Chapter-III
Labour Management and Incentive Payments

3.1 Introduction

The storage and handling operations in FCI owned/hired food storage depots (FSDs) are carried out manually through handling labour. The work includes loading in rail wagons/trucks, unloading from rail wagons/trucks, stacking and de-stacking of bags at FSDs, shifting of bags within the FSDs, re-bagging/filling bags with loose grains and standardisation etc. FCI deploys labour for handling food grains under the following four systems:

(i) **Departmental labour system**: These workers get a regular pay scale besides overtime, incentive and other benefits e.g. Contributory Provident Fund (CPF), Gratuity etc.

(ii) **Direct payment labour system (DPS):** These workers are paid uniform piece rate with minimum guaranteed wages even on the days when there is no work. They are regular employee of FCI and get benefit of CPF, Gratuity and Over Time Allowances (OTA).

(iii) **No work no pay system (NWNP):** These workers are entitled for piece rate earning or daily minimum wages, whichever is higher only for the days where they are engaged for work. They also get benefit of CPF, Gratuity, OTA etc.

(iv) **Contract labour system:** Under this system private handling and transport contractors are awarded depot wise contracts for handling of food grains.

The handling operation through departmental labour is the costliest as this category of labour besides earnings wages and other benefits under regular pay scale also earns high amount of incentive[18]. Departmental labour were deployed in only 145 depots (136 owned and 9 hired depots), DPS in 206 depots, NWNP in 94 depots and Contract labour system in remaining depots. Though the departmental labour were deployed in only 9.37 *per cent* of the total owned/hired FSDs the handling cost through departmental labour was 48 *per cent* of the total handling cost in FCI. The total handling expenses incurred during 2013-14 was ₹ 3,977 crore (Departmental labour ₹ 1,899 crore, DPS ₹ 825 crore, NWNP ₹ 39 crore and contract labour ₹ 1,214 crore).

Considering the impact of incentive payments and high handling cost of departmental labour, FCI in the past conducted various studies through Bureau of Industrial Cost and Pricing (BICP-1989-90), Mckinsey & Co. (2003), Delhi Productivity Council (2002), Saxena Committee (2005), Indian Institute of Management, Ahmedabad, Price Waterhouse Coopers (2013) and M/s Deloitte Touche Tohmatsu India Pvt. Limited (M/s Deloitte) (2014). Moreover the Parliamentary Standing Committee on Food,

[18] ***Per Metric Tonne handling cost: Departmental labour ₹654.00; DPS ₹214.00; NWNP ₹85.00***

Consumer Affairs and Public Distribution also gave a set of recommendations in April 2005 on this subject.

Audit was carried out on a test check basis in six highest handling cost FSDs and four lowest handling cost FSDs out of 18 FSDs (nine each in West Bengal and Assam Region) manned by departmental labour to assess the actions taken by FCI for deployment of its departmental labour in FSDs for minimisation of handling cost and idle wages. The findings in these two Regions were also supplemented by audit findings in twelve top most handling cost FSDs and eight lowest handling cost FSDs out of 62 FSDs[19] under Haryana, Delhi, Madhya Pradesh and Andhra Pradesh Regional Offices of FCI. The audit covered a period of three years from 2012-13 to 2014-15.

Audit findings

3.2 Labour management

3.2.1 Unproductive wages due to non-rationalisation of surplus labour

FCI Headquarters directed (November 2007) all its Regional Offices to assess the requirement of departmental labour, based on the average annual turnover of the preceding three years and treat the same as sanctioned strength of concerned FSD. This was to make adjustment of short/surplus labour by making inter-depot, inter-district, inter-region and inter-zone transfers in the FSDs which were functioning with departmental labour. It was also directed to ensure compliance of the norm of four ancillary labours[20] per 5,000 MT covered capacity in the FSDs. The Zonal and Regional Offices of FCI were empowered to make the adjustment of the short/excess labour by making inter-depot and inter-region transfers.

However, Audit observed that this order was not complied with in a number of FSDs in various States and no adjustment of surplus departmental labour/DPS from the surplus FSDs to the deficit FSDs situated in other regions was done. This led to unproductive wages payment of ₹ 137.99 crore due to non- adjustment of surplus labour during 2012-13 to 2015-16.

Moreover, Audit also noticed that no action was taken to rationalise the surplus ancillary labour to optimize them to the norm of four ancillary labour per 5,000 MT covered capacity inspite of repeated instructions from FCI Headquarters and Zonal Offices to its Regional Offices. The inaction of the Management to rationalise the surplus ancillary labour also resulted in unproductive expenditure of ₹ 33.26 crore during 2012-13 to 2015-16.

***19** 62 FSDs includes 18 FSDs in Haryana Region manned by Departmental labour; 6 FSDs in Delhi Region (4 manned by departmental labour and 2 manned by DPS labour); 11 FSDs in Madhya Pradesh Region (6 manned by departmental labour and 5 manned by DPS labour) and 27 FSDs in Andhra Pradesh Region (1 manned by departmental labour and 26 manned by DPS labour.*

***20** Ancillary labour has to perform miscellaneous work of unskilled nature in food storage depot including cleaning of godowns/wagon/truck, collection of scattered food grains etc.*

In November 2015, the Nagpur bench of Hon'ble High Court of Bombay directed FCI to transfer the surplus departmental labour to the other FSDs having shortage of labour to reduce the handling cost. After seven months of issue of directives by the Hon'ble Court, FCI directed (July 2016) all its regional offices for rationalisation of labour strength through inter-depot, inter-District, inter-region, inter-zone transfers of labour. However, no concrete follow up action was taken so far on this aspect (February 2017).

The Management stated (November 2016) that labour strength of a depot does not reflect requirement of the labour in proportion to the peak work load.

The reply is not acceptable as Audit worked out surplus labour with reference to directives issued by FCI in November 2007 about how to calculate sanctioned strength and to make adjustment of short/surplus labour. FCI took no follow up action for implementation of the directive of November 2007 and it only issued order for rationalisation, belatedly on the directions of the Hon'ble Court on which no concrete action was taken in the depots.

3.2.2 Injudicious deployment of departmental labour

An operational efficiency study conducted by M/s Price Waterhouse Coopers recommended deployment of contract labour for handling operations in FCI as it found that among all the labour systems prevailing in FCI, contract labour system was the most economical.

It was mandatory to deploy only regular handling workers (viz. departmental labour, DPS labour and NWNP workers) in certain depots called as the notified FSDs. Keeping in view the cost economics, it was prudent for the Management to deploy contract labour at least at the non-notified FSDs and railway sidings owned by railways so as to reduce the handling cost.

