SOCIAL SECTOR

CHAPTER I
SOCIAL SECTOR

1.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2016 deals with the findings on audit of the State Government units under Social Sector.

The names of the State Government departments and the total budget allocation and expenditure of the State Government under Social Sector during the year 2015-16 are given in the table below:

Table 1.1.1

(*₹ in crore*)

Sl. No.	Name of the departments	Total budget allocation	Expenditure
1	Cultural Affairs and Heritage	26.36	14.01
2	Ecclesiastical Affairs	7.18	6.84
3	Food and Civil Supplies and Consumer Affairs	28.65	23.22
4	Health Care, Human Services and Family Welfare	348.83	262.08
5	Human Resource Development	555.60	474.63
6	Labour	8.94	7.20
7	Social Justice, Empowerment and Welfare	215.68	120.44
	Total	**1,191.24**	**908.42**

Besides the above, the Central Government has been transferring funds directly to the implementing agencies under the Social Sector. The major transfers for implementation of flagship programmes of the Central Government are detailed below:

Table 1.1.2

(₹ in lakh)

<table>
<tr><th>Sl. No.</th><th>Name of the Department</th><th>Name of the Scheme/Programme</th><th>Implementing agency</th><th>Funds transferred during the year</th></tr>
<tr><td rowspan="7">1</td><td rowspan="7">Cultural Affairs and Heritage</td><td rowspan="7">Scheme of Art and Culture and Centenary Celebrations (Other Missions, Schemes and Autonomous Organisation, Secretariat and Subordinate Offices)</td><td>Lhakpa Lepcha</td><td>3.00</td></tr>
<tr><td>Pabitra Kumari Gautam</td><td>2.63</td></tr>
<tr><td>Serrdup Choeling Trust</td><td>10.00</td></tr>
<tr><td>Bhurum Puratan Sanskrit Evam Dharohar Sanrakshan Sangh</td><td>3.00</td></tr>
<tr><td>Himalayan Heritage Research and Development Society</td><td>2.63</td></tr>
<tr><td>Khachoed Pema Choeling Trust</td><td>10.00</td></tr>
<tr><td>The Tingkye Gonjang Nyingma Trust</td><td>15.00</td></tr>
</table>

Sl. No.	Name of the Department	Name of the Scheme/Programme	Implementing agency	Funds transferred during the year
2	Health Care, Human Services and Family Welfare	Assistance to Voluntary Organisation for providing Social Defence	Association for Social Health in India	9.31
3	Human Resource Development	Digital India Programme	Sikkim Manipal Institute of Technology	12.46
		Research and Development Support Serc	Sikkim Manipal Institute of Technology	25.50
		Science and Technology Programme for Socio Economic Development	Sikkim Manipal Institute of Technology	8.00
4	Social Justice, Empowerment and Welfare	Grant-in-aid to Voluntary Organisation working for the Welfare of Scheduled Tribes.	Human Development Foundation of Sikkim, GRBA Road Chongey Tar, Gangtok, East Sikkim	26.03
		Assistance to disabled persons for purchase/fitting	DDRC, Gangtok, East Sikkim	15.75
Total				**143.31**

Source: Finance Accounts

1.2 Planning and conduct of audit

Audit process starts with the assessment of risks faced by various departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls, etc.

After completion of audit of each unit on a test check basis, Inspection Reports (IRs) containing audit findings are issued to the heads of the departments. The departments are to furnish replies to the audit findings within one month of receipt of the IRs. Whenever replies are received, audit findings are either settled based on reply/action taken or further action is required by the audited entities for compliance. Some of the important audit observations arising out of the IRs are processed for inclusion in the Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India for laying on the table of the Legislature.

Test audits were conducted involving expenditure of ₹ 730.49 crore (including expenditure of ₹ 622.52 crore of previous years) of the State Government under Social Sector. The details of year-wise break-up is given in **Appendix 1.2.1**.

This Chapter contains one Performance Audit on Targeted Public Distribution System and three Compliance Audit Paragraphs as given below:

FOOD AND CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

1.3 Targeted Public Distribution System

Public Distribution System (PDS) is a major instrument of the Government's economic strategy for ensuring timely availability of foodgrains to the public at affordable prices and also enhancing food security for the poor. This involves procurement, storage and distribution of essential commodities such as rice, wheat, sugar, superior kerosene oil (SK Oil), salt, edible oil, etc. at affordable prices to the public through statutory rationing system.

The Targeted Public Distribution System (TPDS) was introduced in June 1997 with focus on the poor. Under the scheme, the States were required to formulate and implement foolproof arrangements for identification of the poor and delivery of foodgrains in a transparent and accountable manner at the Fair Price Shop (FPS) level.

Performance Audit (PA) on implementation of TPDS in Sikkim was conducted to assess the efficacy of the system followed by the Food and Civil Supplies and Consumer Affairs Department (FCSCAD) for correct and holistic identification of beneficiaries, effectiveness of PDS in ensuring that all identified beneficiaries have access to foodgrains, adequacy in financial management to ensure uninterrupted supply of foodgrains at affordable price and to evaluate the effectiveness and adequacy of the monitoring system existing in the State.

PA disclosed that there were areas of concern which needed attention of the State Government, viz. absence of year-wise revision of beneficiary lists, issue of dual ration cards to beneficiaries, diversion of SK Oil to Government departments and other organisations thereby depriving the benefit of the scheme to intended PDS beneficiaries, absence of quality control facilities and lack of adequate monitoring at FPS level by district authorities. The main highlights of the Audit findings are as follows:

Highlights

The State Government neither reviewed nor updated the list of beneficiaries under Below Poverty Line (BPL) since 2005-06 till December 2015 which remained unchanged even though the BPL population reduced to 1,04,546 individuals in 2006 and further reduced to 50,006 individuals in 2011-12 which resulted in extension of benefit to ineligible beneficiaries.

(Paragraphs 1.3.9.1.1 and 1.3.9.1.2)

Superior Kerosene Oil (334.72 KL) allocated under TPDS was diverted to different Government departments and other organisations who in turn distributed it to its employees. This had not only resulted in diversion of SK Oil of ₹ 0.54 crore but also deprived the intended beneficiaries of the benefit of the scheme.

(Paragraph 1.3.9.2.4(ii))

Short lifting of 4,807 tons of sugar during July 2013 to July 2015 and over charging in retail issue price (April 2011 to June 2013) not only deprived the intended benefit to the targeted section but also resulted in extra financial burden of ₹ 1.32 crore on all the consumers.

(Paragraphs 1.3.9.2.5(i) and (ii))

Inclusion of unwarranted items such as interest on borrowed funds and double inclusion of carriage charges in pricing structure of rice led to extra financial burden of ₹ 2.94 crore on the beneficiaries.

(Paragraph 1.3.9.2.7)

Monitoring mechanism was deficient as returns were not submitted by Fair Price Shops, quality of commodities issued under TPDS was not ascertained, Vigilance Committees constituted for proper monitoring of TPDS were defunct.

(Paragraphs 1.3.9.4.1, 1.3.9.4.3 and 1.3.9.4.4)

1.3.1 Introduction

Food management involves implementation of a well Targeted Public Distribution System (TPDS) for ensuring availability of foodgrains to the public at an affordable price at appropriate time and ensuring food security for the poor. For proper implementation of the TPDS, it is necessary and binding to ensure that the foodgrains of proper quality are obtained and are made available in prescribed scale at subsidised rates only to eligible beneficiaries. The process involved in seamless implementation of TPDS are identification of beneficiaries, issue of ration cards to identified beneficiaries, allocation, lifting and distribution to cover the identified beneficiaries having ration cards. Distribution of quality Public Distribution System (PDS) items in time at an affordable price at prescribed scale is the essence of TPDS and should be backed-up with proper monitoring.

In Sikkim, Food and Civil Supplies and Consumer Affairs Department (FCSCAD) is responsible for implementation of TPDS through the network of 27 departmental food godowns and 1,420 Fair Price Shops (FPSs) located across the State. The Planning Commission of India projected (August 2000) 43,428 households (HHs) living Below Poverty Line (BPL) in the State whereas, the Department catered to 68,352 HHs under BPL category and 4,30,234 individual card holders in the Above Poverty Line (APL) category.

PDS was strengthened by introducing the TPDS in 1997. Under the TPDS, special ration cards were issued to the BPL families and foodgrains were provided to them at highly subsidised rates. The State Government implemented following schemes under TPDS:

- **Below Poverty Line:** For ensuring food security to the populace falling under the BPL category, 35 kgs of rice was provided to BPL beneficiaries (26,914 HHs out of a total of 43,428 identified by the Planning Commission in August 2000) at monthly intervals at subsidised rate of ₹ 4 per kg w.e.f. April 2002. Beneficiaries under the scheme were selected on the basis of income and other criteria issued by the State Government/Central Government such as that any or all the members were not in a regular service of State/Central/Public Sector Undertaking, not in possession of dwelling house/building, cultivable land, taxi or private vehicles, means of modern amenities or retired Government servant getting monthly pension, etc.

- **Above Poverty Line:** Under the scheme, Above Poverty Line (APL) ration card holders (individuals) were provided with 2 kgs of rice per month at the rate of ₹ 9 per kg. In the State, there were 4,30,234 ration card holders under APL category as of December 2015. All the persons residing in the State of Sikkim not eligible for inclusion in BPL category were included under the scheme.

- **Antyodaya Anna Yojana (AAY):** AAY was launched by the Prime Minister of India in December 2000 to reform and improve the existing PDS so as to serve poorest of the poor in the rural and urban areas. Selection of the targeted number of beneficiaries for the scheme was to be made out of BPL beneficiaries, arranging them in the ascending order of the income and thus giving preference to those with lower income. Under this scheme, 35 kgs of rice was provided to the beneficiaries at ₹ 3 per kg per month per HH. The scheme was implemented in the State from October 2001. The poorest of the poor (16,514 HHs), out of the total of 43,428 BPL households, were identified under AAY.

The State Government, however, rechristened (August 2003) the name of AAY into Mukhya Mantri Antyodaya Annadaan Yojana (MMAAY) with the inclusion of 9,914 HHs and remaining 6,600 HHs as Expanded Antyodaya Annadan Yojana (EAAY). These HHs were provided 35 kgs of rice free of cost per month per HH.

- **Mukhya Mantri Khadya Suraksha Abhiyan (MMKSA):** This scheme was introduced by the State Government in September 2004 to provide 35 kgs of rice per month per HH at subsidised rate of ₹ 4 per kg to other marginal and economically backward households (24,923 HHs) not covered under any of the above schemes.

- **Annapurna Scheme:** GoI introduced (April 2000) provision of 10 kgs of rice per month free of cost to helpless aged people above the age of 65 years (2,500 Senior citizens*)* with no one to support them, eligible for old age pension, but not in receipt of National Old Age Pension. The beneficiaries were reduced to 960 since April 2014.

- **Nari Niketan/Welfare Institutions**: GoI introduced (April 2003) this scheme for welfare institutions, orphanages, monastic schools, where inmates/residents were provided with free meals. The Department provided such institutions (2,064 institutions) 5 kgs of rice per inmate per month at the rate of ₹ 4 per kg. GoI allocated 11.39 tons of rice per month to the State under the scheme.

The State Government, however, redesigned (July 2013) all the schemes relating to BPL HHs (BPL, MMAAY, EAAY) and that of MMKSA into two schemes as below.

(a) Antyodaya Anna Yojana: All households previously under MMAAY (9,914 HHs) and EAAY (6,600 HHs) were taken under AAY (16,514 HHs) and were entitled to 35 kgs of rice free of cost per month per HH. Further, households having more than six members were entitled to additional 15 kgs of rice per month.

