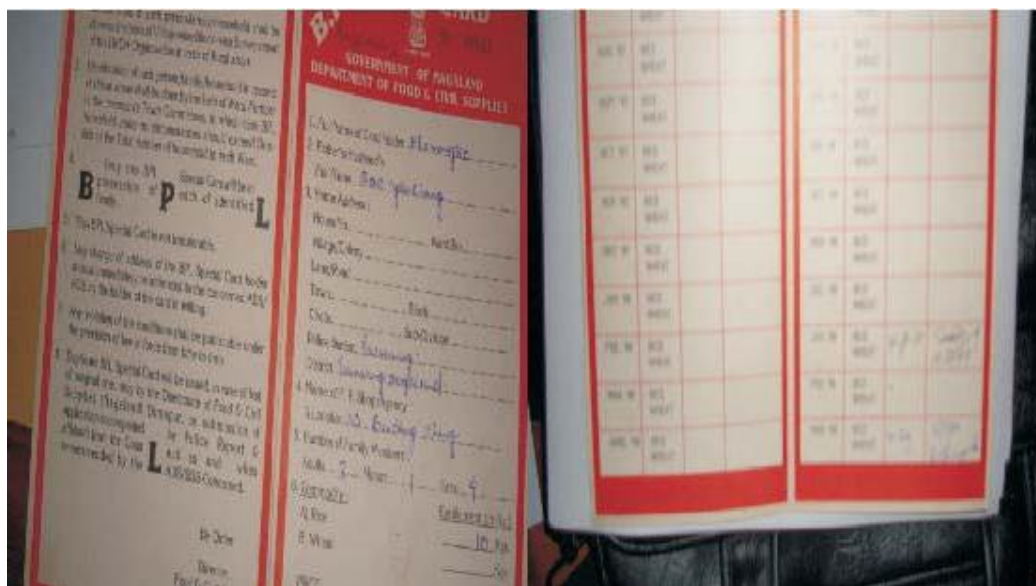


Chart-12.2



Audit survey further revealed that out of the 395 BPL household respondents, BPL ration cards of 358 beneficiaries in Tuensang Village under ADS, Tuensang were not renewed since 1999 and the BPL beneficiaries were allowed 10 kg rice only per card against their entitlement of 35 Kg foodgrains (28 kg rice plus 7 Kg wheat) per month without renewal of BPL ration cards.

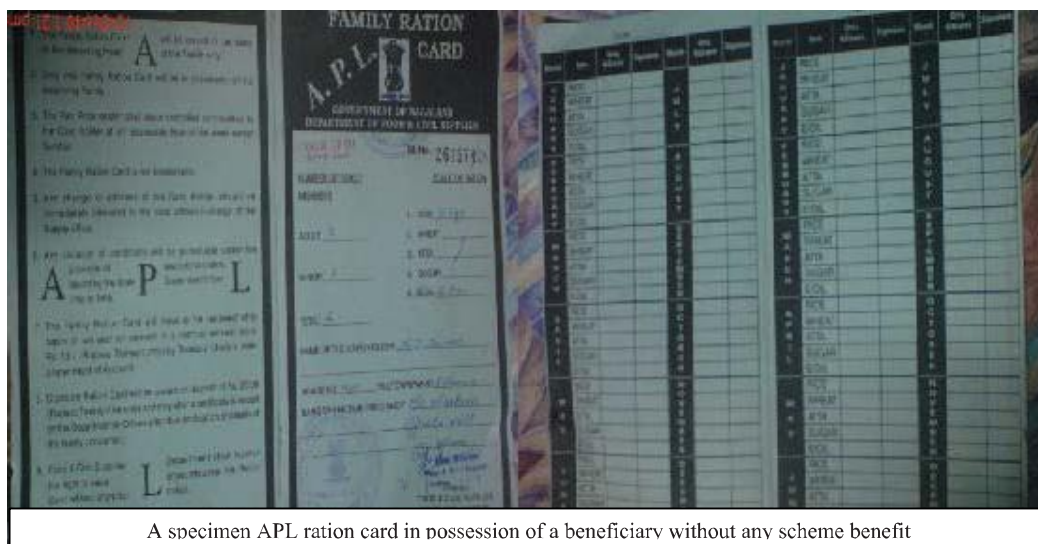
It was further seen that a BPL ration card issued in 1999 was not renewed till date and also contained only two entries which indicates that foodgrains were issued to the holder of the card on only two occasions. A specimen photograph is given below:-