However, Audit observed that FCI continued to deploy departmental labour at hired FSDs[21] (three FSDs in Bihar Region, two FSDs in Assam Region and one Central Warehousing Corporation depot at Basti in Uttar Pradesh) and four railway sidings two each in West Bengal and Madhya Pradesh region. The excess expenditure due to this deployment from 2012-13 to 2015-16 (upto December 2015) was ₹ 50.98 crore.

Since, there was an overall shortage of departmental labour in Assam Region, it was prudent for the management to transfer the departmental labour to the FSDs where there were shortages, vacate the de-notified FSDs operated by DPS labour, engage contract labour in the vacated FSDs and transfer the DPS labour to the notified hired FSDs for getting the benefits of work done at much lower rates. However, no such optimization of labour deployment was found in these FSDs/railway sidings.

[21] ***Name of Hired FSDs and Railway sidings with departmental labour: (Bihar-Forbesganj, Munger and Raghopur); (Assam-SWC Bongaigaon and Sibsagar Private); (Uttar Pradesh- CWC Basti);(West Bengal- Railway Siding Habra and Suri); (Madhya Pradesh-Railhead Gwalior and Satna).***

Thus, injudicious deployment of departmental labour resulted in avoidable expenditure of ₹ 50.98 crore.

The Management while explaining (November 2016) in detail recent steps taken in the depots/Railway sidings to curtail the handling cost by making rationalization and restoration of contract system stated that they apprehended law and order problems in thrusting a unilateral decision on workers who were working under the recognized labour system.

The Management has expressed its inability to implement a practice which is in interest on the FCI as well as the GoI, on the ground of probable law and order problems. This aspect needs to be addressed proactively/legally by involvement of the Ministry, FCI and Labour, otherwise it will result in recurring avoidable expenditure over the years.

3.2.3 Non- pooling of the surplus departmental labour

M/s Deloitte, engaged (2014) by FCI for conducting comprehensive study on labour induction and other related issues, recommended (September 2014) pooling of departmental labour in fewer notified FSDs and to operate the vacated non-notified FSD with contract labour. M/s Deloitte estimated that this exercise would result in a saving of ₹ 606 crore. The recommendation was accepted (April 2015) by the Board of Directors (BOD) of FCI.

However, during test check Audit observed that the accepted recommendation of M/s Deloitte was not followed in Assam, West Bengal and Bihar regions. It led to excess expenditure of ₹15.42 crore over a period of five months during August 2015 to December 2015.

Thus, non-implementation of accepted recommendation regarding pooling of surplus labour led to excess expenditure of ₹ 15.42 crore in Assam, West Bengal and Bihar Region of FCI during August 2015 to December 2015.

The Management stated (November 2016) that pooling/rationalization of labour strength consequent upon exemption granted by the Ministry of Labour & Employment under Section 31 of the Contract Labour (Regulation and Abolition) Act in respect of 226 notified depots will prove that prior to issuance of the said notification it was not feasible to deploy contract labour in the depots vacated after pooling of the departmental labour system.

The reply is not acceptable as non-pooling observed in audit was not related to de-notification of notified depots but to already de-notified depots which could be vacated by transferring the departmental labour engaged in these depots to notified/other departmental labour manned depots.

3.2.4 Proxy labour

Though FCI officially does not acknowledge the existence of proxy labour at its depots, the Parliamentary Standing Committee on Food, Consumers Affairs and Public Distribution had indicated in its report (25 August 2004) about existence of proxy labour in FCI. In reply to the query raised by the Standing Committee, the then Managing Director of FCI also accepted that it was not possible for a handling labour to handle 600-700 bags of food grains in a day (as is often the case in FCI records). The High Level Committee on FCI recommended (January 2015) for fixing a maximum limit on the incentive per person that would not allow him to work for more than, say, 1.25 times the work agreed with him.

It was noticed in audit that there was an overall increase in the productivity of the gangs even though the overall volume of work increased and the numbers of departmental labours decreased over the time. This was indicative of existence of proxy labour in the depots. Some related important observations are as follows:

- It was observed from the test check of the output slips of FSDs under West Bengal, Assam, Madhya Pradesh, Haryana, Delhi and Andhra Pradesh regions for the selected months that there were instances where the records depicted that handling labour carried much more than 600 bags per day of food grains in a day and high expenditure was incurred by the respective area office towards incentive and over time. For instance, on 30 October 2014, Gang No. 15 consisting of six handling labour working in New Guwahati depot handled 998 bags of food grains per labour (less than two minutes per bag) and earned a total daily incentive of ₹ 1,23,186 (on an average ₹ 20,531 per labour).
- It was also noticed that some of handling labours at Mayapuri, Ghevra and Narela depots of North region were suffering from chronic diseases like paralysis, chronic heart and kidney disease yet they earned incentive and overtime to the extent of ₹ 90,836 to ₹ 3,05,311 during the period from January, 2016 to March, 2016. Instances of handling as many as 1,350 bags (Area Office Nagaon), 1550 bags (FSD Srirampur) and 1,776 bags (FSD Gwalior) per day per labour were found in audit.
- In case of FSD Dimapur, Audit noticed abnormally high incentive being paid to labourers. Under Area Office, Dimapur in Nagaland and Manipur Region there are five FSDs. The handling work at FSD Dimapur, FCI is done through departmental labour and in all other four FSDs, handling work is done through contract labour. After comparing the handling cost of departmental labour and contract labour Audit observed that handling cost of work done through departmental labour was abnormally higher than the similar work done by contract labour. Audit examination revealed that in October 2015, 61 labour earned more than ₹ two lakh as monthly incentive and the earnings of monthly incentive in respect of two labourers were more than ₹ three lakh. It was also seen that Gang No. 5 which consisted of seven labourers handled 8,093 bags (average handling per labour was 1,156 bags) on 06 October 2015.

Audit analysis revealed that the labour strength at FSD Dimapur came down from 116 to 97 (from 2013-14 to 2015-16) but the excess bags handled went up from 62.90 lakh to 66.06 lakh (with an abnormal high of 88.16 lakh in 2014-15). The details are given in following Table 3.1:

Table 3.1: Labour Strength and bags handled in FSD Dimapur

Year	Actual no. of depart-mental labour	Requirement of labour as per norms of FCI Hqrs.	Shortfall	No. of working days	No. of bags to be handled as per norm of 105 bags per day per labour	Actual no. of bags handled	Excess bags handled	Incentive earned for handling excess bags over norms (₹ in lakh)
(1)	(2)	(3)	(4)=(3)-(2)	(5)	(6)=(2)x(5)x105	(7)	(8)=(7)-(6)	(9)
2013-14	116	322	206	296	36,05,280	98,94,884	62,89,605	1,234.55
2014-15	112	322	210	290	34,10,400	1,22,26,805	88,16,405	1,830.63
2015-16 (upto Dec'15)	97	322	225	240	24,44,400	90,50,643	66,06,243	1,337.71

The above anomalies are strong indicators of possibility of engagement of proxy labour, a fact on which even the Parliamentary Standing Committee had expressed serious concern.

