

Chapter - IV

Movement of Food grains

4.1 Status of movement of food grains

Under the existing food management framework, FCI is the only Government agency for movement of food grains in the Central Pool. This constitutes a very important role of FCI involving coordination and monitoring of activities with railways authorities, transporters and State Governments, and amongst its different Zonal/Regional Offices. The expenditure incurred by FCI on movement of food grains by rail and road during the period 2006-07 to 2011-12 was as under:

Table 4.1
Expenditure incurred by FCI on movement of food grains

Particulars	(₹ in crore)					
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Rail freight	2,627.09	2,697.34	2,658.07	3,285.03	3,505.37	3,751.56
Road freight	442.54	509.77	562.46	650.84	732.97	975.81
Total	3,069.63	3,207.11	3,220.53	3,935.87	4,238.34	4,727.37

The basic objective of movement is to evacuate food grains from the procuring states to deficit states with a view to reducing strain on the available storage capacity and to ensuring availability of food grains for distribution under TPDS and OWS in different parts of the country. Distribution of food grains under TPDS and OWS is carried out on the basis of monthly allocation made by the GOI and offtake of food grains from the Central Pool by various states. Stock of food grains is also to be moved to consuming states irrespective of consumption requirement to create buffer stocks as a measure of food security. The position of inter-state movement of food grains by rail and road, and movement ex-North during the period 2006-07 to 2011-12 was as under:

Table 4.2
Movement of food grains by rail and road

(Figures in LMT)

Particulars		2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Overall Movement	Rail	203.25	203.98	204.60	249.18	279.65	303.23
	Road	18.45	17.81	20.57	26.65	25.64	24.54
	Total	221.70	221.79	225.17	275.83	305.29	327.77
Movement Ex-north	Inter	175.02	178.09	167.37	188.54	221.23	201.01
	Intra	1.58	1.94	2.14	0.81	3.32	7.49
	Total	176.60	180.03	169.51	189.35	224.55	208.50

Audit findings on movement of food grains are discussed below:

4.1.1 Shortfall in movement of food grains

Movement of food grains was planned by FCI in the range of 42 *per cent* to 71 *per cent* of the procurement made during the period 2006-07 to 2011-12. Movement of food grains as against the procurement made during the above period was as below:

Table 4.3
Year-wise procurement and movement of food grains

(Figures in LMT)

Year	Procurement	Movement			Percentage of		
		Planned	Actual	Difference	Planned movement to Procurement	Actual movement to Procurement	Shortfall in actual movement to procurement
2006-07	343.37	243.47	221.70	-21.77	71	65	35
2007-08	398.65	239.56	221.79	-17.77	60	56	44
2008-09	567.93	239.36	225.17	-14.19	42	40	60
2009-10	574.16	312.30	275.83	-36.47	54	48	52
2010-11	567.12	362.97	305.29	-57.68	64	54	46
2011-12	633.76	391.86	327.77	-64.09	62	52	48

Audit observed from the above that evacuation of food grains stock from the procuring states was short by 35 per cent to 60 per cent of the food grains procured during the period 2006-07 to 2011-12. The actual movement against the planned quantity was also in the range of 84 per cent to 94 per cent during the same period. Thus, substantial shortfall in movement of procured stock despite increase in procurement level had resulted in huge accumulation of food grains stock in procuring states during the period under review.

While agreeing to the audit observations, the Ministry mentioned (January 2013) the reasons for not moving the food grains to the extent of procurement were due to such factors as open ended procurement, monthly allocation/offtake and availability of vacant storage space in different regions and availability of rakes by Railways, etc.

Audit is of the view that shortfall in movement of food grains against planned/procurement resulted in huge accumulation of food grains stock causing severe strain on the available storage capacities in the major procuring states.