A specimen BPL ration card in use by the beneficiary in Tuensang



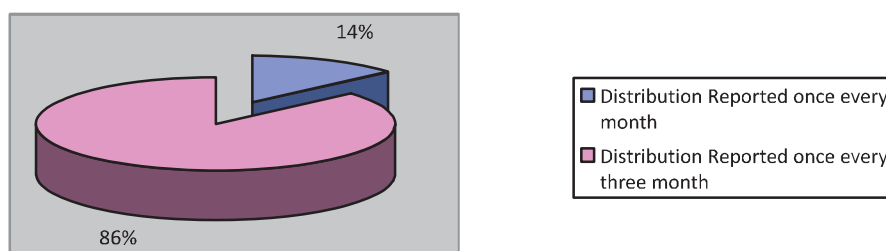
A specimen of APL ration card in possession of one among five APL beneficiaries revealed that the quantity of ration permitted for the household was limited to 13 kg rice per month against the permissible quantity of 35 Kgs. However, the ration card did not disclose any entries showing issue of rice to the household. Hence, even the reduced quantity of rice permitted for the household was not issued to them as could be seen from the photograph given below:-



### 12.3 Performance of FPS

Out of 1431 households, 1017 households did not have ration cards and the remaining 414 households reported distribution of foodgrains by the FPS. Out of 414 households 358 households (86 per cent) reported distribution once in every three months and 56 households (14 per cent) reported distribution once every month by the FPS owners. This confirmed the delay in distribution of foodgrains as discussed in paragraph 7.2.

Chart-12.3



The deprival of PDS scheme benefit and the satisfaction level in implementation of the scheme are discussed in appropriate chapters of this report.

## **Chapter 13      Monitoring Mechanism**

As envisaged in the PDS Control Order, 2001, the State Government should carry out periodical revision of list of beneficiaries, conduct regular inspections and meeting of Vigilance Committees and devise an effective system of reporting and monitoring at all the levels of distribution of foodgrains under TPDS.

Audit scrutiny revealed the following:-

### **13.1      Periodical revision of beneficiary list**

The implementing agency did not involve the Village Councils in the 24 villages<sup>48</sup> during the process of identification and periodic revision of list of beneficiaries. Thus, deletion of ineligible families and inclusion of eligible families during the process of identification was not done and existence of bogus ration cards could not be ruled out in audit.

### **13.2      Returns/Utilisation Certificates (UCs)**

Though the FPSs were required to furnish monthly returns and UCs to the Department, no FPS out of 24 test checked FPSs furnished the returns during the period covered in audit. The Department also did not insist for submission of the returns. In the absence of the same, the Department did not have any control over the FPS and supply of essential commodities to the beneficiaries was not monitored at any stage.

### **13.3      Inspection of FPS**

According to PDS (Control) Order, 2001, the inspecting officers of the district /sub-divisions were to inspect each FPS at six month's interval. Records of 13 test-checked PDCs showed that no inspections were carried out as per norms as commented in Paragraph 6.5.

### **13.4      Vigilance Committee and FPS committee**

According to PDS Control order, Vigilance Committees were required to be constituted at all levels viz. State level, District level etc. and FPS Committees were also to be constituted at FPS level to review the overall functioning of TPDS in the State on quarterly basis. Though Vigilance Committees at all the levels were constituted in November 2009, no review meetings were held as of March 2011. FPS Committees were not constituted to review the functioning of FPS in the state.

Thus, there was no system to monitor the overall functioning of the scheme and the position of foodgrains lifted and distributed under TPDS remained un-assessed.

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<sup>48</sup> Coverage of FPSs in 24 locations.

### **13.5 Area Officers' Scheme**

For regular and effective review and monitoring of the TPDS in the States, Officers of the rank of Deputy Secretary, Director or equivalent were to be nominated as Area Officers for the State by GOI to co-ordinate with the State Governments under the Area Officers' Scheme launched by GOI in February 2000 with broad features as under:

- The Area Officers were required to visit two districts of their allotted territories once in a quarter and review the functioning of the TPDS and submit reports within 10 days bringing out issues, findings along with recommendations on actionable points which should be sent to the Secretary of State Government for taking remedial action for smooth functioning of the TPDS.