The Management stated (November 2016) that various preventive measures were taken to prevent proxy labour.

The fact remains that the rate of bags handled per labours remains abnormally high leading to the exorbitant incentive being paid to some labourers and FCI is yet to tackle the presence of proxy labour in its depots.

3.2.5 Irregular payment of wages during depot closure

Cost of handling operations by departmental labour was much higher than that of contract labour. Considering this, RO, FCI, Kolkata floated a tender (August 2013) for handling and transportation work at railway siding Srirampur. Consequently, the FCI Workers' Union served notice of strike to FCI Management and there was no rake movement during the period August 2013 to April 2015 at railway siding Srirampur. There was almost zero transaction in the depot during the period January 2014 to April 2015 and the capacity utilization of the depot was also nil. During the prolonged period of 16 months the departmental labour at FSD, Srirampur were kept idle (except on only 20 occasions during January 2014 to April 2015 when labour of Srirampur depot were deputed to FSD Chinsura for unloading of rakes). No action was taken by the Management to gainfully utilize the departmental labour posted at FSD, Srirampur by transferring them within Area Office/Region/Zone. Non-utilisation of the departmental labour of Srirampur depot during the period January 2014 to April 2015 resulted in payment of idle wages amounting to ₹ 5.90 crore.

The Management stated (November 2016) that during January 2014 to April 2015 no operations were carried out due to FCI workers union filing industrial dispute case before Regional Labour Commissioner, Kolkata. Reply is untenable as the Management failed to gainfully utilize the service of the labour by transferring to other depots during the strike period but still paid wages for all such days.

3.2.6 Booking of departmental labour without adequate work

Departmental labour in FCI are eligible to get Minimum Guaranteed Wages (MGWs) for 21 days in addition to four or five weekly offs in a month and attendance allowance for the rest of the days in that month in case they report on duty but are not booked within two hours of reporting due to non-availability of work in depot. Hence, the gangs were to be booked judiciously, only when there was adequate work e.g. rake loading, unloading etc., otherwise a higher basic pay, Dearness Allowance (DA) and CPF payment had to be paid for every extra day of booking over and above the 25-26 days of booking.

From test check of output slips selected on random basis in area offices of West Bengal, Assam and Bihar, Audit observed that there were number of instances when there was either no work or very little work, but gangs[22] of departmental labour (including ancillary labour) were booked for work. Though the depot managers should have done proper analysis regarding requirement of booking labour based on receipt and issue operations but it was not done and they booked the gangs on days without any work/adequate work.

The avoidable payment of idle wages from such overbooking of departmental labour without any work/adequate work, during 2012-13 to 2015-16, worked out to ₹ 3.40 crore**.**

The Management while accepting (November 2016) the facts stated that placement of rakes was not in FCI's control and Railway was placing rakes as per its convenience. The reply of the Management is indication of the fact that by better co-ordination with Railways and efficient manpower planning, idle wages could be reduced.

3.2.7 Non optimization of short/broken gangs by merger into full strength gangs

The handling labour is required to load, unload food grains bags on or from railway wagons, trucks and other vehicle with stacking/unstacking of the same in the depots. Sardar and Mandal do not perform handling work but they get incentive based on the overall work done by the handling labourers in a gang. Thus, if the number of handling labour reduces in the gang, the percentage of incentive payout to non-performing member would rise as illustrated below in the Table 3.2:

Table 3.2: Gangs with Sardar and Mandal

Gang Composition*	Non-Performing Labour	Performing Labour	Performing Labour in standard composition of gang	Minimum share of incentive of non-performing labour to total labour *(per cent)*	Share of incentive of non-performing labour in a standard gang *(per cent)* i.e. 1 (S)+1(M)+12 (H/L)	Excess Incentive due to non-standard composition *(per cent)*
1 (S)+1(M)+12(H/L)	2	12	12	14.29	14.29	0.00
1 (S)+1(M)+11(H/L)	2	11	12	15.38	14.29	1.10
1 (S)+1(M)+5(H/L)	2	5	12	28.57	14.29	14.29

****S= Sardar, M=Mandal and H/L=Handling Labour***

[22] ***A Standard Gang consists of 1 Sardar, 1 Mandal and 12 Handling labour***

Strength of most of the labour gangs in the FSDs reduced considerably over the years due to voluntary retirement/superannuation/death of workers and no fresh recruitment was made. This resulted in short/broken gangs and had adverse impact on efficiency and productivity of labour. Hence, a need was felt by both the Management and the workmen for merger of gangs. Accordingly, both sides signed a Memorandum of Settlement (November 2007) regarding merger of short/broken gangs for making these gangs as full strength gangs.

Audit observed that short/broken gangs were not merged in 23 FSDs in four regions[23], after retirements/death of the gang labour. Operations of gangs with reduced strength led to payment of higher incentives and overtime wages as payment of incentive and OTA has direct dependency on the average number of bag handled by handling labour per day as illustrated in the Table 3.2 with reduction in number of each handling labour in a gang, the share of incentive to non-performing labour i.e. Sardar and Mandal increases as compared to their share in a standard gang. It results in incurring of excess incentive to sardar and/or mandal. Thus, non-merger of the short/broken gangs by the area offices under the jurisdiction of West Bengal, Assam, Bihar and Haryana regions resulted in avoidable payment of ₹ 3.25 crore during the period selected for audit.

The Management stated (November 2016) that initially the gangs were not merged/reconstituted due to pendency of Court cases. The matter was finally decided in August 2013 and immediately after that action was taken.

The reply is not acceptable as there were numerous cases of non-merger even after August 2013 leading to avoidable payments.