(b) Mukhya Mantri Khadya Suraksha Abhiyan: All households previously under the BPL (26,914 HHs) scheme and MMKSA (24,923 HHs) schemes were taken under MMKSA (51,837 HHs) and were entitled to 35 kgs of rice per month per household at the rate of ₹ 2 per kg. Further, households having more than six members were entitled to additional 15 kgs of rice per month at the rate of ₹ 2 per kg.

Although, the National Food Security Act (NFSA), 2013 was enacted and enforced from 1 July 2013 by GoI throughout the country for providing food security to all its citizens, it had been implemented in the State of Sikkim from January 2016 only. The NFSA envisages entitlement of foodgrains to two categories of beneficiaries, viz. AAY and Priority Households (PHHs) at highly subsidised prices.

The information about the population and districts of the State together with details of the Scheme including godowns and beneficiaries under different categories prior to implementation of NFSA and after implementation of NFSA are given below:

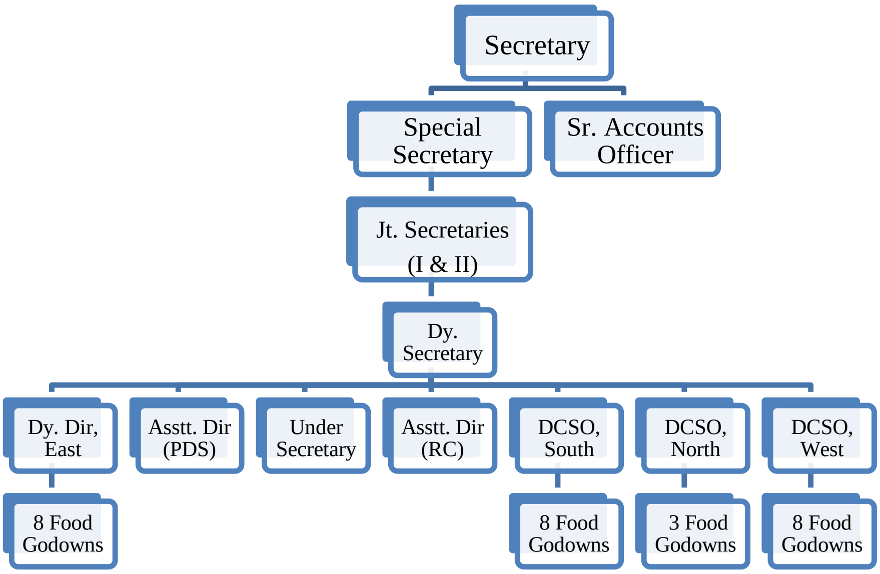
Table 1.3.1
Relevant information pertaining to the State of Sikkim

Particulars	Values
Total population (as per 2011 census)	6,10,577
No. of Food Corporation of India (FCI) godowns	02
No. of districts	04
No. of State food godowns	27
No. of FPSs	1420
Beneficiaries (before NFSA)	
Antyodaya Anna Yojana (AAY)	*16,514 HHs*
Below Poverty Line (BPL)	*26,914 HHs*
Above Poverty Line (APL)	*4,30,234 Individuals*
Mukhya Mantri Khadya Suraksha Abhiyan (MMKSA)	*24,923 HHs*
Beneficiaries (after NFSA)	**w.e.f January 2016**
Antyodaya Anna Yojana (AAY)	*16,509 HHs*
Priority Households (PHH)	*3,24,814 individuals*
Other Priority Households (OPHH)	*1,22,378 individuals*
Non Priority Households (NPHH)	*95,040 individuals*

1.3.2 Organisational set-up

The organisational setup of the Department is depicted in the Chart below:

Chart 1.3.1



1.3.3 Audit Objectives

The Performance Audit (PA) was conducted with the objective to assess:

- Efficacy of the system for correct and holistic identification of beneficiaries;
- Effectiveness of the PDS in the State in ensuring that all identified beneficiaries have access to foodgrains;
- Management of Revolving Fund was proper and efficient; and
- Monitoring system to check quality, quantity and pilferage of PDS items existing in the State was adequate and effective.

1.3.4 Audit Criteria

Audit findings were benchmarked against the criteria in the following documents:

- Guidelines on working and regulation of PDS in Sikkim issued by the State Government;
- Public Distribution System (Control) Order, 2001; Targeted Public Distribution System (Control) Order, 2015 and the National Food Security Act, 2013;
- Guidelines for selection of beneficiaries under different schemes issued by GoI and the State Government;
- Central Issue Price (CIP) rates and issue rates of PDS items;
- Socio-Economic Survey Report 2006 of Department of Economics, Statistics, Monitoring and Evaluation (DESME);
- Instructions and circulars issued by GoI and State Government from time to time; and
- Sikkim Financial Rules 1979.

1.3.5 Scope of audit

PA on implementation of TPDS in Sikkim covering the period from 2011-12 to 2015-16 was conducted during April - July 2016 through test check of records at Secretariat level and Office of the District Civil Supplies Officers {DCSO (East and South)}, departmental food godowns and FCI godowns and the records of 72 FPSs being 27 *per cent* out of 270 FPSs of East and South districts.

1.3.6 Past audit coverage and Public Accounts Committee's recommendations

PA on the PDS in Sikkim featured in the Comptroller and Auditor General's Audit Report for the year ended 31 March 2010 (Report No.2), Government of Sikkim vide Para 1.2 and was discussed in Public Accounts Committee (PAC) in 102nd Report for the year 2015-16. However, no recommendations were made by the PAC.

1.3.7 Audit methodology

PA commenced with an Entry Conference held on 25 May 2016 with the Secretary, FCSCAD wherein audit objectives, scope of audit, audit methodology and audit criteria were explained. Audit process included issue of requisitions for information/data/ records, scrutiny of records and analysis of information/data followed by framing of audit observations.

Sample: The Audit sample identified for detailed examination consisted of two (East and South) out of the four districts of the State (50 *per cent*), 4 godowns (25 *per cent* from selected districts) and 72 FPSs (27 *per cent* from selected godowns). Identification of the sample was done by Multi-Stage Sampling with Simple Random Sampling Without Replacement (SRSWOR) method using IDEA software. Audit also undertook a questionnaire-based survey of beneficiaries to ascertain the efficacy of TPDS, level of consumer satisfaction and reach of benefit to the public under the existing TPDS and NFSA. Results of beneficiary survey were suitably included wherever necessary. The draft report was issued to the Government in September 2016.

The replies on the observations were received in November 2016. The Audit findings were also discussed in an Exit Conference held on 9 November 2016 with the Secretary, FCSCAD and the report was finalised duly taking into consideration the views of the Department.

1.3.8 Acknowledgement

The Indian Audit and Accounts Department acknowledges the cooperation of the FCSCAD and Food Corporation of India (FCI), Gangtok in providing necessary information and records for audit.

1.3.9 Audit findings

1.3.9.1 Identification of beneficiaries

Identification of eligible BPL families was a prerequisite for effective implementation of TPDS. With a view to identify the eligible poor and vulnerable section of society for issue of essential commodities at subsidised rate, GoI, Ministry of Rural Development (MoRD) issued (September 2002) revised guidelines to the State Governments for identification of BPL households. However, audit scrutiny revealed that there were flaws and deficiencies in identification of target groups as discussed below:

1.3.9.1.1 List of BPL beneficiaries not updated

PDS (Control) Order, 2001 vide Sub-Rule (1) and (2) under Rule 3 and Rule 13 of the Targeted Public Distribution System (Control) Order, 2015 envisaged that the State Government shall formulate suitable guidelines for identification of families living below the poverty line including AAY and PHH families and review the list of beneficiaries every year for deletion of ineligible families and inclusion of eligible families.

The State Government had formulated separate guidelines for identification of families living below the poverty line but updation of beneficiaries under BPL and the State's own scheme of MMKSA was not done by the Department for the last ten years from 2005-06 to 2015-16 (upto December 2015) as stipulated in the PDS (Control) Order, 2001. Consequently, the number of BPL families identified (August 2000) by the Planning Commission of India of 43,428 HHs (BPL: 26,914 HHs; AAY: 16,514 HHs) and State's own scheme of MMKSA (24,923 HHs) remained unchanged during the period from 2005-06 to 2015-16 (till December 2015).

1.3.9.1.2 Extension of benefits to ineligible beneficiaries

As per the State Socio-Economic Census 2006 conducted by the DESME, total BPL beneficiaries in the State were 19.33 *per cent* (1,04,546 individuals) of the population (5,40,851) which decreased to 8.19 *per cent* (50,006[1] individuals) in 2011-12. Further, as per the Planning Commission of India, BPL beneficiaries in the State decreased from 80,000 in 2009-10 to 51,000 in 2011-12. Though, there was considerable decrease in BPL population between 2009-10 to 2011-12, the State Government neither restricted the number of BPL beneficiaries to 51000 nor carried out any exercise for updation/deletion of BPL beneficiaries and continued extending the benefits to 2,30,168 individuals (43,428 HHs) throughout the period from 2005-06 to December 2015 under TPDS. Thus, the Department's inaction to update the beneficiaries list annually resulted in extension of benefits under BPL to 1,79,168 ineligible beneficiaries during the period mentioned above.

The Department in its reply stated (November 2016) that the year-wise updation of BPL list could not be done due to poor participation of public in Gram Sabha. The Department further stated that revised list of beneficiaries under the NFSA was uploaded in the State portal and foodgrains had been distributed from January 2016 as per the revised list. The

[1] *Total population 6,10,577 x 8.19 per cent = 50,006.*

reply of the Department was not tenable as the Department failed to carry out the updation of BPL list for the last ten years (2005-06 to 2015-16 till December 2015). Moreover, implementation of the NFSA was in the initial stage as updation and cleansing of data by removal of duplicate beneficiaries and correction of ration cards was going on. Thus, the number of beneficiaries identified under NFSA cannot be taken as final.

1.3.9.1.3 Issue of dual ration cards (both APL and BPL cards) to beneficiaries and extending of double benefits

The Sikkim Food Stuff (Distribution) Control Order 1978 (amended Rule 18) stipulated issue of only one ration card to members of a household or establishment at any given point of time.

It was noticed that the provision of the Rule was not adhered to by the Department since 68,351 HHs who were issued BPL ration cards (BPL, AAY and MMKSA) for drawal of rice were also provided APL cards to draw sugar and SK Oil. Audit scrutiny revealed that these BPL beneficiaries were provided rice twice, once on BPL card and simultaneously on APL Card too on monthly basis. This had resulted not only in issue of dual ration cards but also extension of double benefits to draw rice under BPL and APL ration cards simultaneously (35 kgs per household and 2 kgs per card holder).

The Department in its reply stated (November 2016) that issue of dual ration cards to BPL families had been rectified after implementation of the NFSA from January 2016 and now only one ration card was issued per family irrespective of the category (AAY, PHH, OPH and NPHH) under which they fall.

1.3.9.1.4 Deprival of intended benefit of the scheme to the beneficiaries of backward district (North District)

The Supreme Court of India[2] directed the Central Vigilance Committee (CVC) for distribution of five million tons of foodgrains under PDS to extremely poor and most vulnerable sections of 150 poorest and backward districts in the country. The CVC was also directed to identify poorest segments of society and to ensure that additionally allocated foodgrains reach this segment so that no starvation incidents would take place. The Ministry of Consumer Affairs, Food and Public Distribution requested (August 2011, September 2011 and March 2012) the State Government to identify additional BPL/AAY families in the poorest/backward district in the State for distribution of additionally allocated foodgrains.

