

CHAPTER III : MINISTRY OF CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION

Department of Consumer Affairs

3.1 Unfruitful expenditure

With a view to strengthening weights and measures infrastructure in the States, the Department of Consumer Affairs supplied Mobile Van Kits (MVKs) to various States for testing weighbridges. However, the Department did not conduct any feasibility study for determining potential use of MVKs in the States before their procurement. As a result, in 12 States, 22 MVKs valuing ₹ 12.87 crore supplied during 2007 to 2010 were not in use as of January 2015.

In order to strengthen weights and measures infrastructure of States/UTs, the Department of Consumer Affairs (the department), Ministry of Consumer Affairs, Food and Public Distribution decided (August 2005) to supply 34 units of Mobile Van Kits (MVKs) for testing/verification of weighbridges¹ to various States and UTs.

The department placed Acceptance of Tender (AT) for supply of 34 MVKs with Directorate General of Supplies & Disposals (DGS&D) in August 2007 at a cost of ₹ 52.82 lakh to ₹ 78.83 lakh per unit. The supply order for additional 7 MVKs was placed in September 2008. The department supplied the MVKs (high capacity) between December 2007 and February 2009 to beneficiary States/UTs.

Audit observed that the department did not conduct any need assessment before initiating the procurement process. As a result, 22 MVKs valuing ₹ 12.87 crore supplied by the department to 12 States² between 2007 and 2014 were rendered idle as of January 2015 (Details in **Annex-IV**). The reasons for non-utilisation of MVKs were mainly hilly terrain not being conducive for the vehicles, roads being narrow, unavailability of technical staff and for want of repairs. Subsequently,

¹ A platform scale that stands flush with a road and is used for weighing trucks, livestock, etc.

² Twelve States are Goa, West Bengal, Assam, Meghalaya, Mizoram, Andhra Pradesh, Tamil Nadu, Bihar, Chhattisgarh, Punjab, Kerala and Karnataka

five States viz. Arunachal Pradesh, Assam, Goa, Meghalaya and Uttarakhand requested the department (October 2009 to August 2010) to replace the bigger size MVKs with smaller ones. Accordingly, 31 smaller size MVKs were purchased (2009) at a cost of ₹ 19.29 crore by the Department and supplied to the States.

Audit further observed that a decision was taken in November 2010 to transfer the bigger MVKs lying idle with the States to other areas where those could be utilised. However, the department did not follow up the matter thereafter leading to continued idling of MVKs.

Audit also observed that the eight states to whom the bigger sized MVKs were supplied, were already in possession of 8927 weighbridges; however, due to non-utilisation of the high capacity machines these were being tested with the low capacity machines. Hence Audit could not derive assurance about the adequacy of the present arrangement for testing the weighbridges in these States. Further, in the state of Bihar, Chhattisgarh, West Bengal and Karnataka the work of testing 5266 weighbridges could not be taken up.

On this being pointed out by Audit, the department stated (October and December 2014) that the procurement of bigger size MVKs for testing of weighbridges was a pilot project for the first time in the country. However, utilisation/transfer of bigger size MVKs was being ascertained from the states. The department added that states had been requested to take all necessary steps to ensure maximum utilisation of MVKs.

The department further stated (January 2015) that the decision to supply MVKs to the states was to provide them with equipment which was rudimentary prerequisite for verification of weighbridges and, therefore, such supply was not complementary or supplementary and hence did not warrant any feasibility study to ascertain their requirement. It added that the issue of narrow roads, hilly terrain and training of personnel attributed by the states was not justified and was rather a result of attitude of the enforcement officers of some states.

The reply confirms that the supplies were concluded without establishing need in consultation with the respective state Governments. Moreover, the stated reasons for non-utilisation of MVKs were reported by the user

departments of the states and cannot be dismissed by the department as mere excuses. The fact remains that the decision of the department to supply MVKs was not based on proper analysis and evaluation of the proposed project leading to idling of Mobile Van Kits valuing ₹ 12.87 crore.

3.2 Poor internal controls leading to non-adjustment of excess release of funds

Ministry of Consumer Affairs, Food and Public Distribution had been releasing funds to Food Corporation of India (FCI) under the 'Village Grain Bank Scheme' for supply of food grains to needy States. The funds were released to the Corporation on the basis of the then economic cost of food grain which was found to be higher than the actual cost, determined subsequently, leading to excess release of funds of ₹ 1.75 crore to the FCI. The Ministry initiated action for adjustment of excess amount only after being pointed out by Audit.

The Ministry of Consumer Affairs, Food and Public Distribution has been implementing (November 2004) 'Village Grain Banks scheme'³ (VGB scheme) in the villages identified by the State Governments as chronically food deficit areas. The scheme was to enable the marginalised food insecure households to borrow food grains from the Village Grain Banks set up within their villages.