3.2.8 Non-implementation of biometrics and Closed Circuit Television (CCTV) etc.

Audit observed that there were multiple instances where FCI could not implement efficiency improving technology such as Biometrics, CCTV, Portable bag handling system in its depots because of labour resistance as discussed below:

(i) Non-implementation of Bio-Metric Attendance System

The Parliamentary Standing Committee on Food, Consumer Affairs and Public Distribution in its report (2005-06) noted that the suggestions[24] of the Committee (2004-05 Report) to prevent proxy labour in the FCI, were not taken seriously. The Committee

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***23** 4 regions includes: (West Bengal: FSD Srirampur, Chinsurah, OJM and Kalyani); (Assam: FSD Ramnagar); (Haryana: BG Kurukshetra); (Bihar: FSD Phulwarisharif, Mokama, Brahmpura, Narayanpur Anant, Chanpatia, Forbesganj, Katihar, Belouri, Bhagalpur, Munger, Katarihills, Darbhanga, Jainagar, Saharsa, Raghopur, Madhepura, Chapra).*

***24** i) Requiring each and every worker to put one's signature and thumb impression as a token of attendance; ii) introduction of mechanical gate entry devices, punching card system with thumb impression; iii) payment of wages to all workers through cheque as per the provision of Income Tax Act; and iv) signing of daily work output slips by each labour at the end of the day and countersigned by Mandal/ Sardar/Shed Incharge, would go a long way in curbing incidence of proxy labour.*

was of the view that by not taking any meaningful action to curb proxy labour, FCI was trying to institutionalize the system. The Committee, therefore, recommended that the system of proxy labour must be abolished by regulating the attendance system in order to prevent further drainage from the exchequer.

FCI attempted to regulate the attendance system through biometric attendance system at the depots. In order to regulate the attendance system, the East and North East zones of FCI purchased (during March 2006 to July 2009) 150 Bio-metric finger printing attendance devices at a total cost of ₹ 49.20 lakh and installed the same in the FSDs situated under their control. However, even after ten years the Management could not make the system operational because of the resistance by the labourers. Similarly, test check revealed that the Bio-Metric attendance systems could not be implemented even in the FSDs under Area Offices at Mayapuri and Shaktinagar under Delhi region. Audit also noticed non implementation of the bio metric system in eight FSDs in Madhya Pradesh and Andhra Pradesh regions due to reasons such as non-functioning of Bio-metric devices, non-delivery of devices, non-linkage with 2G connectivity etc.

The Management stated (November 2016) that installation of Biometric Attendance System was completed in FCI Hqrs and in second phase Biometric Attendance System would be implemented in all Zonal Offices, Regional Offices, District Offices and Depots.

The reply of Management affirms that it could not fully implement Bio Metric Attendance System in the depots even after ten years of suggestions made by the Parliamentary Standing Committee.

(ii) Non-implementation of CCTV

In order to augment security surveillance systems in all the FCI owned FSDs, as per directives of the Ministry, FCI decided (August 2015) to implement surveillance through CCTV cameras. It was observed that even CCTV cameras installed on pilot basis in three FSD viz, Miryalguda [District Office (DO) Nalgonda], Hanuman Junction (DO Vijayawada) and Cherlapally (DO Tarnaka) under Andhra Pradesh region at a cost of ₹ 1.19 crore were not in working condition since August 2015. Moreover FCI has not done any impact analysis of the effect of CCTV implementation in the depots.

The Management stated (November 2016) that CCTV cameras were installed in 65 depots (58 in 2013-14 and 7 in 2014-15) and actions were taken to install CCTV cameras in 482 depots (tenders for 457 depots were issued in 2016-17) and approval of competent authority was given for 25 depots.

The reply indicates that CCTV cameras were installed in a small number of depots and FCI is now in the process of installing same in other depots. Reply regarding impact analysis in depots, where CCTV Cameras were installed was still awaited (February 2017).

(iii) Portable Bag Handling System

Portable Bag Handling System is a Mechanised Conveyer System used for unloading and stacking of bags from wagon/truck with added benefit of time and cost saving. Portable bag handling system (Mechanised system) purchased at Ramnagar (March 2014), Ranchi (August 2014), Phulwarisarif (May 2014) and Charrah (May 2014) FSDs under Assam, Jharkhand, Bihar and West Bengal regions respectively at a cost of ₹ 78.85 lakh were not put to use at the FSDs on the grounds of labour resentment against the mechanised system. Audit further observed that two Portable handling systems procured (June/September 2014) by the Andhra Pradesh region at a total cost of ₹ 15.76 lakh for two FSDs were not put to use due to procurement of the same without ascertaining suitability and technical aspect of the systems for handling operations. This resulted in infructuous expenditure of ₹ 94.61 lakh and no benefit of modernization accrued in these depots.

The Management stated (November 2016) that portable bag handling system was not in operation due to various constraints like too bulky structure to move smoothly inside the godowns due to insufficient space.

The reply of the Management indicates that no feasibility study was undertaken before making investment on portable bag handling system which led to infructuous expenditure on their installation.

3.3 Irregular benefits extended to labour in violation of existing laws/rules

3.3.1 Irregular/excess contribution in Contributory Provident Fund

The Hon'ble Supreme Court laid down the following basic principles of defining "basic wages" under sec. 2 (b) of the Employee Provident Fund (EPF) Act in the two judgements[25]:

(a) *Where the wage is universally, necessarily and ordinarily paid to all across the board such emoluments are basic wages.*

(b) Where the payment is available to be specially paid to those who avail of the opportunity is not basic wages. By way of example it was held that overtime allowance, though it is generally in force in all concerns is not earned by all employees of a concern. It is also earned in accordance with the terms of the contract of employment but because it may not be earned by all employees of a concern, it is excluded from basic wages.

(c) Conversely, any payment by way of a special incentive or work is not basic wages.

(d) Incentive wages paid in respect of extra work done is to be excluded from the basic wage as they have a direct nexus and linkage with the amount of extra output. It is to be noted that any amount of contribution cannot be based on different contingencies and uncertainties. The test is one of universality.

The FCI (Contributory Provident Fund) Regulations, 1967 for departmental worker engaged in the service of FCI also did not include incentive/OTA under 'Pay'. However, in a complete disregard to *Hon'ble Supreme Court Judgements and 'FCI (Contributory*

[25] ***'Bridge & Roof's Co. Ltd. Vs. Union of India case' (11/09/1962) and TI Cycles of India, Ambattur Vs. M.K. Gurumani and Others' (2001 (7) SCC 204).***

Provident Fund) Regulations, 1967', a Memorandum of Settlement (MoS) dated 24 May 1984 was signed between the Management and FCI Workers Union. As per the terms of settlement, Management decided to treat incentive earned by the departmental workers as 'earning' for the purpose of CPF contribution. As provisions of any regulation, circular or a settlement (issued or settled by an Organization or Institution) cannot override Judicial Pronouncement of the Apex Court, the MoS signed by FCI Management was in violation of the provisions of law and judicial pronouncement.