4.2 Transportation of food grains of the Central Pool

During the period 2006-07 to 2011-12, about 75 per cent of stocks were moved ex-North as procurement was largely concentrated in the North and the remaining 25 per cent was moved from other procuring states of Andhra Pradesh, Chhattisgarh, Odisha, West Bengal and Madhya Pradesh. During the above six year period, movement of stocks by rail constituted about 92 per cent and the remaining 8 per cent was moved by road for short distances and between places which were either not connected or sufficiently not connected by rail. Audit, therefore, analysed planning and implementation of movement of food grains by rail and audit findings thereon are as discussed below:

4.2.1 Shortfall in supply of rakes by Railways

For purpose of movement of food grains by rail, FCI prepares a monthly movement plan in terms of railways rakes to be dispatched to various destinations. The plan includes monthly schedules indicating date-wise and weekly requirement of rakes for different centers. The position of rakes planned vis-à-vis actually dispatched during the period 2006-07 to 2011-12 was as given below:

Table 4.4
Number of rakes planned and actually dispatched

Year	No. of rakes planned	No. of rakes despatched	Shortage of rakes	Shortage of rakes (in percentage)
2006-07	9,938	8,937	1,001	10
2007-08	9,778	9,161	617	6
2008-09	9,387	8,830	557	6
2009-10	12,247	10,817	1,430	12
2010-11	14,234	11,972	2,262	16
2011-12	13,215	10,969	2,246	17

Audit observed that the shortage of rakes with reference to planned ranged from 6 per cent to 17 per cent during the six year period. Thus, on the whole, supply of rakes by the Railways as per movement plans of FCI showed considerable deviation which needs to be addressed.

While agreeing to the audit observations, the Ministry stated (January 2013) that regular meetings were held with Railways to improve the supply of rakes.

4.2.2 Deviation from linear programming based movement plan

To economise food grains movement, FCI had taken an initiative to plan movement of food grains through a computer based model of Linear Programming (LP) exclusively for ex-North movement since February 2006. This LP captures the shortest route between dispatching centers and the receipt centers in line with the Railways Rates Branch System (RBS) involving least cost. The position of rakes requisitioned by FCI and actually moved by the Railways as per the LP based plan during the period 2006-07 to 2011-12 was as given below:

Table 4.5
Total number of rakes loaded by FCI and rakes moved by the Railways as per LP

Year	Total no. of rakes loaded by FCI	Total no. of rakes moved as per LP by Railways	Compliance (in percentage)
2006-07	4,693	2,951	63
2007-08	4,474	1,847	41
2008-09	5,301	2,908	55
2009-10	6,697	4,177	62
2010-11	8,021	3,363	42
2011-12	7,216	2,541	35
Total	36,402	17,787	49

Audit observed that compliance to LP based plan remained in the range of 35 *per cent* to 63 *per cent* during the six year period. Out of 36,402 rakes supplied by the Railways, only 17,787 rakes followed the routes indicated in the plan with a deviation of 51 *per cent*. This indicates that 18,615 rakes did not follow the most economical routes. Due to such deviation from the plan, the objective of LP for economising movement cost remained to be fully achieved. Besides, there was no consultation/association with the Railways in preparation of movement plan based on LP to achieve better compliance.

While agreeing with the audit observations, the Ministry stated (January 2013) that the matter had been taken up with the Railways at the highest level for compliance with LP generated movement programme of FCI. For better coordination in complying with the LP based movement plan, Railways representative was now participating in the monthly movement plan meeting of FCI.

4.2.3 Deficiency in monthly movement plan and gap in supply of rakes

Food grains are moved from the procuring states on the basis of movement plan prepared by FCI on monthly basis. For this purpose, FCI submits to the Railways monthly movement plans indicating station to station linkages along with date-wise/weekly priorities.

Audit, however, observed that in a number of cases, FCI did not consider day-wise requirements and operational constraints of their own loading points in field offices in its monthly movement plan. At the same time, due to operational constraints, Railways could not supply rakes as per planned requirements and did not adhere to the date-wise and destination-wise plan of FCI. Audit findings on the test check of records on monthly movement plan and its implementation in selected regional offices of FCI are given below:

- (i) In Punjab region, rakes were planned by FCI (March 2008) without considering the day-wise requirement for different centres leading to bunching of rakes at loading points. This also had resulted in operational constraints at the loading points such as continuous engagement of labour involving high payment of incentives and long absence of labour in other depots hampering work and leading to piling up of consignments.

Initially 5,327 rakes were planned during 2009-10, however, 6,407 rakes were actually requisitioned which included 331 rakes with open dates. Out of these, Railways could provide only 5,552 rakes. Similarly, during 2010-11, as against 5,788 rakes planned initially, 6,710 rakes were actually requisitioned which included 767 rakes with open dates whereas Railways could provide only 5,770 rakes. In 2011-12, 6,354 rakes were requisitioned which included 884 rakes with open dates and Railways could provide only 5,511 rakes.