On the recommendation of the CVC on PDS, North District of Sikkim was identified as one of the backward district with 2,504 HHs found eligible under this scheme, although these families were covered under the MMKSA and recommended for allocation of additional foodgrains (35 kgs of rice per HH per month). GoI accordingly allocated 264 tons of rice for 2011-12 (September to December 2011) to the State for distribution. As per the communiqués furnished by the Department to the Ministry dated June 2012, entire 264 tons of foodgrains allocated was lifted and distributed to AAY/BPL beneficiaries of North District during the period September 2011 to December 2011.

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[2] *W.P(C) 196 of 2001 – PUCL vs Union of India and Ors. vide Order dated 14 May 2011.*

GoI in March 2012 enquired from the State about further requirement to meet the demand under the scheme but the State Government responded only in June 2012 and communicated to the Ministry for additional quota of 88 tons to cover 2,504 identified families under AAY/BPL from January to June 2012. GoI, however, did not provide further allotment under the scheme. Thus, due to lack of timely action and absence of subsequent persuasion by the State Government/Department, 2,504 AAY/BPL families of North District were deprived of the benefits as envisaged by the Supreme Court of India.

The Department stated (November 2016) that the allocation for the subsequent years was not provided by GoI despite the demand submitted by the State. The left out beneficiaries were covered under State's own other schemes. Hence, there was no deprival of the benefit to the beneficiaries of North District. Further, with the implementation of the NFSA, all the beneficiaries are covered and provided foodgrains as per the provision of the Act.

The reply of the Department was not acceptable considering the fact that the beneficiaries were deprived of the benefits envisaged by the Supreme Court of India.

1.3.9.2 Availability of foodgrains to all identified beneficiaries

1.3.9.2.1 Rice

(i) Allocation, lifting and distribution of foodgrains

Under the TPDS, GoI allocates foodgrains to the State Government at Central Issue Price (CIP) fixed separately for APL, BPL and AAY beneficiaries. Based on the allocation made by GoI, the State Government lifted and allocated the foodgrains for APL, BPL and AAY categories. The foodgrains meant for AAY and BPL beneficiaries were further subsidised by the State Government, the subsidy amount and transportation cost (FCI godowns to the departmental food godowns) was borne by the State Government. In the State, distribution of foodgrains were carried out through the network of 27 departmental food godowns and 1,420 FPSs.

Year-wise allocation and lifting of rice under various schemes of TPDS for the last five years were as below:

Table 1.3.2

(Quantity in tons)

Year	Allotment			Lifting			Distribution		
	BPL	APL	AAY	BPL	APL	AAY	BPL	APL	AAY
2011-12	11,304	23,040	6,936	11,304	23,040	6,936	11,304	23,040	6,936
2012-13	11,304	23,040	6,936	11,304	23,040	6,936	11,304	23,040	6,936
2013-14	13,074	23,088	6,936	13,074	23,088	6,936	13,074	23,088	6,936
2014-15	11,304	23,040	6,936	11,304	23,040	6,936	11,304	23,040	6,936
2015-16 (upto December 2015)	9,420	19,200	5,780	9,420	19,200	5,780	9,420	19,200	5,780

From January to March 2016 (under NFSA)

Year	Allotment			Lifting			Distribution		
	Other Priority Household	Priority Household	AAY	Other Priority Household	Priority Households	AAY	Other Priority Households	Priority Households	AAY
2015-16 (January -March 2016)	3,600.00	4,842.51	1,732.50	3,600.00	3,228.34	1,155.00	3,600.00	3,228.34	155.00

Source: Departmental figures

The allocation, lifting and distribution of rice under various schemes of TPDS during the last five years remained constant except 2015-16. Reasons for short lifting of rice during 2015-16 under PHH and AAY were attributed mainly due to transition phase and survey/updation of beneficiaries from TPDS system to existing NFSA.

Distribution of foodgrains: The State Government reflected 100 *per cent* distribution of foodgrains to the beneficiaries. However, Audit scrutiny of four departmental food godowns, two each from East and South districts (sample selection) respectively revealed that against the allotment and lifting of 26,579.10 tons of rice during 2013-16, those four departmental food godowns could distribute 26,496.50 tons of rice leaving a balance of 82.60 tons. Thus, it can be seen that the figures as reflected by the Department was not entirely accurate.

The Government needs to reconcile the foodgrains distributed with those lifted and identify actual distribution to BPL families to ensure that all families have received the foodgrains and rectify any past weakness so that the purpose of the scheme of providing foodgrains to all is not vitiated in distribution and no leakage of foodgrains is possible.

(ii) Insufficient, erratic allotment and diversion of APL rice

Annapurna Scheme (APS) was introduced by GoI from April 2000. Under this scheme, helpless aged people above the age of 65 years with no one to support them and eligible for National Old Age Pension but not in receipt of pension, were provided 10 kgs of rice free of cost per month. The State Government implemented the scheme from July 2001 and covered 2,500 beneficiaries under the scheme.

Audit scrutiny revealed that instead of providing the PDS rice on monthly basis, allotment and distribution under the scheme was done on six monthly/annual basis as verified from the records of allotment and lifting of rice during the period 2014-15 and 2015-16. It was also noticed that the allotment of 2014-15 was provided in March 2015 and the allotment of April to September 2015 was provided in September 2015. No allotment pertaining to the period from October 2015 to March 2016 was made under the scheme. As a result, 1,571.30 quintals of APL rice worth ₹ 13.59 lakh was diverted for distribution under APS. Further, against the monthly requirement of 241.10 quintals, it was noticed that the monthly allotment ranged from 96 to 157 quintals per month which was far less than the actual requirement to cater to 2,500 beneficiaries under the scheme. Thus, the allotment of quota was not only erratic but also inadequate resulting in diversion of APL quota to APS.

In reply, the Department stated (November 2016) that as GoI was not providing monthly quota of APS rice on monthly basis, it was instructed to all godowns In-charge to provide the monthly quota of APS from APL quota as the issue of rice to the senior citizens was felt more important than APL beneficiaries. However, diverted quantity of rice was made good as and when monthly quota of APS rice was allotted by GoI. The reply of the Department for recoupment of diverted quantity was not tenable as the recouped quantity of rice as stated by the Department was not found included in the stock of APL rice subsequently and to that extent APL families were deprived of the benefits.

(iii) Non-maintenance of records and suspected diversion of APL rice into open market

As per the PDS (Control) Order 2001, FPSs were required to maintain proper records, viz. stock registers of PDS items, list of card holders/consumers, foodgrains lifted, sold and balances of foodgrains of each month, etc. This facilitates in ensuring that all identified beneficiaries have access to foodgrains and in turn would maintain transparency in delivery of the PDS items and would also aid in monitoring of the FPSs at desired level.

Survey of selected 72 FPSs by audit revealed that the records as mentioned above were not maintained except by two FPSs. Stock registers of APL rice provided by these two FPSs revealed short distribution of rice to APL beneficiaries as detailed below:

Table 1.3.3

Name of related food godown	No. of APL card holders	Monthly quota as per scale (in qtls)	Lifted by the FPSs (in qtls)	Issued & percentage of issue (in qtls)	Short distributed & percentage (qtls)	Period
Singtam godown[3]	2,100	42	126	27.12 (22)	98.88 (78)	July-September 2014
Singtam godown[4]	500	10	340	6.86 (2)	323.14 (98)	April 2011-December 2014
Total	**2,600**	**52**	**466**	**33.98**		

The above table elucidates that against the lifting of 466 quintals of rice, the FPSs issued 33.98 quintals of rice only, the percentage of issue ranged between 2 *per cent* and 22 *per cent*. The undistributed stock of 432.02 quintals valuing ₹ 3.89 lakh was neither issued to the concerned beneficiaries in subsequent months nor adjusted in monthly quota of following months. As the other 70 FPSs were not maintaining records, it could not be ascertained whether diversion had taken place. Undistributed stock (of atleast 432.02 quintals) was fraught with the risk of diversion to the open market.

The Department stated (November 2016) that all FPSs had been regularly instructed to maintain stock register of PDS items. Stock registers were also checked by the DCSOs and godowns in-charge. As the audit period was from 2011-12, the FPS owners might have disposed of the records after the same were inspected by the departmental officials. As far as partial distribution of APL rice by two FPSs were concerned, factual position would be verified and intimated to Audit. Any discrepancy in the present system, if found, action would be initiated.

The fact however, remained that the Stock registers were not produced to audit by 70 FPSs and as such audit could not verify the distribution to the entitled beneficiaries since discrepancies were observed in the two FPSs where stock registers had been maintained. Further action on the discrepancies noticed in audit shall be awaited.

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[3] *M/s Satish Prasad, Singtam.*
[4] *M/s Sheikh Abjur, Sang.*

(iv) APL beneficiaries were denied the prescribed scale of rice

GoI allocates monthly quota of rice to the State Governments at CIP rate for distribution under TPDS to the beneficiaries of BPL, APL and AAY. The scale of issue of rice under APL, BPL and AAY was revised to 35 kgs per HH per month from 1 April 2002.

Scrutiny of records revealed that the State required 28,412 quintals of rice per month to cater to 4,30,234 individuals under APL categories but GoI allocated 19,200 quintals only. Further, against the allotment of 19,200 quintals, only 10,477 quintals was taken for distribution under APL quota and remaining 8,723 quintals was diverted to MMKSA and APS beneficiaries. Thus, the Department was distributing 10,477 quintals per month to APL beneficiaries at the rate of 2 kgs per individual per month which was far less than the scale fixed by GoI, depriving the beneficiaries of the required scale/quantity.

While accepting the fact, the Department stated (November 2016) that the emphasis was to provide food security to the poor and needy population of the State. As the monthly quota of BPL and AAY was not sufficient to meet the requirement, the Department utilised 8,723 quintals of APL rice each month for distribution to the poor and needy population not covered under BPL and AAY schemes. Moreover, with the implementation of the NFSA in the State from January 2016, concept of APL scheme and monthly allotment of rice was discontinued.

The fact is that diversion of rice had taken place

(v) Issue of rice to APL beneficiaries at higher rate

Retail Issue Price (RIP) of rice issued under TPDS were fixed by the Department by incorporating wholesaler/retailer margin, transportation charges, loading and unloading expenses, etc. in the pricing structure over and above the CIP. There were two varieties of rice, viz. common and grade 'A' being issued by the FCI under PDS for APL beneficiaries at the CIP rates of ₹ 795 and ₹ 830 per quintal respectively.

Scrutiny in audit revealed that the Department revised wholesale and retail sale rate of common and grade 'A' rice at ₹ 8.65 and ₹ 9 per kg respectively vide Notification dated 22 June 2013 as shown below.

Table 1.3.4

(Figures in ₹)

Commodity	CIP rate per kg	Wholesale rate per kg	Retail sale rate per kg
Common rice	7.95	8.30	8.65
Grade 'A' rice	8.30	8.65	9.00

Despite revision in wholesale and retail sale rate of common rice, the Department at godowns level and FPSs level continued to sell the common rice at the higher rate prescribed for grade 'A' rice (common rice @ ₹ 8.65 and ₹ 9.00 per kg respectively) defying the instruction of the Notification issued by the Department. Interviews conducted with the FPS owners and beneficiaries by audit revealed that they were not aware of different rates for common and grade 'A' rice and they were charged the rate of grade 'A' rice irrespective of quality of rice (grade 'A' or common) being issued. It was noticed that during the period 2014-15 and 2015-16 (till December 2015), the FCI issued

17,394 tons of common rice to different departmental food godowns at ₹ 7.95 per kg, which was subsequently sold to the FPSs at the rate applicable for grade 'A' rice (₹ 8.65 per kg.) resulting in over burdening the APL beneficiaries with ₹ 61 lakh[5] defeating the very purpose of providing the PDS foodgrains at an affordable price.