Audit observed during test check that in West Bengal, Assam, Delhi, Haryana, Madhya Pradesh, Andhra Pradesh and Jharkhand[26] regions incentive earnings of the departmental labour were included in "wages/earning" for the purpose of CPF calculation and FCI made an excess contribution of ₹ 218.76 crore as employer's contribution during April 2012 to March 2016 in violation of the Hon'ble Supreme Court's Judgment.

The Management stated (November 2016) that extension of better benefits than the statutory provisions was legally valid.

The reply is not acceptable as better benefits were given only to a selected group solely on the basis of MoS in violation of the Hon'ble Supreme Court's judgment on this issue. Moreover, FCI could not provide any evidence regarding its action being legally valid given the fact that MoS cannot supersede judgment of the Hon'ble Supreme Court.

3.3.2 Unjustified inclusion of incentives while calculating gratuity

As per the Payment of Gratuity Act 1972, gratuity is payable to an employee on termination of employment and rendering continuous service for not less than five years. Wages constitutes all emoluments earned by employee including Dearness Allowance but does not include any bonus, commission, house rent allowance (HRA), overtime wages and any other allowance. Moreover, as per the Payment of Gratuity Act applicable to employees of FCI, only basic pay and dearness allowance thereon was treated as wage for computation of gratuity.

However, Audit observed that incentive was included as an element of wage in case of Departmental labour for calculation of gratuity and this inclusion of incentive in the calculation of gratuity payable to departmental labour resulted in extra expenditure of ₹ 10.99 crore in Delhi, Haryana, Madhya Pradesh and Andhra Pradesh during 2012-13 to 2015-16.

The Management stated (November 2016) that benefit extended through bilateral settlement over and above statutory requirement was legally valid and was not matter of adjudication.

The reply is not acceptable as better benefits were given only to a selected group in violation of Gratuity Act, 1972. Moreover, FCI could not provide any evidence to its claim of its action being legally valid given the fact that an MoS cannot supersede provisions of an act of Parliament.

[26] ***Period from May 2014 to November 2015 only in case of Jharkhand region.***

3.3.3 Unjustified inclusion of HRA element for the computation of incentive and OTA

As per the incentive scheme framed (May 1999) for the departmental labour working in FCI godowns/depots, various incentives such as handling, height and lead were payable. These incentives were payable at full wages for the actual number of bags handled, stacked or carried, as the case may be, in respective slabs of output above norm/datum. The Hon'ble Supreme Court of India in its judgment dated 20 July 1990 in Writ Petition 222 of 1984 held that there should be parity in wages and fringe benefits of department labour across the country on the basis of arbitration award by Justice K. K. Mitra. Audit observed that FCI unjustifiably included HRA component in the wages for the purpose of calculation of incentive and OTA. This was completely unwarranted as the HRA element was not to be considered for the purpose of computation of the Performance linked incentive, Leave encashment and Gratuity payable to the departmental labour on superannuation.

Audit noticed in selected FSDs under West Bengal, Assam, Delhi, Haryana, Madhya Pradesh and Bihar regions and ANZ Vizag that FCI made unjustified payment of ₹ 118.84 crore during 2012-13 to 2015-16 by including HRA for computation of incentive and OTA.

The Management stated (November 2016) that the Departmental as well as DPS workers were being paid OTA as per the MOU reached with labour Union in furtherance to the provisions of Shop and Establishment Act irrespective of the fact whether the establishment of FCI was given exemption by the respective State Government from the OTA provisions of the said Act.

The Management reply is not tenable as it could not furnish any records on legal validity of the action other than the settlement with labour union. Thus, allowing different rate of HRA (10, 20 and 30 *per cent*) in different location for computing incentive resulted in different payment of incentive for same work, which also defeats the concept of equal pay for equal work and is contrary to the ibid judgement of the Hon'ble Supreme Court.

3.3.4 Non-consideration of Mandal as handling labour

As per Circular issued (May 2002) by FCI on the duties of Sardars[27] and Mandals[28], when there is no weighment work in the depot, the Mandal has to work as part of gang and perform duties of handling labour. With introduction of weighment of bags through electronic weighbridges in the FSD there was no need of the Mandal during weighment and as per description of duties prescribed by FCI, the Mandal had to work as a handling labour. Further, M/s Deloitte also recommended for review of the role of Mandal in view of introduction of weighbridges in the FSD and the same was approved by the Board of Directors of FCI in the meeting held on 8 April 2015.

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[27] ***Sardar is a leader who exercises adequate control over gang and coordinates and supervises the various steps of operations.***

[28] ***Mandal has duty to weigh the food grains bags and in absence of weighment he has to work as a part of the gang.***

However, it was observed that Mandals working in the FSDs equipped with electronic weighbridges were not considered as handling labourers in line with the duties defined in the letter issued in May 2002. It was noticed in Area offices, Patna and FSDs under Assam, West Bengal, Haryana, Delhi, Madhya Pradesh regions and Dimapur that FCI paid ₹ 58.82 crore during 2012-13 to 2015-16 to such Mandals, who should have been considered as handling labour for the purpose of calculation of incentive earnings per labour**.** Thus, non-consideration of the Mandal as handling labour in line with duties of Mandal, defined by the Management resulted in unjustified payment of incentive to Mandals.

The Management stated (November 2016) that duty of Mandal is supervisory in nature and in absence of manual weighment, the Mandal works as a part of the gang and performs duties of handling labour which does not mean that he has to give output as required by the handling workers of the gang.

The Management reply is not acceptable as the FCI circular (13 May 2002) on the duties of Sardars and Mandals, clearly stated that when there was no weighment work in the depot, the Mandal had to work as part of gang and perform duties of handling labour. Thus, by not insisting on the specified work output by the Mandal in depots where there was no manual weighment resulted in undue extra payment of ₹ 58.82 crore.

3.3.5 Unjustified payment of 'A' area rates to DPS labours working in 'B' and 'C' areas

In exercise of the powers conferred by the GoI, Ministry of Labour & Employment (MoL&E) periodically revises the rates of variable dearness allowance on the basis of increase in the average Consumer Price Index (CPI). Accordingly the minimum guaranteed wages are also revised every six months. The rates revised are based on the areas viz., area 'A', 'B', 'C'[29], notified by the GoI.

As per Memorandum of Settlement (August 2012) between the Management and workmen represented by FCI Workers Union over revision of wages to DPS workers, it was agreed that Minimum Daily Wages of 'A' area as notified by GoI shall be paid to the labours as base throughout the country irrespective of the category of station of posting.