- (ii) In Haryana region, a total of 1,941 rakes including 246 rakes with open dates were requisitioned during 2009-10. Against this, Railways provided only 1,711 rakes. Similarly, in 2010-11, 2,470 rakes including 255 rakes with open dates were requisitioned out of which 2,399 rakes were provided by the Railways. In 2011-12, 1,949 rakes including 243 rakes with open dates were requisitioned out of which 1,707 rakes were provided by the Railways.
- (iii) In Chhattisgarh region, 4,593 rakes were actually provided by Railways against 5,014 rakes planned during the period 2006-07 to 2011-12. The range of rakes provided by Railways against those planned by FCI was between 87.57 per cent and 97.80 per cent. The shortfall was due to coordination problem with the Railways and among different centers of FCI.

Thus, Audit observed that the mismatch between planned and actual supply of rakes and high number of rakes with open date adversely affected the weekly plan/dispatch of rakes. The deficiencies noticed in the movement planning of food grains between FCI and the Railways indicate lack of adequate coordination in movement activities resulting in shortage in the supply of railway rakes.

The Management stated (July 2012) that in order to resolve the issue of non-compliance of weekly priorities by Railways, the matter was taken up at the level of Railway Board, Zonal Railways and local Railways offices. In fact, the planning of rakes could be achieved 100 per cent if there was no dependency on Railways. The supply of rakes by the Railways was always as per the availability of the wagons, traffic, clearance of route, load on the lines and several other factors. Periodical meetings were held with the Railway Board to sort out the issue of supply of rakes. The issues were discussed at the level of Committee of Secretaries and Cabinet Secretary.

The Ministry stated (January 2013) that Railways provide rakes as per its own convenience and discretion and does not necessarily provide the rakes as per the FCI's requisition made. Apart from taking up the matter with the Railways to improve the existing supply chain management in FCI, Price Waterhouse Cooper, had been entrusted with the study, and the Ministry and FCI were also working together on National Food grains Movement Plan to improve the existing system of food grains movement.

4.3 Inefficiencies in movement of food grains

An analysis of movement related activities in Audit revealed that the main reasons for inefficiencies in movement of food grains were deficient monthly movement planning, unplanned/unscheduled supply of rakes and dispatch without proper assessment of requirement at the consignee end, delay in loading and unloading of railway wagons, and weakness in existing system of claim settlement. The above inefficiencies in movement related activities resulted in avoidable expenditure, losses and delays in settlement of claims on account of the following reasons:

- rebooking and diversion of railways rakes
- demurrage payment
- delay in reconciliation of missing and unconnected wagons
- non-settlement of refund claims of freight
- excess payment of railway freight
- irregular payment of Hill Transport Subsidy, and,
- pendency of reimbursement of Hill Transport Subsidy claims

Audit observations on the above are highlighted below:

4.3.1 Rebooking and diversions

Rebooking takes place when consignment is booked to any other station after it reaches its original destination while diversion of consignment to other station is effected before it reaches its destination station. Audit observed that an expenditure of ₹ 79.41 crore on rebooking and diversion of rakes was incurred by FCI during the period 2006-07 to 2010-11. In 2011-12, the expenditure on rebooking and diversion was ₹ 28.85 crore. This was mainly due to non-availability of storage space at the original destinations and unplanned diversions of rakes to meet TPDS requirement at different centers indicating deficiency in movement plan.

While agreeing with the audit observations, the Ministry stated that the expenditure of ₹ 79.41 crore on account of rebooking and diversion was against 135.08 Million MT of stock moved through rail. The cost per MT thus came to ₹ 5.88 only.

Audit, however, is of the view that ₹ 79.41 crore incurred by FCI on rebooking and diversion could be further minimized by improving the movement plan of food grains.

4.3.2 Demurrage payment

Delay in loading and unloading of wagons attracts demurrage payment by FCI to Railways. While in respect of operations carried out on contract basis, demurrage for delays is recoverable from contractors, FCI is responsible for demurrage relating to operations carried out through its departmental labour.