In its reply, the Department stated (November 2016) that quality of rice, i.e. grade 'A' or common depended on availability of stock of rice at FCI depots at the time of lifting by the food godowns though the allotment was made for grade 'A' rice. However, the higher rate charged on issue of common rice, if any, was deposited in the RFA which was exclusively utilised for procurement and distribution of PDS items only. Contention of the Department was not acceptable as the beneficiaries were charged at higher rate defeating the objective of providing food security at affordable price.

1.3.9.2.2 Whole wheat/atta

(i) Allotment and lifting of whole wheat

GoI allotted whole wheat to the State Government for APL consumers at the CIP rate of ₹ 610 per quintal under TPDS which in turn was converted into whole meal atta by engaging private roller mills for distribution to its consumers. Allotment and lifting of whole wheat during the period from 2011-12 to 2014-15 remained constant at 2,940 tons each year. It was increased to 3,112 tons in 2015-16 due to implementation of NFSA from January 2016 under which the allocation of whole wheat was extended to other categories too though earlier restricted to APL beneficiaries only.

(ii) Milling of whole wheat and distribution of whole meal atta

Image 1.3.1

Milling of wheat at Rangeet Flour Mill

GoI permitted (December 2005) the North Eastern States including Sikkim for distribution of whole meal atta after converting it in roller flour mills. The State Government nominated two flour mills[6] for lifting, milling and distribution of atta to various FPSs through departmental food godowns. The nominated roller mills lifted the monthly quota of whole wheat from the FCI depot at Rangpo on the basis of release order issued by the Department at CIP rate of ₹ 610 per quintal. After conversion, whole meal atta was handed over to the departmental food godowns and FPSs at wholesale rate of ₹ 867 per quintal to be distributed to the consumer at the end retail price of ₹ 892 per quintal including milling, packaging, loading and unloading charges, wholesale and retail sale commission, etc. over and above the CIP rate.

The following were observed in milling and distribution of whole meal atta:

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[5] *₹ 61 lakh = 1,73,940 quintals x @ ₹ 35 per quintals = ₹ 60,87,900.*

[6] *M/s Rangeet Associates Pvt. Ltd. and M/s Kailash Roller Flour Mills(P) Ltd.*

A. Higher refraction ratio/norm in conversion of wheat into atta and undue benefit to mill owners and also irregular distribution

Image 1.3.2

Milled atta for PDS supply

For the convenience of the public to get whole meal atta, monthly allocation of whole wheat (245 tons) was allocated to the two mills at the monthly quota of 180 tons and 65 tons per month for conversion and distribution to departmental food godowns and FPSs. As per GoI guidelines, the conversion ratio of 95 to 98 *per cent* (i.e. 95 to 98 kgs) from whole wheat into atta was to be extracted from milling of one quintal of whole wheat. Audit scrutiny, however, revealed that the nominated rollers mills lifted 1,48,720 quintals of wheat from FCI godown at Rangpo during the period April 2011 to March 2016 for conversion into whole meal atta. Considering GoI norm for conversion into atta, roller mills were expected to extract the finished product (atta) of 1,41,284 quintal after allowing maximum of 5 *per cent* refraction (i.e. 5 kgs per quintal). However, the mill owners extracted and supplied 1,25,639 quintals of atta only resulting in short extraction and short supply of 15,645 quintals of atta. Adoption of higher refraction rate (12 *per cent* in the form of bran, etc. plus 4 *per cent* refraction totalling 16 *per cent*) beyond the permissible limit prescribed by GoI led to shortage of whole meal atta valuing ₹ 3.34 crore[7] (calculated at the prevailing open market price of ₹ 2,200 per quintal) during the period April 2011 to March 2016, which benefitted the two mill owners and also deprived the consumers with the quantity to that extent.

B. In order to ensure proper distribution and coverage, after conversion, atta should ideally be routed through the departmental food godowns and FPSs to reach the beneficiaries. However, scrutiny of records revealed that the mill owners distributed the atta to 25 departmental food godowns only, FPSs and other retail outlets instead of routing it through the departmental food godowns. Further, analysis on monthly distribution statements of the two mills for the period January to December 2015 revealed that the distribution was erratic and inconsistent, viz. two food godowns (Melli in South and Kaluk in West) were never provided atta during the entire period. Other two food godowns of North district (Dikchu and Chungthang) were provided atta on four and two spells respectively during the entire period.

Physical verification on stock of PDS conducted by the Department revealed that the Department did not verify the atta being received from the mills and its distribution by departmental food godowns to FPSs. The Department had further not demarcated the area of distribution or list of departmental food godowns to be covered separately by each mill in the agreement. The condition that the item should be routed through departmental food godowns also did not find place in agreement. Survey of FPSs (72 FPSs) by audit

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7 *15,645 quintals x ₹ 2,200/quintal = ₹ 3,44,19,000 less cost of bran @ ₹ 63.36/quintal - ₹ 9,91,267 = ₹ 3,34,27,733.*

revealed that only 45 FPSs got their monthly quota of atta during the period covered under audit. This had not only resulted in uneven and erratic distribution of whole meal atta to PDS beneficiaries but also in denying monthly quota of atta to the beneficiaries attached to 27 FPSs (38 *per cent*).

The Department in its reply stated (November 2016) that higher refraction was allowed considering the demand from the beneficiaries as the people of the State preferred finer quality atta with less percentage of bran since there was complaint from the consumers because of higher content of bran which turned the atta reddish in colour. The Department further stated that in selected areas, atta was directly issued to FPSs and Multi Purpose Cooperative Societies by the mill owners to avoid deterioration and loss of nutrient content in case of retention of atta for longer period by food godowns.

The reply of the Department was not acceptable as during FPSs survey by audit, 24(53 *per cent*) of FPSs, out of 45 FPSs who got their monthly quota of atta, were not satisfied with the quality of atta. As intimated by FPSs due to high content of bran in atta, the consumers were reluctant to lift their quota. Moreover, interview with the consumers (63 individuals), 40 *per cent* of consumers (25 individuals) revealed that they were dissatisfied with the quality of atta issued under TPDS. Further, there was no question of deterioration of quality and loss of nutrient content due to retention of longer period at food godowns since the monthly quota of PDS foodgrains was required to be lifted within last day of previous month for the following month which was being followed by all food godowns and FPSs.

1.3.9.2.3 PDS salt

Denial of PDS salt to the beneficiaries due to short lifting of allocation as well as due to non-supply at FPSs/godowns

Government of Sikkim was allocated annually 3 BG rakes[8] of PDS salt by GoI. A State agent had been nominated for lifting, transportation and distribution of salt. The details regarding allocation, lifting and distribution of PDS salt during the last five years were not provided by the Department. However, the information as provided by the State agent was as below:

Table 1.3.5

Year	Allocation (in BG rake)	Opening balance (in bags)	Lifting (in bags/ rakes)	Total (in bags)	Distribution (in bags)	Closing balanc (in bags)
2011-12	3	NA	1 rake	NA	NA	NA
2012-13	3	NA	1 rake	NA	NA	35,371
2013-14	3	35,371	50,667	86,038	67,751	18,287
2014-15	3	18,287	1,00,565	1,18,852	62,625	56,227
2015-16	3	56,227	50,742	1,06,969	49,596	57,373

Source: Information furnished by the State agent

As per the agreement signed, the State agent was entrusted with the lifting and transportation of PDS salt from Gujrat to Siliguri only. Unlike other PDS items like sugar, SK Oil, etc., the agent was not entrusted to transport/provide the PDS salt to the FPSs or

8 *1 BG rake = 24,000 quintals.*

any agencies inside Sikkim. The intending FPSs or suppliers were required to lift the PDS salt from Siliguri transit godowns at their own arrangement.

The State lifted only one BG rake of PDS salt each year during 2011-12 to 2015-16, except in 2014-15 when two BG rakes were lifted against the allocation of 3 BG rakes of PDS salt each year. The survey of 72 FPSs and 63 beneficiaries in audit revealed that all of them except three FPSs were even unaware of the fact that salt was being provided under TPDS due to which they had not lifted the PDS salt.

Audit scrutiny revealed that due to inadequacy in the agreement by not incorporating delivery of the consignment of PDS salt to different areas of the State and also due to lack of awareness provided by the Department to the consumers and FPSs owners, the demand was also not felt, which led to short lifting of salt every year. Further, in absence of defined arrangement for transportation of salt from Siliguri to Sikkim and its subsequent distribution to consumers, it could not be ascertained that even the lifted salt actually reached to the PDS consumers or not.

Image 1.3.3

Iodised salt for PDS distribution

1.3.9.2.4 Superior Kerosene Oil

(i) Excess charging of Dealers' commission and diversion of SK Oil

Government of Sikkim through its eight authorised dealers and 1420 FPSs had been distributing subsidised SK Oil to beneficiaries. The SK Oil was lifted from two agencies namely Indian Oil Corporation Limited and Bharat Petroleum Corporation Limited whose depots were located at Majhitar, Rangpo. The details of year-wise lifting of SK Oil by the authorised dealers from the two depots are shown in **Appendix 1.3.1**.

It was noticed that while fixing the wholesale and retail sale rates of SK Oil, the dealer's commission in addition to other charges were to be included in the pricing structure. The dealers' commission had been fixed by Ministry of Petroleum and Natural Gases, GoI with two varying rates, higher rates had been provided for (i) Wholesale Dealers (Form XV) and lower rate for (ii) Wholesale Dealers (other than Form XV), the difference ranged between ₹ 43 per KL and ₹ 65.02 per KL as detailed at **Appendix 1.3.2**.

Scrutiny of records revealed that none of the eight wholesale dealers possessed dealership under Form XV. However, the Department erroneously considered the dealer's commission on higher rate, i.e. taking dealer's commission with Form XV and accorded undue benefit of ₹ 17.14 lakh to the dealers and consequently burdened the targeted beneficiaries to that extent as shown below:

Table 1.3.6

Year	Lifting & distribution *(in KL)*	Excess dealer's commission charged	Total *(in ₹)*
2011-12	6,867	₹ 43 per kl	2,95,281
2012-13	4,759	₹ 43 per kl for 9 months	2,04,637
	1,586	₹ 60.51 per kl for 3 months	95,967
2013-14	6,345	₹ 60.51 per kl	3,83,936
2014-15	6,348	₹ 60.51 per kl	3,84,117
2015-16	4,760	₹ 60.51 per kl for 10 months	2,88,028
	952	₹ 65.02 per kl for 2 months	61,899
Total	**31,617[9]**		**17,13,865**

(ii) Diversion of SK Oil

The PDS items distributed through the FPSs were to cater to the targeted beneficiaries having valid ration cards. Scrutiny of records, however, revealed that Department irregularly distributed 3,34,715 litres of SK Oil valuing ₹ 0.54 crore to entities who were not the targeted beneficiaries under TPDS scheme as detailed below:

Table 1.3.7

Sl. No.	Dealer's/sub-dealers name	Entities receiving SK Oil	Quantity received (in litre)	Period
1.	M/s Mulchand & Sons	District Hospital, Mangan	2,300	April 2014 to March 2015
		Police Deptt, Mangan	10,300	April 2014 to March 2015
		Fire Deptt, Mangan	2,340	April 2014 to March 2015
		DC Office, Mangan	4,300	April 2014 to March 2015
		Power Deptt, Mangan	570	April 2014 to March 2015
		Subsidiary Intelligence Bureau, Mangan	260	April 2014 to March 2015
		Hostel & Mess, Mangan	1,500	April 2014 to March 2015
2	M/s Indraj Kurdamull	Police and Government Departments	3,100	February 2015 and March 2015
	M/s SNOD Deorali	Special Permit Office, Gangtok	1,545	February 2015
		Sikkim Armed Police, Pangthang (SAP)	3,08,000	2011-2016
		Special Bureau, Gangtok	500	February 2015
Total			**3,34,715**	

The supply/distribution of the PDS SK Oil to the above entities was beyond the scope of the TPDS scheme and resulted in diversion of PDS items and also deprived the genuine beneficiaries.