Audit observed that consequent upon extending the 'A' area rates across the country, the increase in daily wages to DPS labours in Madhya Pradesh and Andhra Pradesh regions ranged between ₹ 44 to ₹ 56 for FSD at 'B' area and ₹ 85 to ₹ 110 for FSD at 'C' area. An amount of ₹59.22 crore was paid to the workers on account of this increase from April 2012 to March 2016. Since the rates as decided by the GoI are based on the average CPI and revised every six months, extending 'A' area rates uniformly across the country was not justified. The decision of extending 'A' area rates uniformly across the country

[29] ***Area 'A' and Area 'B' comprise all the places as specified in the annexure, to Notification of Government of India in the Ministry of Labour and Employment No. S.O. 131(E) dated 13th January 2009, as such areas and includes all places within a distance of fifteen kilometres from the periphery of a Municipal Corporation or Municipality or Cantonment Board or Notified Area Committee of a particular place. Area 'C' shall comprise of all the other place not mentioned in Areas 'A' and 'B' of the annexure and to which the Minimum wages Act 1948 (11 of 1948) extends.***

also defeated the very purpose of GoI decision to notify the areas as 'A', 'B', 'C' and the payment of ₹ 59.22 crore was completely unjustified.

The Management stated (November 2016) that FCI Workers Union vehemently opposed applicability of different minimum daily wages in respect of DPS labour employed in 'A', 'B' and 'C' Areas and resorted to agitation in the form of go slow/refusal to work/direct action w.e.f. 22 March 2011, demanding application of rates of minimum daily wages notified by GoI in respect of 'A' areas uniformly across the country. It also stated that the Labour Unions by dint of their very strong bargaining power, took dual benefit of higher central government minimum wages as compared to FCI minimum wages when the FCI came under the purview of Minimum Wages Act and uniform applicability of 'A' areas rate throughout the country.

Evidently, FCI due to strong bargaining power of labour union failed to enforce the requisite revised rates of variable DA notified by the GoI.

3.3.6 Unjustified payment of Productivity Linked Incentive (PLI) to labours

Consequent upon the approval of GoI for implementation of the new PLI Scheme in FCI from 2010-11 onwards, it was decided by FCI (August 2015) to release the PLI for the year 2010-11 to 2013-14 at the revised rate of 15 *per cent* of the Basic Pay *plus* Industrial Dearness Allowance (IDA) or Central Dearness Allowance (CDA), as the case may be. It was to be given to all the eligible employees below Board level and Departmental/Direct Payment System labourers.

Audit noticed that there was an already prevailing scheme of incentive for departmental labours in FCI whereby the departmental labours were paid incentives for the quantum of work done over and above the fixed norms[30]. Therefore, the departmental labour should not have been paid PLI as this would entail payment of incentive for the same activities on which incentive had already been availed by them during the year.

Audit noticed that in West Bengal, Assam, Madhya Pradesh and Andhra Pradesh regions, inadmissible PLI amounting to ₹ 27.77 crore was paid in addition to payment of incentive to departmental and DPS labour during 2012-13 to 2015-16.

The Management stated (November 2016) that incentive wages is different from PLI.

The Management's reply does not address the fact of giving two different benefits to the departmental workers for the same work.

3.3.7 Irregular retrospective payment towards arrears relating to OTA and HRA

The wage structure of the departmental workers in FCI was revised after obtaining approval from BOD in its meeting held on 05 May 2014. The said wage revision was made applicable w.e.f. 01 January 2012. Though the BOD did not give any approval for

[30] ***The incentive is payable if the work exceeds the general norms of output which was 105 bags for handling, 10 bags height for stacking and 66 feet in case of lead distance.***

payment of arrears of OTA and incentive in the instruction issued on 16 May 2014, however, on the ground that in the past such arrear payment was made, some of the regions made payments towards arrears of incentive and OTA without specific approval of FCI. Later the BOD gave post facto approval for making payment of arrear of incentives and OTA *w.e.f.* 01 January 2012. Audit noticed in two Area Offices under Delhi Regional Office that ₹ 2.17 crore was paid to the departmental labour on account of arrears of OTA. Moreover, no justification for payment of arrears to departmental labourers, except on basis of past practices, was found on records.

Similarly, as per the circular on wage revision, the departmental workers, not provided with accommodation, were to be paid HRA at the rate of 10 to 30 *per cent* at par with FCI/Central Government Employees. Audit observed that at JJP depot under West Bengal region, HRA arrears of ₹ 5.71 crore for the period of 01 January 2012 to 31 May 2014 was paid to 582 labourers in August 2014. The payment was not in order as HRA was to be paid prospectively to Central Government employees and Central Public Sector Enterprises employees as per implementation of Central Pay Commission recommendations and Department of Public Enterprises guidelines respectively. Thus, unwarranted benefit of ₹ 7.88 crore by way of OTA and HRA arrear was given to the departmental labour.

The Management stated (November 2016) that there was no agreement with any Labour Union on the basis of which the payment of arrears of OTA and incentive wages for the intervening period was excluded in the past. In view of the conventions and precedence, BOD with its judicious mind approved the payment of arrears to the departmental workers upon their wage revision w.e.f. 01 January 2012.

The reply of management is not acceptable as continuation of allowing benefits only on the ground that the same were given in the past cannot be accepted as a valid ground for extending undue financial benefit to a select group of employees.

3.3.8 Excess incentive payment due to non-implementation of 135 bag handling norms for incentive payment

Consequent upon finalization of bipartite settlement on wage revision between FCI Management and FCI Worker's Union, revision was made (May 1999) to the piece rate incentive scheme in respect of departmental labour and a new scheme was introduced with effect from 01 April 1998. This incentive scheme, inter-alia, included norms for unification of output of 70 and 105 bags in respect of handling bags above 66 kg and bags below 66 kg respectively.

Subsequent to an International Labour Organization (ILO) recommendation to reduce the size of food grains bags to 50 kg each, FCI implemented the 50 kg bag norm. Therefore, a need was felt to have separate handling norms for handling 50 kg bags by the departmental labour. For this purpose, a study was entrusted to Delhi Productivity Council (DPC) to suggest incentive wages scheme for the departmental labour, which suggested (2002) a norm of 155 bags per labour per shift which was not accepted by labour unions. To explore the possibility of implementation of findings of the DPC, Saxena Committee was constituted. Based on the findings of the Saxena Committee, the Incentive Wages Scheme was framed by FCI adopting the norm of 135 bags per worker per day, which was circulated (December 2005) to the field units and was to be made effective from 01 December 2005. However, it also could not be implemented as labour unions raised industrial dispute.