As per the scheme provisions, the financial assistance was given under two components, viz. cash component⁴ and food component. Under the food-component, each grain bank was to store one quintal of food grain (Rice, Wheat or coarse grain) per family for an average of 40 families, which was to be given as one time grant by the Central Government. Food grain was to be supplied by the Food Corporation

³ The scheme was discontinued (January 2014) by the Ministry attributing to discouraging response of States.

⁴ Includes cost of weight and measures, godowns, training transportation, etc. which was to be released by the Central Government to the State Governments for setting up and running of grain banks.

of India (FCI) to the concerned States on free of cost basis. For this purpose the Ministry was to make payments to the FCI, based on the average present economic cost of grains. The economic cost to the FCI consists of the Minimum Support Price declared by the Government of India, post procurement incidentals like statutory charges, mandi charges, cost of packing material etc., and operational cost of carrying food grains from surplus States to deficit States.

Examination by Audit disclosed that the Ministry had been releasing food grain assistance (payable in advance to the FCI) for establishment of Village Grain Banks in various States, on the basis of the then economic cost of food grains' so determined. Audit observed that the amount so released was only a provisional figure⁵ and could not be determined with certainty till the closure of annual accounts of the FCI. Despite this fact, the Ministry did not make a provision for adjustment later, in case of any deviation with the economic cost finally determined. A comparison of Food Grains Bulletin (incorporating the final figures of economic cost) brought out by the Ministry with the sanction orders releasing funds to FCI disclosed that on 11 occasions the rates adopted by the Ministry were higher than the actual cost finally arrived at, while on two occasions it was lower. This led to net excess release of ₹ 1.75 crore during 2006-07 to 2011-12. Details are given in the **Annex-V**. Further, the fact that the rates adopted by the Ministry were consistently higher than the final rates is also indicative of unrealistic assessment by the Ministry.

On being pointed out, the Ministry confirmed the excess release of funds to FCI and stated that the FCI had been requested to refund the excess amount and to fix responsibility.

The reply of the Ministry attempts to pass on the responsibility on the FCI without recognising that the Ministry was not aware of the issue of excess release until being pointed by Audit. The fact remains that the Ministry failed to institute an efficient monitoring mechanism for reconciliation of the amount of economic cost released vis-à-vis the final

⁵ Economic cost was being reviewed in various stages viz. Budget Estimates, Revised Estimates, provisional stage etc.

cost with the FCI and devise measures for their timely adjustment indicating poor internal controls within the organisation.

The Ministry subsequently stated (February 2015) that Audit had taken only those cases where final economic cost of food grains was fixed on higher side. However, if all the cases during the period were to be reckoned then an amount of ₹ 8.05 crore was outstanding against the Ministry on this account.

The reply is not tenable as results of Audit were based on test check of records and included the cases of over fixation of economic cost and reflected net excess. The reply of the Ministry confirms that the reconciliation exercise based on the final economic cost of the food grains was carried out by the Ministry only after the issue was raised by Audit. The Ministry must carry out regular reconciliation.

3.3 Utilisation of grants on inadmissible component

Under the scheme of 'strengthening of weights & measures infrastructure of States', construction of a new laboratory building was allowed for a land identified by the State Government or outright purchase of a constructed building. The State Government irregularly purchased land valuing ₹ 1.48 crore out of the funds released to it and Ministry failed to exercise adequate oversight through scrutiny of utilisation certificates.

The Ministry of Consumer Affairs, Food & Public Distribution approved (September 2009) a plan scheme of 'Strengthening of Weights & Measures Infrastructure' for augmenting the infrastructure of legal metrology departments of States/UTs to be implemented during 2009-12. Under the scheme the Ministry was to provide grants-in-aid for supply of standard equipment⁶ and construction of laboratory buildings.

In terms of the scheme provisions, the States/UTs had the option to use grant in aid for construction of Working Standard Laboratory (WSL) and Secondary Standard Laboratory (SSL) either on a land identified and

⁶ All type of weights, dispensing measures, surveying chains, blood pressure measuring instruments, taxi meters, CNG dispensers, vertical storage oil storage tanks for petroleum products

provided by the State free of cost or through outright purchase of a constructed building, as the case may be. However, the States were to ensure the availability of not less than 90 square metre space for WSL/SSL.

The Ministry sanctioned sums aggregating ₹ 2.70 crore during 2010-11 and 2011-12 to the Legal Metrology Department, Government of Uttar Pradesh for construction of SSL, WSL and calibration towers for testing of tank lorries at different stations in the State.