In reply, the Department stated (November 2016) that SK Oil was issued to emergency services like Health and Family Welfare Department, Energy and Power Department, Law and Order (Sikkim Armed Police, Sikkim Police, Fire Services) on temporary measure for use in generator and proposal to discontinue such allocation was under consideration. The reply of the Department was not acceptable as the SK Oil under TPDS was meant for genuine card holders and not for the Government departments and other

9 *BPCL : 11,985 KL and IOCL : 19,632 KL.*

agencies. Further, the SK Oil to these entities were distributed during the entire period covered under audit and thus, cannot be termed as a temporary measure.

1.3.9.2.5 PDS sugar

(i) Extra burden to the consumers due to fixation of PDS sugar at higher rate

It was noticed that before deregulation of levy sugar (July 2013), the State Government was to lift the levy sugar and make available to the FPSs at RIP of ₹ 13.50 per kg. The State Government had to initially bear the difference in the cost of levy sugar procured and issue price of sugar along with handling and transportation cost, etc. This difference was subsequently reimbursed by GoI through FCI.

Scrutiny of records revealed that the State Government lifted and distributed 10,553 quintals of levy sugar during April 2011 to June 2013 (until deregulation of levy sugar) through its State authorised agent as detailed below:

Table 1.3.8

Period	Total months	Lifted and distributed @ 39,100 kgs per month	RIP per kg *(in ₹)*	Excess charged *(in ₹)*
April 2011 to October 2011	7	2,73,700	25.40	32,57,030
November 2011 to March 2012	5	1,95,500	27.00	26,39,250
April 2012	1	39,100	25.40	4,65,290
May 2012 to June 2013	14	5,47,000	26.00	68,37,500
Total				**1,31,99,070**

The Department, despite specific instructions from GoI to provide levy sugar to the consumers at ₹ 13.50 per kg, had charged higher rate at ₹ 25.40 to ₹ 27.00 per kg to the consumers which consequently burdened the consumers with ₹ 1.32 crore during the period April 2011 to June 2013.

(ii) Denial of benefit to the PDS consumers due to short lifting of PDS sugar

As per the guidelines dated 17 May 2013 issued by GoI, the States which distribute sugar (conforming to ISS grade) under the PDS at RIP of not more than ₹ 13.50 per kg would be reimbursed the subsidy limited to the quantity based on the existing allocations of the States at ₹ 18.50 per kg (including all administrative, transportation, distribution and other expenses) based on the actual utilisation/distribution of the sugar under PDS. The task of procuring sugar should be undertaken by the States through a transparent system by calling for tenders from the open market. The Ministry vide letter dated 26 February 2015, lifted the restriction of RIP of ₹ 13.50 per kg to the consumer.

Scrutiny of records revealed that against the monthly allocation of 3,910 quintals for the State, the Department lifted only 1,820 quintals of PDS sugar per month (except for three months of May - July 2015 @ 2,517 quintals per month) during the period from July 2013 to July 2015, which was only sufficient to cater to the BPL categories denying other beneficiaries. This resulted in short lifting of 48,069 quintals of sugar depriving the targeted beneficiaries. Moreover, due to short lifting of 48,069 quintals, the Department could not avail the subsidy benefit of ₹ 8.89 crore (at ₹ 1,850 per quintal x 48,069 quintals) from GoI.

In reply, the Department stated (November 2016) that even after subsidy by GoI, it had to bear a substantial cost towards differential cost of sugar. To lessen the burden, the State Government decided to lift only 1,820 quintals per month against the monthly allocation of 3,910 quintals. After June 2015, full quota of sugar of 3,910 quintals per month had been lifted and provided to all beneficiaries.

However, the fact remained that this deprived the targeted BPL families from 48,069 quintals of sugar.

1.3.9.2.6 Transportation of PDS items

(i) Pending Hill Transport Subsidy on whole wheat

The Ministry of Consumer Affairs, Food and Public Distribution, GoI introduced (August 1975) the Hill Transport Subsidy (HTS) scheme meant for predominantly hilly States with little or no railway connectivity and poor road communications.

The scheme provides reimbursement facilities of transportation charges incurred on carriage of PDS foodgrains from FCI depots to the Principal Distribution Centres (PDCs) on actual basis. For reimbursement of HTS, the Department was required to submit its claim to FCI after incurring expenditure on transportation of PDS items from the FCI depots to PDCs along with supporting documents for regularisation and release of reimbursement to the State Government.

Scrutiny of records pertaining to PDS wheat revealed that GoI approved (October 2014) the HTS for the period from 2001-02 to 2009-10 on account of transportation of wheat from FCI depot at Rangpo to flour mills located at Tadong, Gangtok for ₹ 0.54 crore. However, GoI did not release the fund as of July 2016 as the State Government failed to submit the claims along with requisite supporting documents for reimbursement. Further, HTS amounting to ₹ 0.68 crore for the period from 2010-11 to 2015-16 (till December 2015) had not been preferred by the Department (July 2016). This resulted in pending HTS amounting to ₹ 1.22 crore.

In reply, the Department stated (November 2016) that the claim was returned by the FCI stating that similar procedure to be followed in line with HTS claim on rice which was not possible at that juncture since it was a long pending case and the FCI returned the claim after retaining over a long period. HTS claim upto 2011-12 made by the Department was returned and received back only on 23 May 2016. It was further mentioned that there was no financial involvement on the part of Department as the transportation cost was borne by the mill owners.

(ii) Loss due to curtailment of claim of HTS reimbursement by FCI on account of incomplete supporting documents

Audit scrutiny further revealed that the Department preferred reimbursement claim of ₹ 3.22 crore towards transportation cost of rice for the period 2014-15 to 2015-16 to the

FCI, against which, the FCI reimbursed ₹ 2.56 crore only. Reasons for curtailment of claim amounting to ₹ 0.66 crore by FCI were due to incomplete supporting documents for expenditure incurred, inclusion of transportation claim of two new godowns (Tokal Bermiok and Chongrong) not declared as PDCs, payment of transportation charge of higher distance than actual distance in respect of three departmental godowns (Rangpo, Singtam and Jorethang).

(iii) Extra burden to AAY beneficiaries on account of carriage charges

Under AAY scheme, 35 kgs of rice were provided to the beneficiaries at ₹ 3 per kg per month per HH. The State Government further subsidised the cost with free distribution bearing the differential cost from State exchequer as subsidy.

Survey of 72 FPSs by audit revealed that the FPSs were charging ₹ 10 to ₹ 40 per month from each AAY HH towards carriage charges of rice from food godowns to FPS. The FPSs stated that since there was no provision for reimbursement of carriage charges from food godowns to FPSs in respect of free distribution of rice under AAY scheme, they were charging the transportation cost from the beneficiaries to compensate the expenditure incurred on transportation of rice from departmental food godowns to FPSs. In absence of necessary provision for reimbursement of carriage cost by the Department, 16,514 poorest of the poor beneficiaries under AAY had borne carriage cost. Thus, the spirit of free distribution was negated in real terms.

In reply, the Department stated (November 2016) that the instructions to all FPSs were being issued from time to time to submit the bill for reimbursement of transportation cost of rice distributed under AAY scheme and not to charge extra amount from the consumers. The matter pointed out by the Audit would be verified and intimated to audit accordingly.

Further reply of the Department was awaited. The fact, however, remained that extra burden of transportation cost was being borne by the beneficiaries in violation of AAY scheme.

1.3.9.2.7 Defective formulation of price structure and resultant extra financial burden to the beneficiaries

The RIP of various PDS items such as rice, sugar, SK Oil, atta and iodised salt were fixed by the Department in line with the CIP after addition of overhead charges like interest on borrowed fund, handling charges, transportation, wholesaler's and retailer's commission, etc. Analysis on pricing structure of rice adopted by the Department revealed the following:

Though the Department had not borrowed funds for procurement of PDS rice during the last ten years, the Department had unnecessarily included interest on borrowed funds/loan at ₹ 5 per quintal in the RIP of rice distributed under APL, BPL, MMKSA schemes. Thus, unwarranted inclusion of bank interest had resulted in higher RIP that burdened the consumers with ₹ 82 lakh on distribution of 1,63,134 tons of rice under various schemes during 2011-12 to 2015-16 (till December 2015).

Analysis of pricing structure of rice distributed under BPL and MMKSA schemes further revealed that the Department included ₹ 20 per quintal towards transportation charges of rice from departmental food godown to FPSs twice in the name of average transportation charges and carriage charges which resulted in higher cost amounting to ₹ 2.12 crore[10] on issue of 1,06,127.10 tons of rice (BPL: 56,406 tons; MMKSA: 49,721.10 tons) from April 2011 to December 2015 which was borne out of the pockets of BPL and MMKSA beneficiaries.

In reply, the Department stated (November 2016) that ₹ 5 per quintal was included in the pricing structure of rice as the Department had to borrow funds from banks for procurement of foodgrains. Regarding inclusion of ₹ 20 per quintal as transportation cost from food godown to FPS, the Department stated that the cost was borne from the State fund as subsidy. Hence, there was no extra burden to the consumers. The reply of the Department was not tenable as the inclusion of ₹ 5 per quintal was unwarranted as the Department had not borrowed funds from any source during the last ten years for procurement of PDS rice under TPDS and ₹ 20 per quintal included towards carriage charges from food godown to FPS in the end retail price of rice under BPL and MMKSA schemes led to double inclusion of transportation/carriage cost which was borne by the consumers.

1.3.9.2.8 Departmental food godowns

Efficient management and uninterrupted distribution of foodgrains under TPDS depends on availability and well maintained food godowns in the State. Apart from two FCI godowns (Rangpo and Jorethang), 27 departmental food godowns with the storage capacity of 8,100 tons of foodgrains existed in the State. Out of these 27, seven were in rented buildings. Scrutiny of records of available storage facilities in the State revealed the following:

(i) Delay in construction of food godowns under XIII Finance Commission scheme

GoI in April 2011 sanctioned State Specific Grants of ₹ 100 crore under XIII Finance Commission (FC) for various works/projects including up-gradation and construction of food godowns to be completed during the period April 2010 to March 2015. Out of this, ₹ 6.00 crore were allocated under "Additional Storage Facilities for Essential Commodities under Border Area Development Programme". The funds were to be released in four years commencing from 2011-12 @ ₹ 1.50 crore per year, ending in 2014-15. GoI released ₹ 5.40 crore against which, ₹ 5.05 crore had been spent. The State Government had taken up new construction of seven departmental food godowns valuing ₹ 5.69 crore and upgradation of two godowns[11] costing ₹ 30.22 lakh as detailed in **Appendix 1.3.3**.

Scrutiny in audit revealed that even after release of ₹ 5.40 crore, only three godowns[12], out of seven godowns, were completed against stipulated completion date of 31 March

[10] *₹ 2.12 crore = 10,61,271 quintal x @ ₹ 20 per quintal.*
[11] *Mangan and Rongli.*
[12] *Gangtok, Singtam and Makha.*

2015. One food godown at Namchi could not be taken up due to non-finalisation of site and GoI fund of ₹ 90.33 lakh could not be availed by the State Government.