Audit noticed that though the weight of a bag got reduced from 66 kg to 50 kg but the number of bags beyond which incentive was to be paid remained unchanged at 105 bags per worker per day. Thus, even though the overall workload was reduced because of handling of lesser weighing bags the incentive was continued to be paid at the pre-revised norm. To ascertain the impact of this on the incentive amount, an exercise was made by Audit to calculate the incentive amount on 135 bags norm basis. Based on three months' daily handling work done in three FSDs under Assam region and one depot under West Bengal region, it was observed that the labourers earned 8.40 *per cent* higher incentive due to continuation of the earlier norms. Considering the variance in earnings found from analysis, the extra incentive payment was worked out to ₹ 53.85 crore in Assam and West Bengal region during 2012-13 to 2015-16.

The Management stated (November 2016) that incentive scheme circulated on 15 December 2005 had to be kept in abeyance due to operation of Section 33 of Industrial Dispute Act. Hon'ble Tribunal had passed the award in ID case no. 195/2011 in favour of FCI and the same has been implemented. Recovery of excess incentive wages paid during the intervening period is in progress as per the age profile of the workers concerned.

However, the status of recovery of excess incentive payment on the basis of 135 bags norm was still awaited (February 2017) and thus remains unverifiable.

3.4 Irregularities leading to undue/excess payments to labour

The following suspected excess payments of incentives, wages and OTA to departmental labour were noticed in the selected FSDs under West Bengal, Assam, Delhi, Haryana, Madhya Pradesh, Andhra Pradesh, Bihar and Nagaland and Manipur regions:

3.4.1 Improbable stack formation depicted in records leading to higher incentives.

The formation of a standard stack of food grains is done in such a manner that at the bottom there are seven rows of bags. Each row is created by placing 12 units of two bags of grains perpendicular to each other. The maximum height of the stack allowed is 24 layers.

Scrutiny of 254 booking cum output slips issued at FSD Dimapur for October 2015 for 11 gangs revealed that these slips indicated that on 20 October 2015 the Gangs No. 9 and 10 were building the same stack (D/5, Shed II) on the same day.

However these obvious anomalies were not detected by shed/depot in-charge at FSD Dimapur and inadmissible incentive was paid accordingly for building the above improbable stack formation.

The Management stated (November 2016) that stack formation in FSD Dimapur was raised beyond 24 layers due to space constraint. Further in actual operation not all the available stacks are for receipt only but also under issue operation.

The Management reply is not related to the objection as it has not furnished reply to the observation regarding building the same stack (D/5) on the same day by two different gangs.

3.4.2 Incorrect certification of Refilling/Standardisation work

As per clause 13, Part-II of Model Tender Form for the handling contracts, refilling work includes filling gunnies with loose grains to a prescribed weight, stitching and stacking inside the godown. Similarly, as per the incentive scheme framed (May 1999) by FCI for the departmental labour working in its godowns/FSD, standardisation work includes carrying the standardised bags to weighing scales and stacking upto a prescribed height or loading into wagons/trucks. Since rebagging/refilling work was categorised under standardisation for the purpose of handling norms for incentive, hence refilling/rebagging work includes filling gunnies with loose grains including weighment, stitching and stacking inside the godown.

Audit observed from output slips for the months of January 2013, February 2014 and April 2014 to March 2015 in respect of New Guwahati depot that it treated refilling/rebagging, and weighment/stacking of the refilled bags as two separate activities instead of treating the entire activity as one in line with the incentive scheme. It also paid incentive, taking these as two separate activities.

Similarly, it was also observed from the output slips of FSD, Hojai and Assam State Warehousing Corporation, Haibergaon under Area Office Naogaon for the period of three years ending 2014-15 that depot incharge incorrectly certified standardisation/refilling/rebagging, weighment and stacking of the standardised/refilled bags of paddy as three separate activities instead of treating the entire activity as one activity in line with the incentive scheme.

Even though no separate incentive (except height incentive) was payable for the stacking of the refilled bags, but, Area Office Guwahati and Area Office Nagaon incorrectly allowed such handling incentive of ₹ 4.25 crore for the above mentioned period.

3.4.3 Excess certification of refilling work

Total number of bags recorded in the booking cum output slips should tally with the number of bags as reflected in monthly stock account and other records maintained by the depot/Area Office. Audit cross verified the booking cum output slips with the monthly stock account maintained by Area Office/FSDs under Assam region for the period during 2012-13 to 2014-15 and observed that the number of bags depicted against the refilling work, as certified by the depot/shed in-charges in the booking cum output slips did not tally with the monthly stock account for gunny bags. There was a difference of 38.23 lakh bags between the two sets of records. Further analysis revealed that this was due to excess certification at FSD, New Guwahati, Hojai, Nagaon and Durgapur. This, excess certification of refilling works by the depot/shed in-charges under Assam and West

Bengal region resulted in excess payment of incentive amounting to ₹ 7.63 crore for work which was not performed. No action for recovery of ₹ 7.63 crore was initiated (January 2017).

Besides, on the basis of another audit observation about excess payment of ₹ 3.30 crore in New Guwahati depot, CMD of FCI advised the General Manager (GM) of Assam Region/Executive Director of North East Zone to take immediate action and recover the excess payment of incentive amounting to ₹ 3.30 crore from the departmental labour. The Assam region started the recovery process in August 2016 *i.e.* after 17 months; recoveries were still to be made (January 2017).

The Management stated (November 2016) that at the time of unloading of rakes or during issue/dispatch operation many bags were generally received in cut, torn and loose condition which were being used after minor repairing and by refilling the loose grains for which no separate gunnies were issued from gunny account. These were very common in depot operations as such the refilled bags reflected in labour output slip may not be tallied with gunny account.

The reply of Management is not acceptable as it does not explain as to why such high quantity of 38.23 lakh bags would be required for refilling and the GM of Assam has accepted the irregularities and ordered for recovery of excess payment on this account.

3.4.4 Wrong certification of lead distance

FCI directed (January 2014) for taking steps to ensure accurate recording of the lead distance travelled by the labourers for the purpose of calculation of the incentive wages since mis-application of lead clause would escalate handling cost. Proper depot layout, sound stack plan, mention of stack number in output slips, verification of position of stack as mentioned in output slips with the depot layout, mapping of depot layout in Financial Accounting Package (FAP) for automatic incentive calculation is an important internal control tool to check misapplication of lead incentive.