Audit observed that an amount of ₹ 357.12 crore was paid on account of demurrage during the period 2006-07 to 2011-12 due to unplanned/unscheduled movement and detention of rakes at loading and unloading points. The average expenditure due to demurrage was ₹ 59.52 crore per year. FCI could succeed in getting waiver from the Railways only to the extent of ₹ 91.28 crore and recovered ₹ 100.05 crore from handling and transport contractors (HTC) during the period 2006-07 to 2011-12. Payment of demurrage charges

showed an increasing trend over the period from ₹ 22.73 crore (2006-07) to ₹ 132.51 crore (2011-12).

The Management stated (December 2011) that increase in demurrage charges occurred due to handling of higher number of rakes and round the clock placement of rakes by the Railways, non-synchronization of working hours, less free time allowed by Railways to load/unload the rake and periodical labour unrest/ transport strike.

The Ministry endorsed the views of the Management and stated (January 2013) that for reduction of demurrage, measures for streamlining the deployment of labour at the level of Committee of Secretaries are being taken by FCI.

Audit is of the opinion that consistent occurrence of demurrage payments to Railways is indicative of ineffective management of handling activities by FCI. Given the fact that Railways have their own timings, unless deployment of labour within the organization is streamlined by FCI, expenditure on handling charges would continue to increase.

4.3.3 Undue delay in reconciliation of missing and unconnected wagons

Diversion of food grains wagons occurred both at the instance of FCI and due to certain operational exigencies of the Railways. Diversion of wagons at times resulted in unconnected or missing wagons for the receiving depots. According to the reconciliation system followed in FCI, claims are lodged with the Railways in case of non-delivery of the wagon, the liability of which lies upon the Railways. Thereafter, a reconciliation of missing and unconnected wagons is done by the Zonal Claim Cell (ZCC) of FCI with the respective Zonal Railways. The un-reconciled missing and unconnected wagons are then taken up by FCI headquarters with the Railway Board for match adjustment.

Audit observed that as per the match adjustment conducted,¹⁸ the Railways was liable to pay ₹ 36.64 crore to FCI on account of missing/unconnected wagons for the period of 1967-68 to 1999-2000. FCI, however, failed to recover the adjustment amount from the Railways (March 2012). Moreover, reconciliation for final match adjustment for the missing/unconnected wagons with the Railway Board had not been conducted for the 12 year period from 2001 to 2012.

The Ministry stated (January 2013) that on further reference to Railway Board to pay the reconciled amount to FCI, the Board assured to settle the claims only after reconciliation upto 2006-07 was over. Out of the total 14 Zonal Railways, reconciliation had been

¹⁸ Phase-I (1967-68 to 1985-86), Phase-II (1986-87 to 1995-96) and Phase-III (1996-97 to 1999-2000).

carried out upto 2011-12 in respect of five zones,¹⁹ in six zones²⁰ upto 2010-11, in two zones²¹ upto 2009-10 and one zone²² upto 2008-09.

The fact remains that total value of missing wagons which was ₹ 5.08 crore in 2006-07 had increased to ₹ 11.24 crore in 2011-12. Similarly, the value of unconnected wagons was ₹ 3.33 crore in 2006-07 which had increased to ₹ 6.82 crore in 2011-12. Thus, the existing system of reconciliation with the Railways needs to be strengthened.

4.3.4 Non-settlement of refund claims of freight

Claims of refund arise when the FCI has paid the Railways in excess of what was actually due and claims should be lodged with the Railways for refund. Excess payment of freight by FCI to Railways could be due to various reasons such as erroneous calculation of freight, double payment of freight, diversion of wagons /rakes, etc.

Audit observed that claims lodged with the Railways were pending for settlement for one year to 32 years. The pendency of refund claims of freight was reduced from ₹ 65.89 crore in March 2007 to ₹ 58.11 crore in March 2012. In North Zone, pendency of claims was ₹ 41.62 crore as of March 2007 which increased to ₹ 47.25 crore in March 2012. In West Zone, claims were of ₹ 9.14 crore in March 2007 which reduced to ₹ 6.67 crore in March 2012. In South Zone, claims of ₹ 2.13 crore were pending as of March 2012.