Site visit to departmental food godowns at Gangtok and Makha revealed that the construction of godowns at Gangtok and Makha taken up during 2015-16 at a cost of ₹ 105.12 lakh and ₹ 67.04 lakh respectively had been completed and were being utilised. However, it was observed that there was no approach road to the godown at Makha. Similarly, approach road to food godown at Gangtok had been extensively damaged within a year of construction due to which FPSs had been facing great difficulty in lifting of its monthly quota of PDS items from the food godown.

Image 1.3.4

Poor road leading to Gangtok food godown

Image 1.3.5

Makha food godown without approach road

Thus, delayed completion of the food godowns and construction of godowns without proper approach roads had adversely affected the purpose of providing food security to the poor people.

(ii) Capacity of FCI and departmental food godowns

The FCI godown located at Jorethang catered to the need of South and West districts. The departmental food godowns at Ranipool, Namthang and Jorethang catered to the needs of PDS foodgrains of FPSs attached to them pertaining to East and South districts. The capacity and monthly lifting of these food godowns are shown below:

Table 1.3.9

Godowns	Capacity (in tons)	Monthly lifting (in tons)	No of FPSs catered
FCI godown, Jorethang	770	1,000	
Food godown, Ranipool	150	156	92
Food godown, Namthang	50	83	38
Food godown, Jorethang	10	16	85

Source: Departmental statement

Thus, it was seen that FCI Jorethang godown and three departmental food godowns, i.e. Ranipool, Namthang and Jorethang bore capacity lower than the actual demands of foodgrains to be stored which adversely affected in its day to day storing of the PDS items. It was also noticed that there was no weighbridge at FCI godown at Jorethang to weigh the un-laden and laden vehicles engaged for transportation of PDS foodgrains.

(iii) Buffer stock of foodgrains not maintained

Buffer stock should be maintained at all times to ensure food security in the event of emergent exigencies and also to provide uninterrupted supply of foodgrains in all seasons. The State Government, however, had not prescribed any norm for maintenance of buffer stock to be maintained by the departmental food godowns.

Audit scrutiny on stock position of 27 departmental food godowns for 2014-15 revealed that the food godowns at Gangtok, Rangpo and Pakyong did not maintain buffer stock. Similarly, the buffer stock was not maintained during second half of the year (October 2014 to March 2015) by Kaluk, Singtam, Dikchu, Makha, and Melli food godowns. Thus, the Departmental food godowns as mentioned above lacked preparedness in the event of emergent situations.

While accepting the Audit observation, the Department stated (November 2016) that considering the vulnerability and location of the food godowns, the Department had allocated certain quota of rice allotted to the State by GoI as additional BPL, APL quota as buffer stock. There was no need of maintaining the buffer stock at Gangtok, Rangpo and Pakyong food godowns as these food godowns were easily accessible and also located near the FCI depot.

1.3.9.2.9 Computerisation of Supply Chain Management System of Targeted Public Distribution System

(i) Delay in completion of Computerisation of Supply Chain Management System of Targeted Public Distribution System

GoI vide letter dated 14 August 2012 conveyed administrative approval to the proposal of "Computerisation of Supply Chain Management (SCM) System of TPDS" in the State for an amount of ₹ 4.71 crore in the sharing pattern of 90:10 (Central share: ₹ 4.24 crore and State share: ₹ 47.10 lakh). An amount of ₹ 3.30 crore was received by the State Government against the Central share of ₹ 4.24 crore whereas ₹ 20 lakh had been released as State share.

The project also named as "End to end computerisation in PDS in the State" consisted of two components. The first component involved supply chain computerisation of the entire PDS operation which would cover monitoring of foodgrains allocation, storage and movements starting from the base depots of FCI till the FPS. The second component related to computerisation of operations at the FPSs.

Image 1.3.6

Idle VSAT system at Jorethang godown

The project consisted of various items (a) customisation of application software (₹ 27 lakh), (b) hardware and software, operating systems (₹ 2 crore), (c) site preparation (₹ 80 lakh), (d) data preparation (₹ 1.44 crore) and (e) training and miscellaneous expenses (₹ 20 lakh). The project commenced in 2012 and was scheduled to be completed by October 2013. The Department received ₹ 3.30 crore from GoI for implementation of the project. Scrutiny of implementation of project revealed the following:

One of the main components of the project was supply and installation of Very Small Aperture Terminal (VSAT) system for connectivity between head office, food godowns and FCI godowns. The Department awarded (March 2013) the work of supply of VSAT and its installation to M/s Hughes Network Systems India Ltd at a cost of ₹ 25.98 lakh. The firm was paid an amount of ₹ 22.86 lakh against which the firm supplied VSATs to 27 departmental godowns. During the field visits of the food godowns by audit, it was seen that the VSATs were found merely dumped/installed at respective departmental food godowns even though the warranty period of one year had already expired in June 2014.

Scrutiny further revealed that none of the 27 VSAT systems supplied were made operational due to absence of satellite linking. The digitisation of beneficiary and other databases had not been completed as of July 2016. Thus, even after receiving ₹ 3.30 crore from GoI and after four years of commencement of work, the project was not completed as of July 2016 due to which online monitoring of foodgrains allocation, storage and movements starting from the base depots of FCI till the FPS could not be achieved.

The Department in its reply stated (November 2016) that beneficiaries details had been uploaded in the website. The reply of the Department was not tenable as there was no online linkage between head office, FCI depots and food godowns.

1.3.9.2.10 National Food Security Act

(i) Delayed implementation of National Food Security Act, 2013 in the State resulted in financial burden to State towards subsidy and also deprival of benefit

With the objective of providing food and nutritional security in human life cycle approach, by ensuring access to adequate quantity of quality food at an affordable price to people to live a life with dignity and for matters connected therewith or incidental thereto, GoI enforced and extended the National Food Security Act, 2013 (NFSA) to whole of India w.e.f. 5 July 2013. Accordingly, all State Governments/Union Territories (UT) were to implement and enforce the NFSA in their respective State/UT with immediate effect. As per the provision of the NFSA, AAY beneficiaries would be entitled to draw 35 kgs of rice per month per household at ₹ 3 per kg. Similarly, PHH beneficiaries were entitled to 5 kgs of rice per month per individual at subsidised rate of ₹ 3 per kg. Further, they would also be entitled to wheat and coarse grains at ₹ 2 per kg and ₹ 1 per kg per month respectively. The State Government could implement and enforce the NFSA from January 2016 only, i.e. after a lapse of nearly 27 months due to various administrative reasons.

Audit scrutiny revealed that GoI approved 16,514 HHs under AAY and 3,24,081 individuals under PHH under the NFSA. The burden on the overhead cost (transportation, handling charges and FPS margin) was to be shared between Central and State Government in the ratio of 75:25 as per provision of the NFSA. The overhead cost worked out to ₹ 260 per quintal (Centre: ₹ 195 per quintal and State: ₹ 65 per quintal).

Thus, total subsidy on issue of rice to 16,514 HHs under AAY and 3,24,081 individuals under PHH from October 2013 to December 2015 worked out to ₹ 11.57 crore[13]. During the same period, the Department had incurred ₹ 22.02 crore on payment of subsidy towards continuance of implementation of old schemes (BPL, AAY and MMKSA) under TPDS. Thus, due to delayed implementation of the NFSA, the State Government could not avail the Central subsidy of ₹ 11.57 crore and on the other hand, State Government had to incur expenditure of ₹ 22.02 crore[14] from its own exchequer towards subsidy on implementation of old scheme of TPDS.

It was noticed that despite delayed implementation of the NFSA, the Department had not finalised the list of beneficiaries, computerisation system and point of sales (POSs) device was in preliminary stage and strengthening of records system at FPSs level had not been implemented (July 2016). Instead of issue of printed ration cards to the beneficiaries, temporary ration cards in plain paper were issued. Thus, delayed implementation of the NFSA deprived the eligible beneficiaries in getting timely benefits provided under the NFSA and also incurred avoidable payment of subsidy of ₹ 33.59 crore.

In reply, the Department stated (November 2016) that the NFSA could not be enforced within the target date given by GoI as the State had to carry out number of works such as preparation of beneficiaries list afresh, linkage of list with AADHAR, printing and issue of new ration cards, creation of computerisation system at headquarters at Gangtok and also in districts and food godown level, installation of POS devices at FPSs level and also awareness to the public. Despite these, the State Government was able to implement the NFSA w.e.f. January 2016. The reply of the Department was not tenable as the Department had taken 27 months for its implementation which remained in transition period as number of works, viz. printing and issue of ration cards in final form, computerisation in all food godowns and installation of POS devices at FPSs level were under implementation. Thus, full-fledged implementation of the NFSA had not started as of October 2016.

(ii) State Food Commission and Grievances Redressal Mechanism

The NFSA envisaged that every State Government shall put in place an internal grievance redressal mechanism which may include call centres, help lines, designation of nodal officers, or such other mechanism as may be prescribed. The NFSA further provides appointment or designating an officer for each district to be the District Grievance Redressal Officer for expeditious and effective redressal of grievances of the aggrieved persons in matters relating to distribution of entitled foodgrains or meal, for enforcement of the entitlements under the NFSA. Further, the State Government shall, by notification, constitute a State Food Commission for the purpose of monitoring and review of the implementation of the NFSA. The State Government may by notification designate any statutory commission or a body to exercise the powers and perform the functions of the State Commission.

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13 *₹ 11,57,45,497 = 21,983.95 quintals per month x 27 months @ ₹ 195 per quintal.*

14 *₹ 22.02 crore = BPL: ₹ 4.18 crore, AAY: ₹ 5.60 crore, MMKSA: ₹ 12.24 crore.*

Audit scrutiny revealed that the State Government designated (January 2015) the State Commission for Protection of Child Rights as the State Food Commission and all Deputy Directors posted at district level as the District Grievance Redressal Officers (DGRO) in their respective jurisdiction. All 293, five and two consumer grievances received by the DGROs North, East and West respectively during 2015-16 were reported as settled. The activities of the Commission and DGRO, South could not be ascertained as no records relating to activities regarding monitoring and evaluation of implementation of the NFSA, suggestions/instructions of the Commission to the State for smooth implementation of NFSA, appeal against the order of the DGROs were furnished to audit by the DGROs as well as by the Department.

1.3.9.2.11 Fair Price Shops

Operation and functioning of Fair Price Shops

The success of the TPDS depends on efficient functioning of the FPSs. The PDS (Control) Order, 2001 envisaged that the FPS owners should maintain list of beneficiaries, stock registers of foodgrains received each month, sold and balances, display information about entitlement of essential commodities, scale of issue, RIP, daily sample of foodgrains, timing of opening and closing of shops, authority for redressal of grievances/lodging complaints with respect to quality of essential commodities, etc. under the PDS at the premises of the FPSs.

Audit inspection of sampled 72 FPSs revealed the following:

- Samples of foodgrains issued under PDS were not maintained in any of the FPSs inspected;
- FPSs had not displayed rate and scale of the PDS items in the notice board;
- FPSs had not displayed the timing regarding opening and closing of FPS, monthly lifting of foodgrains, availability of stock and authority for redressal of grievances/lodging complaints with respect to quality of essential commodities under the PDS, etc. at the premises of the FPSs.
- There were cases of delayed renewal of licenses of FPSs against the provision of annual renewal, 26 FPSs were operating for number of years without renewal.