Audit examination of Utilisation Certificate furnished by the State Government disclosed that it had incurred a sum of ₹ 1.48 crore on purchase of land out of the grants received by it. Audit observed that this component was neither covered under the scheme guidelines nor under the sanction issued by the Ministry. The expenditure incurred by the State Government was outside the ambit of the scheme provisions and was, therefore, irregular. The fact that the Ministry failed to exercise adequate oversight on the fund utilisation by the State Government also indicates weakness in its monitoring mechanism.

After the issue raised by Audit (June 2014) the Ministry took up (June 2014) the matter with the State Government which in turn replied (August 2014) that it had purchased the land at places where free of cost land was not available and purchasing of a constructed building would also include cost of land. Therefore, purchase of land was in terms of the instructions issued by the Ministry.

The reply of the State Government is inconsistent with the scheme provisions which clearly stipulated that the States were to ensure availability of land for setting up the WSL/SSL. Hence the State Government diverted the funds on an inadmissible component.

On this being pointed out by Audit (September 2014), the Ministry admitted (December 2014) the audit findings and requested the Government of Uttar Pradesh to refund the grant of ₹ 1.48 crore utilised by it on purchase of land.

3.4 Non-utilisation of Flow Meter kits leading to unfruitful expenditure of ₹ 1.47 crore

The Ministry of Consumer Affairs, Food and Public Distribution procured Flow Meters kits and supplied these to various States under the scheme of 'Strengthening of Weights and Measures Infrastructure'. The kits were supplied to the States where compressed natural gas/liquid petroleum gas filling facility was not available. This led to non-utilisation of 19 kits valuing ₹ 1.47 crore in seven States.

Ministry of Consumer Affairs, Food and Public Distribution approved (September 2009) the scheme of 'Strengthening of Weights and Measures Infrastructure of States/UTs' to be implemented in XI Plan period (2007-12). The scheme included purchase of 100 kits of compressed natural gas (CNG)/liquid petroleum gas (LPG) mass flow meters⁷ for testing of CNG/LPG dispenser stations in the States/UTs.

As per the scheme provisions, the Ministry was to procure CNG/LPG kits through Directorate General of Supplies & Disposals (DGS&D) to be supplied to various States free of cost. DGS&D floated the tenders for procurement in May 2010 and awarded (January 2012) the work to a firm at a cost of ₹ 7.76 crore. In terms of the Acceptance of Tender (AT), 40 CNG kits to 20 States/UTs and 60 LPG kits to 27 States/UTs were to be supplied up to June 2012. The kits were supplied by October 2012 in all the States/UTs, free of cost.

Audit noted that while deliberations were on for deciding the procurement of kits, Controllers of Legal Metrology, Assam and Arunachal Pradesh informed in April 2010 that there were no CNG facilities available in States and thus, no CNG kit was required to be supplied. The Ministry considered the request of Arunachal Pradesh and excluded its name from the consignee list. However, it supplied the kits to Assam.

Test check of records further disclosed that despite becoming aware of the impending feasibility issues in the light of the communication

⁷ Flow meter is housed in a portable carrying case with battery for conducting verification of CNG/LPG dispensing stations.

received from Assam and Arunachal Pradesh, the Ministry went ahead and supplied the kits (10 CNG kits and 7 LPG kits) to six States⁸ where CNG/LPG filling facility was not available. Audit further noted that in the state of Odisha, two LPG kits could not be put to use (supplied in October 2012) due to unavailability of technical staff. The guarantee period of 12/15 months for all these 19 machines also expired without being put to use as of December 2014.

Thus, the action of the Ministry to supply the CNG/LPG kits without ascertaining the feasibility of their intended use led to non- utilisation of 19 kits in seven states with consequent unfruitful expenditure of ₹ 1.47 crore (details are in **Annex-VI**).

On this being pointed out, the Ministry stated (October 2014) that concerned State Governments were asked to provide the details of utilisation of LPG/CNG dispenser testing kits and also to ascertain the requirement of these kits which were lying idle with them.

The Ministry further stated (January 2015) that the kits were provided to some States in anticipation that being a green fuel it was going to be popular by the day and therefore pre-requisite standard equipment for verification of the CNG/LPG dispensers should be provided to most of the States. It also stated that it was considering diversion of six each⁹ of CNG and LPG kits to other demanding States and that clarification had also been sought from some States¹⁰ for non-utilisation of the kits.

The reply establishes that the Ministry did not ascertain the feasibility of utilisation of the kits upfront, which ultimately led to their non-utilisation.

⁸ Assam, Kerala, Arunachal Pradesh, Nagaland, Himachal Pradesh and Tamil Nadu.

⁹ Assam (2 CNG kits), Arunachal Pradesh (2 LPG kits), Nagaland (2 LPG kits), Himachal Pradesh (2 CNG & 2 LPG kits), Tamil Nadu (2 CNG kits).

¹⁰ Kerala, Odisha, Nagaland and Assam.