The Ministry stated (January 2013) that despite the fact that new cases were lodged every year the overall pendency of the claims had decreased over the years.

Audit, however, observed that settlement of refund claims of freight was slow as ₹ 65.89 crore was pending for recovery from the Railways at the end of March 2007 which could be reduced only to the extent of ₹ 58.11 crore at the end of March 2012. Pendency of claims for such a long duration indicates lack of effective monitoring of refund claims at the level of regional/ zonal offices. Monitoring mechanism at the FCI headquarters needs to be urgently strengthened.

4.3.5 Excess payment of railway freight

Claims for refund should be lodged with the Railways within six months from the date of booking when payment was made over what was actually due. Audit noticed excess payment of freight to Railways for which claims were not lodged within the prescribed time in two selected regions covered in audit as highlighted below:

¹⁹ Konkan Railway, Western Railway, Central Railway, Mumbai Port Trust Railway, South Central Railway.

²⁰ Northern Railway, South Western Railway, Southern Railway, Eastern Railway, South Eastern Railway, East Central Railway.

²¹ North Eastern Railway, North East Frontier Railway.

²² East Coast Railway.

- (i) In AP region, till December 2004, the Railways were charging freight on the basis of the distance of transportation by multiple rounding off at each intermediate stage to the next kilometer. To remove anomalies in the method of arriving at the chargeable distance for fare and freight by different zonal Railways, it was decided to charge transportation by rounding off the total distance to next higher kilometer only once at the destination point w.e.f. January 2005. Due to revised policy of the Railways, the distance slabs were reduced and FCI was entitled to pay freight at lower rates.

A test check of cases for the period 2006-07 to 2010-11 revealed that FCI continued to pay at higher slabs and this had resulted in payment of excess freight to an extent of ₹ 3.47 crore for dispatches from Andhra Pradesh to various destinations.

The Management stated (July 2012) that non-observance of Railways policy communicated in December 2004 by certain districts of AP region was being looked into separately for initiation of necessary action. FCI could not get any refund as the time limit of six months from date of booking for preferring claim had already expired since April 2006.

- ii) In RO Chhattisgarh, test check of Railway Receipts (RRs) for the years 2008-09 to 2011-12 revealed that the distances adopted for payment of freight were more than the distances indicated in Railway website effective from 1 January 2008. This resulted in excess payment of freight by ₹ 2.71 crore (in 147 out of 3112 cases) to the Railways due to adoption of incorrect distances for various destinations by FCI. The prescribed time limit of six months from the date of RR expired for all the bills and the Corporation lost the opportunity to claim refunds.

The Management stated (July 2012) that the distance taken by the Railways for calculation of freight was not the same as was available on the Railways website. On certain occasions, the freight demanded by the Railways for the higher distance was to be paid by FCI to move the stock.

The reply is not acceptable because freight has to be paid on the basis of the distance shown in the Railway website and citing of operational problem of the Railways as a reason for overpayment is not valid.

While accepting the audit observations, the Ministry stated (January 2013) that frequent revision in freight rate, class of commodity as well as in distance block might had caused excess payment.

4.3.6 Pendency of Hill Transport Subsidy claims

Reimbursement of Hill Transport Subsidy (HTS)²³ is meant for the states and UTs which are predominantly hilly with little or no railway lines and poor road communications. The cost of transportation for moving of stocks is reimbursed from base depot to designated Principal Distribution Centres (PDCs). The HTS claims are required to be settled within 10 working days after submission of claims by State Governments on a monthly basis.

Review of records at FCI headquarters, however, revealed that a total of ₹ 46.34 crore was outstanding for reimbursement to states for HTS claims during the period 2006-07 to 2009-10. The pendency of reimbursement of HTS claims as on March 2012 stood at ₹ 184.51 crore. Out of this, claims outstanding for ₹ 113.40 crore pertained to Arunachal Pradesh, ₹ 3.12 crore to Himachal Pradesh, ₹ 20.88 crore to Jammu & Kashmir, ₹ 1.53 crore to Manipur, ₹ 37.15 crore to Mizoram, ₹ 3.91 crore to Nagaland, ₹ 1.24 crore to Sikkim and ₹ 3.28 crore to Tripura.