Thus, FPS owners failed to provide the required information to the consumers of the concerned areas. Non-compliance to the provisions of PDS (Control) Order, 2001 by the FPSs coupled with the absence of requisite information in the notice board and absence of regular monitoring by the Department was fraught with risk of discrepancy in price, quality and scale of foodgrains being issued to TPDS beneficiaries.

Image 1.3.7

Notice Board without requisite information

In reply, the Department stated (November 2016) that FPS owners opened the shops every day as per convenience of the public.

1.3.9.3 Revolving Fund Account

In order to avoid delay in procurement and distribution of foodgrains without any financial difficulty to the consumers and to facilitate uninterrupted procurement, the Department operated a Revolving Fund Account (RFA). All transactions pertaining to procurement, distribution and sale proceeds of PDS rice and sugar as well as the subsidy from State Government were operated through the RFA. Records of RFA relating to the initial amount allocated to start operation could not be furnished to audit.

The year-wise receipt and expenditure of the RFA is given below:

Table 1.3.10

(₹ in crore)

Year	Opening balance	Receipt/recoupment during the year	Interest earned	Total	Expenditure during the year	Closing balance
2011-12	1.21	44.96	0.20	46.37	46.12	0.25
2012-13	0.25	44.83	0.01	45.09	43.65	1.44
2013-14	1.44	48.17	0.25	49.86	48.13	1.73
2014-15	1.73	44.01	0.15	45.89	41.85	4.04
2015-16	4.04	44.01	0.36	48.41	45.26	3.16

Source: Information furnished by the Department

The operation of RFA, however, revealed the following:

(i) Operation manual for Revolving Fund Account not prepared

Mechanism for keeping detailed accounts under RFA had not been mandated by the Department as they had not issued any manual. In the absence of any operation manual, component-wise expenditure could not be examined. The matter was reported in the Comptroller and Auditor General's Audit Reports for the year ended 31 March 2005 and 2010. Despite Department's assurance and response (November 2010), the Department had not prepared (July 2016) the operation manual for RFA even after lapse of more than 15 years.

In reply, the Department stated (November 2016) that they were in the process of preparation of operation manual for Revolving Fund and obtaining the approval of the Government.

(ii) Irregular expenditure from Revolving Fund Account

The purpose for operation of RFA was to facilitate easy and uninterrupted procurement and supply of PDS items. Thus, all transactions relating to procurement and distribution of PDS items were required to be operated through RFA.

Audit scrutiny of transactions pertaining to the period covered under audit (2011-16) revealed that the Department incurred expenditure on items like procurement of vehicles, land compensation and payment of salaries to regular and muster roll, etc. amounting to ₹ 1.07 crore from RFA. Since expenditure on these items were not related to procurement and distribution of PDS items, the expenditure on these items should have been borne from Department's own budgetary resources instead of incurring from the RFA.

While accepting the fact, the Department stated (November 2016) that the expenditure mainly pertained to payment of Muster Roll wages and only in few cases payment of other expenditure was made which had been recouped from regular budget. Efforts would be made to regularise the expenditure from normal budget in the coming financial year. The reply of the Department was not acceptable as expenditure on land compensation (₹ 3 lakh) only was adjusted back to RFA and the rest ₹ 1.04 crore was not recovered/ recouped to RFA till July 2016.

(iii) Advance register not maintained

As per provision of the Sikkim Financial Rules, 1979 and the Government instructions issued thereof from time to time, advance upto 75 *per cent* of the gross amount of goods to be supplied or services to be rendered can be granted to suppliers and service providers by the Head of the Department/Office with the concurrence of Finance, Revenue and Expenditure Department subject to adjustment of such advance immediately after receipt of goods and services rendered.

Audit scrutiny revealed that advances from the RFA were drawn for regular and routine nature during the period April 2011 to March 2016 for payment to the private parties and the departmental officers for various purposes (muster roll payment, purchase of sugar, conduct of training and awareness programme, etc.). However, no advance register was maintained to watch the adjustment and its status. Advances were sanctioned from a file maintained separately whereas adjustment of advances were recorded in the Cash Book (where all transaction pertaining to RFA were entered) and dealt with separately without linking from sanctioned file. Hence, adjustment status of any particular advance could not be ascertained.

1.3.9.4 Monitoring System

To ensure proper functioning of the scheme, the PDS (Control) Order, 2001 emphasises the need for adequate monitoring through different mechanisms such as inspection of FPSs, formation of Vigilance Committees and prescription of periodical returns, use of computerised system to monitor the functioning of PDS at FPS level, etc. Audit scrutiny revealed the following:

1.3.9.4.1 Preparation and submission of returns

The PDS (Control) Order 2001 provided for a system of monthly reporting from FPSs to district authorities, from district authorities to State Government and from State Government to GoI. These returns relate to vital data such as number of ration cards attached to FPS, opening stock with FPS, allocation for the month and quantity actually received and distributed, etc.

Examination of records by audit on visit to 72 FPSs revealed that no such reports were furnished by FPSs to the district authorities. In the absence of returns from FPSs, the correctness of information furnished by district authorities to the State Government and from State Government to GoI could not be verified. Such lackadaisical approach by the Department towards ‘return’ which was a manifestation of quantum of service rendered, also reflected the absence of seriousness towards effective evaluation of service delivery.

In reply, the Department stated (November 2016) that functioning of the PDS in Sikkim was slightly different from other States as the entire distribution system upto the level of FPSs remained under Government supervision. Relevant forms prescribed in the PDS (Control) Order, 2001 were being utilised for reporting. The reply of the Department was not acceptable as none of the 72 FPSs test checked in audit had furnished the reports and returns to the district authorities.

1.3.9.4.2 Absence of inspections of FPSs

According to PDS (Control) Order 2001, the State Government should ensure regular inspections of FPSs not less than once in six months by the designated authority and issue orders specifying the inspection schedule, list of check points and the authority responsible for ensuring compliance with the said order.

The State Government had neither fixed the periodicity for inspections of FPSs nor followed other instructions for regular inspection and monitoring of FPSs. Information provided by the Department revealed that not even a single inspection was conducted by the authority for all 1,420 FPSs during 2011-12 to 2015-16. Thus, in the absence of regular and systematic monitoring of the FPSs, assurance in terms of rates, quality and quantity in operation of TPDS could not be ensured by the Department.

The Department stated (November 2016) that the DCSOs of the concerned districts were conducting the surprise checking of FPSs as directed by the Departments. Besides this, enforcement team were also conducting inspection in FPSs. Reply was not tenable as the Department could not produce the inspection schedule, register of inspection conducted, total number of inspection done during the period covered under audit. The Department could produce only 18 inspection reports that too related to FPSs located in and around Gangtok bazaar. This indicated monitoring mechanism was not fully functional during the entire period of audit.

1.3.9.4.3 Vigilance Committee

According to PDS (Control) Order 2001, periodicity of meeting of the Vigilance Committee (VC) for PDS at the State, District, Block and Gram Panchayat Unit (GPU) levels should not be less than one meeting in a quarter during a year at all levels. Hence, four meetings each were to be held each year. Though the VCs were constituted (September 2008) at all levels, no records in respect of quarterly meetings conducted at State, District and Block levels during 2011-2016 were furnished to audit as it was stated to be untraceable. This indicated that the monitoring framework/structure relating to VCs at various levels from State to Block was non-functional. Thus, deficient monitoring mechanism not only resulted in absence of controls at various levels but also left ample scope for mismanagement of foodgrains as reflected in paragraph 1.3.9.2(iii).

The Department stated (November 2016) that the VCs were in place and records of meeting of Committee will be traced out and made available to Audit in due course.

1.3.9.4.4 Quality Control

One of the primary objectives of the TPDS was that the foodgrains distributed to beneficiaries were of good nutritious quality and fit for human consumption. As per PDS

(Control) Order 2001, the representative of the State Government or their nominees and the FCI should conduct joint inspection of the stock of foodgrains intended for issue to ensure that the stock conforms to the prescribed quality and specifications. The PDS (Control) Order 2001 also provided that FCI should issue to the State Government sealed samples of the stock of foodgrains supplied to them for distribution under PDS for quality control.

However, despite repeated requisitions, the Department as well the FCI, did not furnish any document on collection and analysis of samples as well as the quality control reports. The Department also did not provide the norm/target for drawing of samples and testing of PDS foodgrains. No laboratory had been set up in the State for analysis/examination of PDS items.

Further, interview with the beneficiaries and survey of FPSs revealed that they were not having any dissatisfaction on quality of rice issued under TPDS. However, 33 *per cent* of FPSs and 40 *per cent* of beneficiaries (out of 72 FPSs and 63 individuals respectively) interviewed during audit had expressed their dissatisfaction with quality of whole meal atta being distributed under TPDS due to reddish colour and its coarse nature and desired improvement in quality. Further, 16 individuals (25 *per cent*) out of 63 individuals interviewed expressed their dissatisfaction with the quality of sugar distributed under TPDS. Moreover, the Department had not drawn samples of foodgrains being issued from food godowns and FPSs. Thus, the quality aspect of foodgrains distributed under various schemes of TPDS remained un-assessed. The absence of quality control mechanism not only violated the provisions but also denied the beneficiaries of assured quality foodgrains.

In reply, the Department stated (November 2016) that the officer of the Department posted at FCI depots at Rangpo and Jorethang regularly conducted joint inspection of stock of foodgrains for issue under PDS to ensure prescribed quality and also conducted quality check manually. The Deputy Director posted at Siliguri was responsible for verification of quality of foodgrains before despatch to FCI depots in Sikkim for its subsequent distribution to various food godowns in the State under PDS. The reply of the Department was not tenable due to the fact that the Department/FCI could not produce the records relating to joint inspection of stock of goodgrains to ensure prescribed quality and reports of quality check conducted despite repeated requisitions during the course of audit.

1.3.10 Conclusion

The State Government was responsible for identification of beneficiaries, issue of ration cards and distribution of foodgrains through TPDS for ensuring food security at affordable prices. The PA on implementation of the TPDS in the State revealed that the State Government had not reviewed/updated the lists of beneficiaries to prevent the distribution of foodgrains to ineligible individuals/households. There was substantial difference between the number of BPL beneficiaries as per report of Department of Economics Statistics Monitoring and Evaluation and the BPL beneficiaries identified by *the Department. The BPL beneficiaries were issued dual ration cards both under BPL and APL categories and were availing double benefits of rice. There was diversion of Superior Kerosene Oil to various entities beyond the purview of TPDS and denial to consumers of PDS benefits due to short lifting of sugar. The consumers were overburdened due to higher selling price of PDS items, viz. SK Oil, sugar and rice. Nominated agents responsible for milling of wheat for conversion into atta and its distribution were allowed higher refraction rate of conversion besides the distribution being inconsistent and erratic. Despite allowing higher refraction rate, quality of atta was not satisfactory depriving the beneficiaries of the prescribed quality. Consumers were denied prescribed scale of rice due to diversion of monthly allotment to other schemes implemented by the State. The delayed implementation of the NFSA in the State resulted in avoidable expenditure on payment of subsidy from State exchequer. The computerisation of Supply Chain Management system of TPDS had not been completed even after four years of commencement due to which online monitoring of foodgrains allocation, storage and movements starting from the base depots of FCI till the FPSs could not be achieved.*

The monitoring mechanism remained largely non-functional as system of submission of periodic returns from the FPSs to districts were non-existent and inspections of the FPSs were minimal compared to prescribed schedules. Further, the Vigilance Committees constituted at various levels to monitor proper distribution of PDS commodities remained non-functional as no meetings were held during the entire period covered by Audit.