However till March 2011, no Area Officers' were nominated by GOI to oversee the implementation of TPDS in the State of Nagaland.

The Department in reply (December 2011) stated that three Area Officers had been appointed in August 2011 for regular and effective review and monitoring of TPDS.

### **Conclusion**

**There was no system of evaluation of the implementation of the programme through regular internal control mechanism and meaningful monitoring including implementation of Area Officers' Scheme by GOI.**


### **Recommendation**

***The Government and the Department should ensure regular inspections including inspection by district level officers, Vigilance Committees and Area Officers nominated by GOI.***

## **Chapter 14 Conclusion**

Public Distribution System is one of the most important functions which help in providing food security to the needy and the poorest sections of the society especially in the rural areas. However, performance of the PDS in the State for the last six years suffered due to non-finalisation of beneficiaries after conducting baseline survey to ascertain the actual number of households/beneficiaries, periodic revision of beneficiary list to weed out ineligible beneficiaries and addition of eligible beneficiaries. The Department also randomly issued ration cards. As a result, ration cards were misused. Short-allocation and short-lifting of foodgrains, delayed distribution of foodgrains, charging of higher rates, undue benefits to handling agents and inadequate infrastructure affected the implementation of PDS in the State. Implementation of convergence programmes in the State was not encouraging as the public were not aware of the schemes and also the Department allocated foodgrains to non-existent institutions, hostels and VGBs. Absence of quality control mechanism in the State also adversely affected the implementation of PDS as the quality and the scale of distribution were compromised. Mandatory inspections by district level officers, Vigilance Committees, Departmental Officers and the Special Area Officers were not carried out.

Kohima  
The

  
(R. Naresh)  
Accountant General (Audit), Nagaland

**Countersigned**

New Delhi  
The

  
(Vinod Rai)  
Comptroller and Auditor General of India

**Appendix-I**  
(Reference : Paragraph 7.3.1; Page 31 of Chapter VII)

Year	Total benefi ciaries	Receipt against allocation		Total benefi ciaries in the 3 test check ed PDCs	Receipt against allocation		Total benefi ciari es in the 6 test check ed FPSs	Allocation of		Distribution of		(In MT) Short(-)/excess(+) distribution of	
		Rice	Wheat		Rice	Wheat		Rice	Wheat	Rice	Wheat	Rice	Wheat
2005-06	5320	1340.64	335.16	2913	277.08	183.53	2913	277.08	183.53	125.1	0.84	(-)313.52	(-) 223.08
2005-06	3520	295.68	73.92	1923	161.54	40.39	1923	161.54	40.39				
2006-07	3520	1182.72	295.68	1923	646.12	161.54	1923	646.12	161.54	125.1	0.84	(-) 521.02	(-) 160.7
2007-08	3520	1182.72	295.68	1923	646.12	161.54	1923	646.12	161.54	125.1	0.84	(-) 521.02	(-) 160.7
2008-09	3520	1182.72	295.68	1923	646.12	161.54	1923	646.12	161.54	125.1	0.84	(-) 521.02	(-) 160.7
2009-10	3520	1182.72	295.68	1923	646.12	161.54	1923	646.12	161.54	125.1	0.84	(-) 521.02	(-) 160.7
2010-11	3520	1182.72	295.68	1923	646.12	142.80	749	251.66	62.92	248.9	48.05	(-) 2.76	(-) 14.87
<b>Total</b>		<b>7549.92</b>	<b>1887.48</b>		<b>3669.22</b>	<b>1012.88</b>		<b>3274.76</b>	<b>933.00</b>	<b>874.4</b>	<b>52.25</b>	<b>(-)2400.36</b>	<b>(-)880.75</b>

(Source: Departmental records)