The Management stated (July 2012) that in most cases HTS bills could not be settled by FCI as per prescribed time frame as State Governments were not preferring their claims with supporting documents along with proof of payment as per prescribed guidelines.

The Ministry endorsed the view of the Management and stated (January 2013) that the issue was examined during 2011-12 and the procedure simplified to establish the linkage between the amount passed by the Treasury and amount credited to the transporters' account for timely settlement of HTS claims.

Audit, however, observed that accumulation of HTS claims to the extent of ₹ 184.51 crore for long duration is indicative of delays and weakness in the existing settlement procedure which undermines the very objective of HTS scheme.

4.3.7 Unauthorised payment of Hill Transport Subsidy

In violation of the conditions laid down in the GOI instructions of October 2002 allowing reimbursement of transportation cost of wheat and rice under HTS, FCI DO Visakhapatnam paid cost/ocean freight for movement of sugar to various PDCs in Andaman & Nicobar Islands. This resulted in unauthorised payment of HTS of ₹ 10.02 crore for the period 2003-04 to 2011-12. The unauthorised payment was, however, yet to be recovered by FCI (March 2012).

²³ HTS, in operation since August 1, 1975, is presently applicable to 11 states, viz., Arunachal Pradesh, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Andaman & Nicobar Islands and Lakshadweep.

The Ministry stated (January 2013) that refund for wrong release of Hill Transport Subsidy to Andaman & Nicobar Administration was being pursued.

4.4 Operational losses

4.4.1 Transit and storage losses of food grains

Transit loss is the difference between the weight dispatched by the consignor and the weight received by the consignee which may occur during transit due to pilferage, short loading of wagons, spillages, multiple handlings of bags, driage,²⁴ etc. Similarly storage loss occurs due to pilferage, theft and natural causes such as loss of moisture, driage, infestation, etc., during storage of food grains. Storage loss is revealed as and when each stack is completely issued or cleared and represents the difference between the stock balance as per books and the physical stock balance.

According to the laid down procedure followed in FCI, all cases of losses were to be investigated in time and a certain percentage be fixed upto which the total shortage may be considered reasonable according to local conditions with documentation. No norms had been fixed by FCI for determining reasonableness and abnormality of the operational losses. However, to arrest operational losses, FCI entered into a Memorandum of Understanding (MOU) with the Ministry which prescribed an annual target for curtailing of transit and storage losses.

The operational losses, after they have been duly investigated and the reasons for such losses determined, would be regularised by writing off and by taking disciplinary action, wherever necessary, against the delinquent officials within 60 days of the receipt of the cases.

Audit findings on the status of transit and storage losses vis-à-vis targets set in the MOUs with the GOI and its regularisation are discussed in the succeeding paragraphs:

4.4.2 Shortfall in achievement of annual target

The table below indicates the trend of transit and storage losses and achievement of annual targets as per MOU during the period 2006-07 to 2011-12:

²⁴ Driage refers to loss of moisture in the case of paddy.

Table 4.6
Details of transit and storage losses and achievement of targets as per MOU

(Quantity in LMT and value in ₹ crore)

Transit Losses						
Year	Quantity Moved/Issued	Quantity Received/Issue weight	Losses observed	Value of loss	Percentage of loss	Percentage of loss as per MOU signed by FCI with Ministry
2006-07	322.58	321.19	1.39	145.38	0.43	0.36
2007-08	312.03	310.82	1.21	123.95	0.39	0.36
2008-09	303.84	302.78	1.06	117.42	0.35	0.40
2009-10	346.56	345.01	1.55	233.32	0.45	0.40
2010-11	376.01	374.24	1.77	281.94	0.47	0.43
2011-12	440.14	438.18	1.96	333.01	0.45	0.43
Total	2,101.16	2,092.22	8.94	1,235.02	0.43	
Storage Losses						
2006-07	654.89	653.55	1.34	153.76	0.20	0.18
2007-08	655.89	654.50	1.39	182.43	0.21	0.18
2008-09	620.17	619.59	0.58	101.31	0.10	0.18
2009-10	725.27	723.96	1.31	228.36	0.18	0.20
2010-11	817.20	815.46	1.74	323.78	0.21	0.22
2011-12	921.43	919.38	2.05	405.36	0.22	0.22
Total	4,394.85	4,386.44	8.41	1,395	0.19	