The quality aspect of foodgrains distributed remained un-assessed as samples were not collected from FPSs and food godowns and foodgrains were not tested for determination of its nutritious value and fitness for human consumption.

1.3.11 Recommendations

The following recommendations should be implemented for improvement in the Scheme:

- Beneficiary list should be updated immediately and reviewed on an annual basis and the duplicate ration cards should be eliminated on priority basis. Only eligible persons should be included in the beneficiary list and ineligible cases should be identified and removed;
- Quality control checks needs to be ensured to assess the quality as well as nutritional value of foodgrains distributed;
- Monitoring mechanism should be strengthened by making Vigilance Committee functional, carrying out regular inspections of the FPSs, enforcing the maintenance of proper records by the FPSs.

HEALTH CARE, HUMAN SERVICES AND FAMILY WELFARE DEPARTMENT

1.4 Idle equipment

Non-installation/non-commissioning of essential medical equipment worth ₹ 9.50 crore resulted not only in idling of machines but also deprived the poor people of the intended benefit.

The Project "Strengthening of Radiology Departments at Mangan, Singtam and Namchi" was approved (September 2012) under North Eastern Council (NEC) by the Ministry of Development of North Eastern Region (DoNER) for procurement of three X-Ray Digital Machines one each for Namchi, Mangan and Singtam District Hospitals (DHs) and one CT Scan machine for Namchi DH for providing adequate medical facilities and treatment to the poor people who could not afford treatment outside the State and to the critically injured patients for emergency diagnostic facilities. Administrative approval of ₹ 9.50 crore (90:10::Central:State) was accorded (September 2012) against which, GoI released ₹ 5.18 crore[15]. After the tendering process, the supply order was issued (February 2014) to M/s RS Trading Company, Gangtok, an authorised dealer of M/s Philips Electronics India Ltd. for supply of three X-Ray machines and one CT Scan machine at a cost of ₹ 5.54 crore to be supplied by 16 April 2014. The terms and conditions of the supply order stipulated that equipment were to be supplied and commissioned within 60 days from the date of issue of the supply order and to be handed over to the departmental authorities at the specified location duly conducting demonstration of full functioning of units. It was further seen that while the State Government had not released its proportionate share (released only ₹ 0.36 crore[16] out of required ₹ 0.95 crore[17]), the balance amount of GoI share of 90 *per cent* (₹ 3.37 crore) was also not released by the DoNER.

Audit scrutiny revealed (April 2016) that the firm delivered the equipment in April 2015 to all the three DHs after delay of one year. Physical verification of the equipment (April 2016) revealed that machines were neither installed/commissioned, nor were functioning till the verification (April 2016) as would be evident from the photographs below:

[15] *₹2.80 crore (1st instalment in November 2012) and ₹2.38 crore (2nd instalment in February 2015).*
[16] *₹0.36 crore – (₹5.54 crore paid - ₹5.18 crore received from GoI).*
[17] *10 per cent of ₹9.50 crore.*

Image 1.4.1	Image 1.4.2	Image 1.4.3
		
Mangan DH	*Singtam DH*	*Namchi DH*

Machines lying idle at District Hospitals (April 2016)

It was further seen that equipment at Singtam, Namchi and Mangan DHs were not installed due to lack of sufficient power supply and adequate place for installation.

Thus, non-installation/commissioning of the medical equipment resulted not only in idling of machines but also deprived the poor people of the Districts of the intended benefit. Further, the Department in violation of the terms and conditions of supply, made payment of ₹ 5.54 crore to the supplier before commissioning of the equipment.

The Department in its reply (June and November 2016) stated that delayed supply was due to shortage of those equipment at Netherlands from where it was imported. Further, the Department attributed the delay in installation to shortage of adequate power supply and paucity of funds as additional fund was not provided by the Government in spite of repeated requests for the purpose.

Reply was not acceptable as the Department was supposed to ensure availability of fund and adequate power supply before issue of supply order. Further, the Department failed to provide any document in support that they had ever approached FRED for the fund.

HUMAN RESOURCE DEVELOPMENT DEPARTMENT

1.5 Unfruitful expenditure

Award of work without prior acquisition of land led to incomplete work with an unfruitful expenditure of ₹ 1.91 crore besides depriving the State of an Institution for Technical Education.

During 2009-10, Government of India (GoI) sanctioned financial assistance to the State Government for setting up of a new Polytechnic College at a cost of ₹ 12.30 crore[18] (100 *per cent* CSS). Accordingly, GoI released ₹ 7 crore[19] for the establishment of a new Polytechnic College at Yangthang, West Sikkim.

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[18] *₹ 8 crore (Civil works) and ₹ 4.30 crore (Equipment, machinery, furniture, transport and learning resource materials).*

[19] *₹ 2 crore on 21 January 2010 and ₹ 5 crore on 29 May 2013.*

After receipt of 1st instalment (January 2010), the Department proposed to take up first phase of work to the tune of ₹ 8 crore[20]. While keeping aside the remaining components of civil works, one component, i.e. '*Construction of Academic-cum-Administrative Block*' was awarded (October 2011) to Shri Karma Sonam Sherpa at 24 *per cent* above Schedule of Rates (SOR) 2006 at a tendered value of ₹ 4.55 crore to complete by 23 October 2013. The contractor was paid (October 2011) Mobilisation Advance (MA) to the tune of ₹ 84.64 lakh without obtaining Bank Guarantee. Further, against the payment (December 2011) of ₹ 67.48 lakh for stock material, an amount of ₹ 29.20 lakh remained unadjusted with the State Trading Corporation of Sikkim (STCS).

Scrutiny revealed (March 2016) that after executing the work value of only ₹ 2.63 lakh, the contractor abandoned the work since June 2013, notwithstanding issue of several notices by the Department to the contractor. The contractor stated that due to delayed handing over of land (February 2013) for construction site on the part of the Department by 15 months, estimate of the said work needed to be revised as per prevailing SOR 2012.

It was further seen that before commencement of the work, the Department inexplicably purchased furniture (₹ 17.73 lakh), vehicle (₹ 15.01 lakh) and other inadmissible expenditure (₹ 5.65 lakh) during 2012-14 from the Project fund.

The casual approach of the Department in awarding the work without ensuring the availability of land and payment of MA without ensuring the Bank Guarantee not only led to violation of Sikkim Public Works Manual and Contract Agreement, but also resulted in an unfruitful expenditure of ₹ 1.52 crore. The contractor was also extended with an undue financial benefit of ₹ 84.64 lakh towards MA that could have earned interest of ₹ 42.32 lakh[21] till September 2016.

While accepting (May 2016) the fact that MA was paid to the contractor without obtaining Bank Guarantee, the Department stated that the work was delayed due to some land dispute and just recently the contractor had resumed the work. Physical verification conducted (September 2016) by Audit in presence of departmental Engineers revealed that the contractor again resumed the work from March 2016 with only 10 *per cent* physical progress with an engagement of very few labourers as seen in the image given below:

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[20] *1. Academic-cum-Administrative block (₹ 5.91 crore), 2. Principal Quarter (₹ 0.36 crore), 3. External Water Supply (₹ 0.51 crore), 4. External electrification and sub-station (₹ 0.46 crore), 5. Mini Sewerage Treatment Plant (₹ 0.56 crore), 6. Land escaping, beautification and foot path (₹ 0.20 crore).*

[21] *Interest @ 10 per cent from 09 October 2011 to 09 September 2016 on ₹ 84.64 lakh.*

Image 1.5.1

Image 1.5.2

As of September 2016, against the stipulated completion by October 2013, an amount of ₹ 1.91 crore[22] (27 *per cent* of Project cost) had already been incurred without any substantial progress. Considering the very slow progress of work, the objective to create an Institution for Technical Education for providing skills to the students of Sikkim remained unfruitful.

HUMAN RESOURCE DEVELOPMENT DEPARTMENT, ROADS AND BRIDGES DEPARTMENT AND LAND REVENUE AND DISASTER MANAGEMENT DEPARTMENT

1.6 Irregular diversion

The departments irregularly diverted ₹ 3.14 crore from Special Central Assistance under Prime Minister's Package towards creation of new assets despite clear instructions by Planning Commission that the fund was meant for re-construction/rehabilitation of infrastructure damaged by the earthquake.

Sikkim was hit by a 6.8 magnitude earthquake on 18 September 2011. The Prime Minister announced ₹ 1,000 crore Special Package for reconstruction and Rehabilitation and Union Home Ministry advised (21 October 2011) the State Government to prepare specific proposals with Detailed Project Report (DPR) to enable the Central Government to proceed further on this announcement. State Government identified projects amounting to ₹ 1,471 crore and submitted (15 November 2011) to the Prime Minister's Office. However, Planning commission approved (12 October 2012) ₹ 1,000 crore only and accordingly, State Government revised the priority of projects and resubmitted (20 January 2012) DPR to the Government of India.

The Memo dated 12 October 2012 conveying approval of fund by the Planning Commission, clearly stated that the package was meant for reconstruction/rehabilitation of infrastructure damaged by the earthquake and not for construction of new assets.

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[22] *₹ 1.52 crore + Contingency (₹ 38.39 lakh).*

Scrutiny revealed (January 2016) that an amount of ₹ 3.14 crore was irregularly diverted by the Human Resource Development Department (₹ 2.54 crore) towards construction of school buildings and by Roads and Bridges Department (RBD) (₹ 0.60 crore) towards road carpeting, which were creation of new assets in defiance of the Prime Minister's Package guidelines as detailed below:

Table 1.6.1

Sl. No.	Name of work	Sanctioned cost (*₹in lakh*)	Technical reasons	Remarks
1	Construction of 6/R/S/B at Deythang JHS, South Sikkim.	47.20	Due to increase of students every year.	Completed
2	Major restoration of 6/R/S/B at Sang Tshalamthang SS, East Sikkim.	49.35	Upgradation of school from Junior High School to Secondary School.	Completed
3	Construction of 6/R/S/B at Lingee Payong JHS (Phase-II), South Sikkim.	44.96	No expenditure on dismantling was found to have been incurred as normally done in other school re-construction works.	Under progress (as of January 2016)
4	Construction of Multi-purpose Auditorium at Vok SS, South Sikkim.	66.03	-do-	Under progress (as of January 2016)
5	Major restoration of 6/R/S/B at Samalingdum JHS, East Sikkim.	46.38	-do-	Completed
6	Carpeting of Bungling-South Regu, East Sikkim.	60.01	The Department carried out carpeting work on earthen road.	Completed
	Total	**313.93**		

It was clear from the DPR that the works were executed for accommodating increase in enrolment of students, upgradation of schools and not for rehabilitation of infrastructure damaged by the earthquake.

Further, the Bungling-South Regu road was constructed decades ago and not carpeted until the RBD received Prime Minister's Package and executed the work. Thus, the departments diverted ₹ 3.14 crore towards creation of new assets in violation of instructions by Planning Commission that the fund was meant for re-construction/rehabilitation of infrastructure damaged by the earthquake.

It was also noticed that instead of repairing the damages caused due to earthquake, the departments in violation of the Prime Minister's Package guidelines took up new works ignoring the damaged infrastructure.

The HRDD stated (July 2016) that some new construction had been taken up under Prime Minister Package as some old structures were severely damaged and beyond repair. The intention was to continue with the classes. The new construction be considered as reconstruction of the school building structure which ultimately brought relief to the school children. However, this was against the condition placed while conveying approval of the package. Further, the RBD stated (July 2016) that carpeting work was done to plug the cracks caused by the earthquake. This reply was also not tenable as the road (length of 2 km) was not carpeted since 1994-95 and as per the report it was not mentioned as damaged caused by the earthquake.