**Appendix -II**  
**(Reference : Paragraph 7.5.1; Page 32 of Chapter VII)**

Year	Total benef iciari es	Allocation		Total benef iciari es in the 3 test check ed PDCs	Allocation		Total benef iciari es in the 6 test check ed FPSs	Allocation		Distributed		(In MT) Short(-)/Excess(+)	
		Rice	Wheat		Rice	Wheat		Rice	Wheat	Rice	Wheat	Rice	Wheat
2005-06	2385	601.02	150.25	1145	288.54	61.47	1145	288.54	61.47	42.96	0	(-)424.92	(-)106.31
2005-06	4185	351.54	101.12	2135	179.34	44.84	2135	179.34	44.84				
2006-07	4185	1406.16	351.54	2135	717.36	279.94	2135	717.36	279.94	42.96	0	(-)674.4	(-)279.94
2007-08	4185	1406.16	351.54	2135	717.36	279.94	2135	717.36	279.94	42.96	0	(-)674.4	(-)279.94
2008-09	4185	1406.16	351.54	2135	717.36	279.94	2135	717.36	279.94	42.96	0	(-)674.4	(-)279.94
2009-10	4185	1406.16	351.54	2135	717.36	279.94	2135	717.36	279.94	42.96	0	(-)674.4	(-)279.94
2010-11	4185	1406.16	351.54	2135	717.36	279.94	681	228.81	57.20	178.57	49.55	(-)50.24	(-) 7.65
<b>Total</b>	<b>27495</b>	<b>7983.36</b>	<b>2009.07</b>	<b>13955</b>	<b>4054.68</b>	<b>1506.01</b>	<b>12501</b>	<b>3566.13</b>	<b>1283.27</b>	<b>393.37</b>	<b>49.55</b>	<b>-3172.76</b>	<b>-1233.72</b>

*(Source: Departmental records)*

**Appendix -III**  
**(Reference : Paragraph 7.6.2 ; Page 34 of Chapter VII)**

**(In MT)**

<b>Year</b>	<b>Total beneficiaries</b>	<b>Allocation of rice</b>	<b>Total beneficiaries in the 3 test checked PDCs</b>	<b>Allocation of rice</b>	<b>Total beneficiaries in the 6 test checked FPSs</b>	<b>Allocation of rice</b>	<b>Rice distributed</b>	<b>Short/ excess rice</b>
2005-06	807	96.84	418	50.16	286	34.32	18	(-)16.32
2006-07	807	56.49	418	29.26	286	20.02	10.50	(-)9.52
2007-08	807	96.84	418	50.16	286	34.32	18	(-)16.32
2008-09	807	96.84	418	50.16	286	34.32	18	(-)16.32
2009-10	807	0	418	0	286	0	0	0
2010-11	807	96.84	418	50.16	134	16.08	13.40	(-) 2.68
<b>Total</b>	<b>4842</b>	<b>443.85</b>	<b>2508</b>	<b>229.9</b>	<b>1564</b>	<b>139.06</b>	<b>77.90</b>	<b>(-) 61.16</b>

*(Source: Departmental records)*



**Appendix -IV**  
**(Reference : Paragraph 9.4.2.6 ; Page 60 of Chapter IX)**

**Statement showing the short receipt against the requirement in test checked**  
**Anganwadi centres for the last five years**

Name of the District	Name of the Project	Name of selected AWC	No. of beneficiaries	Requirement against Col.4	(In MT)	
					Receipt and reported utilisation of foodgrains	Short receipt
Dimapur	Dhansiripar	Bade Centre A	732	87.84	18.084	69.756
Dimapur	Dhansiripar	Dhansiripar C	1050	157.50	19.925	137.575
Dimapur	Dimapur Rural	Naharbari B	1650	247.50	29.50	218
Dimapur	Dimapur Rural	Purana Bazar C	1315	197.25	25.50	171.75
Dimapur	Niuland	Nihokhu	475	71.25	18.784	52.466
Peren	Peren	Ketleizui centre	160	19.20	0.23	18.97
Zunhoboto	Tokiye	Aquba A	415	62.25	0.57	61.68
Zunhoboto	Akuluto	Mapulu	340	40.80	10.85	29.95
Zunhoboto	Zunhoboto	Natha Old	375	56.25	45.60	10.65
Tuensang	Noksen	Litum A	300	45.00	13.51	31.49
Tuensang	Sangsangnyu	Jail Colony, Centre II	748	44.88	5.00	39.88
Tuensang	Noklak	Noklak Village B	300	27.00	10.03	16.97
Tuensang	Thonokhnyu	Thonokhnyu HQ A	540	64.80	2.09	62.71
Tuensang	Longkhim	Angamgba A	332	39.84	25.20	14.64
<b>TOTAL</b>			<b>8732</b>	<b>1161.36</b>	<b>224.873</b>	<b>936.487</b>