Audit observed that target for curtailing transit losses was achieved only in 2008-09 during the six year period from 2006-07 to 2011-12. The financial impact of transit losses over and above the target limit was ₹ 97.91 crore.²⁵

Similarly, in respect of storage losses FCI could not succeed in curtailing storage losses against the targets in 2006-07 and 2007-08 during the six year period. The amount of storage losses above the targets was ₹ 41.44 crore.²⁶

²⁵ ₹ 23.67 crore in 2006-07, ₹ 9.53 crore in 2007-08, ₹ 25.92 crore in 2009-10, ₹ 23.99 crore in 2010-11 and ₹ 14.80 crore in 2011-12.

²⁶ ₹ 15.38 crore in 2006-07 and ₹ 26.06 crore in 2007-08.

4.4.3 Undue delay in regularisation of transit and storage losses

Audit observed that though the entire process of investigation, fixing responsibility, etc., was to be completed within the prescribed 60 days of the receipt of the case, many cases were pending for a long period of time mainly due to delay in investigation at different levels. A review of records²⁷ at the FCI headquarters revealed the following position:

- i) Transit and storage losses to the extent of ₹ 933.05 crore were pending regularisation at the beginning of 2006-07 and continued to remain at ₹ 1,058.26 crore at the end of March 2012 for the period since 1980-81.
- ii) Regularisation of storage and transit losses was pending at different levels. Out of ₹ 1,058.26 crore pending at the end of 2011-12, ₹ 800.32 crore (76 per cent) was outstanding at the level of General Manager (Regional heads) which was the highest amongst different authorities.
- iii) At FCI headquarters level, transit and storage losses amounting to ₹ 56.48 crore were pending regularisation at the end of 2011-12. Detailed scrutiny revealed that out of ₹ 56.48 crore, losses to the extent of ₹ 23.59 crore in 118 cases pertaining to 1972-73 to 2009-10 were pending regularization due to non-availability of records. Further, a consolidated position on age-wise pendency of transit and storage losses region/zone-wise was also not maintained at FCI headquarters indicating inadequacy in its follow-up mechanism.

Thus, though regularization of transit and storage loss cases was to be completed within 60 days of their receipt, an amount of ₹ 1,058.26 crore pertaining to the period since 1980-81 was pending regularisation. Moreover, cases as old as 1979-80 to 2006-07 were regularised only during the period 2006-07 to 2010-11. The process of investigation and writing-off of transit and storage losses was not carried out in a time bound manner resulting in abnormal delays in regularisation of pending cases.

The Management stated (December 2011) that delay in regularisation of transit and storage loss cases at headquarters was mainly due to late receipt of regularisation proposals from the field offices to headquarters. In some of the cases, complete documents were not received for which correspondence was required with field offices. In respect of non-availability of records due to the age of the cases, zonal offices were requested to constitute a committee to see if any action could be taken at that stage.

The Ministry stated (January 2013) that the Corporation was taking necessary steps to regularise all the unregularised losses pending at different levels within a time frame.

²⁷ Monthly Performance Review Reports of FCI

Audit, however, observed that the existing procedure for regularisation of transit and storage losses has not shown any significant reduction in the pendency cases during the period 2006-07 to 2011-12 indicating lack of its effective implementation. Unless regularization of losses is carried out in a time bound manner after proper investigation and ensuring accountability, the accumulation of transit and storage loss cases would continue to persist.

Audit recommendations and responses of the Ministry

Sl. No.	Recommendations of Audit	Ministry's replies
8	The GOI should establish a formal mechanism involving Ministry of Railways and Department of Food/FCI to streamline movement activities. The existing operational constraints of the Railways in supply of rakes as per the requirement of FCI should be addressed urgently.	Accepted. A Co-ordination Committee consisting of Joint Secretary (P&FCI), D/o F&PD, Executing Director (Traffic Transportation), Ministry of Railways and Executive Director (T), FCI has been constituted to consider various issues arising between the FCI and Railways on weekly basis.
9	FCI should streamline and strengthen the existing system of reconciliation of missing and unconnected wagons and settlement of refund claims with the Railways.	Accepted. Already there are Zonal level joint committees to reconcile the missing and unconnected wagons and to resolve the settlement of refund claims.