Test check of records revealed wrong certification of lead distances by FSD Jhinjhirapool, West Bengal region and FSD New Guwahati, Assam region which resulted in excess payment of lead incentive of ₹ 23.82 lakh for the selected period. FCI Area Office Port Depot under West Bengal Region issued a circular dated 11 November 2003 which stated maximum lead of 148 feet whereas Audit found cases of allowing 166 feet or more in many cases which resulted in allowing 100 percentage (beyond 165 feet) of wages considered for lead incentive in place of allowing 50 percentage (132-165 feet) of wages considered for lead incentive. Similar instances were also observed in FSD Guwahati.

The Management stated (November 2016) that some lead has to be allowed to the departmental labour to expedite the handling operation.

The reply is not tenable as inadmissible excess lead distance was being allowed as a result of which excess incentive was being paid to the labourers.

3.4.5 Payment of excess wages/overtime wages/incentive

- As per the FCI Headquarters circular dated 11 June 1991 and letter dated 30 April 1996 on Minimum Guaranteed Wages (MGW), if there was no work in the depot, the maximum allowable wages would be 25/26 days of MGW and attendance allowance for the rest of the days of the month. However, it was observed that though there was no transaction in the FSD Srirampur for a prolonged period of 16 months during January 2014 to April 2015 (except 20 days in 16 months when labour were sent to FSD, Chinsura for unloading of rakes), the labourers were booked for almost all days of the month (ranging from 26 to 31 days). Despite knowing the fact that there was labour problem in FSD Srirampur, the Area Office, Hooghly allowed wages to them beyond MGW days (i.e. 25/26 days). Thus, booking of departmental labour without requirement resulted in excess payment of ₹ 37.98 lakh during the above mentioned period.
- Audit noticed from output slips of Mokama (October 2014) and Chinsurah (March 2015) under Bihar and West Bengal regions that departmental labour were allowed overtime hours without requirement resulting in OTA payment of ₹ 5.65 lakh. Similarly, over-booking of labour during overtime and unjustified recording of time on work slips without sufficient requirement resulted in excess payment of OTA to the tune of ₹ 17.90 lakh during May 2014 in FSD Rohtak under Haryana region.
- Attendance summary reports and earning reports generated through FAP for the month of May 2013 relating to FSD, Chinsurah revealed that departmental labour of all the gangs were present and drew wages for 31 days. However, the output slips for the same month indicated that the departmental labour were not present on all the days of the month. This shows that the shed in-charges of FSD, Chinsurah prepared misleading output slips by marking absent the departmental labour to facilitate more incentive on account of increase in per capita output. Manipulation of the output slips by the shed in-charges of FSD, Chinsurah resulted in excess payment of handling incentive amounting to ₹ 5.41 lakh for the month of May 2013.

The Management in respect of Area Office Hoogly stated (November 2016) that these issues require report from Area Office Hooghly which was sought. In respect of Mokama depot under Bihar Region, the Management stated that necessary recovery for the excess overtime hours without any requirement on the several occasions was made. In respect of Haryana region, management stated that no incident of excess OTA payments was noticed.

The Management reply in respect of Haryana region was not acceptable as the records clearly indicate excess OTA was allowed to the Department Labours.

3.4.6 Incorrect entry of data on attendance in FAP

If a departmental labour was booked on a non-paid holiday, it was to be entered in the FAP as 'B' i.e. booked on non-paid holiday, otherwise it was to be entered as 'D' i.e. Attendance day. Further, if 'H' (i.e. holiday) or 'W' (on work) was entered in Financial Accounting Package, departmental labour would get full wages for those days.

Audit cross verified the attendance sheets and booking-cum-output slips certified by the depot incharges of Hojai, Itachali, Senchowa and ASWC, Haibergaon under Assam region with entries made in the FAP for the period of three years ending 2014-15 and found that though the departmental labour were entitled for only attendance allowance on 21 occasions, area office, Nagaon while processing payment through FAP marked the labours as on 'work' (W) or on 'holiday' (H) resulting in payment of full wages for that days. Due to making wrong entries of attendance in FAP by the area office, Nagaon, the departmental labour though not booked during non-paid holidays were paid wages instead of attendance allowance which resulted in excess payment of wages of ₹ 14.73 lakh.

The Management stated (November 2016) that all the district offices under Assam region were instructed to tally attendance and output slips with FAP figures. Further, recovery had also been ordered on the basis of audit observation.

The Management had accepted the comment. However, the recovery details were awaited (February 2017).

3.4.7 Unwarranted deployment on holidays

To minimise the handling costs, departmental labour were to be engaged on holidays only when there was adequate work (such as loading/unloading of rakes) to justify their deployment. Depot manager deployed the departmental labour on holidays without sufficient requirement in district office at Kurukshetra, Karnal and FSD Rohtak under Haryana region and Mokama depot under Bihar region. This unwarranted deployment of departmental labour on holidays resulted in avoidable payment of OTA of ₹ 72 lakh.

The Management stated (November 2016) that labourers always demand prior written intimation for probable rake placement on holidays.

As Audit observation pertains to non-railway work on Sunday and holidays the management reply is not acceptable.

3.5 Lack of proper controls in the maintenance of booking-cum-output slips

Booking-cum-output slip is a vital document, since incentive as well as overtime wages are being paid to the departmental labour solely on the basis of particulars recorded in the booking-cum-output slip. Therefore, it is essential to accurately record all the particulars required to be mentioned in the booking-cum-output slip for correct computation of the incentive and overtime wages. However, the following serious deficiencies were noticed in booking-cum-output slips in respect of selected FSDs.

3.5.1 Shed and stack number not being mentioned on the output slips

As per rule, the layout of the stacks along with the stack number is to be mentioned on the booking-cum-output slips. However, it was observed that out of 2,212 output slips selected for review in respect of New Guwahati depot, no stack number was mentioned in 147 output slips. Similarly, no stack number/layout was mentioned in any of the output slips of FSD, Chinsurah (427 output slips) and FSD Srirampur (476 output slips) under

West Bengal region. In respect of four FSDs for a selected month under Haryana region, it was observed that stack number was not mentioned in 276 output slip out of 325 slips while shed number was not mentioned in any of the output slips. In respect of output slips selected for review in FSD Mayapuri under Delhi region and five selected depots in Andhra Pradesh region, no stack number was mentioned in output slips. Moreover, number of mismatch between the total number of bags recorded in output slip and records maintained in District Office/Depot (Movement Division) were observed in Bihar and West Bengal Region and Nagaland and Manipur Regions.

In absence of Stack number on the booking-cum-output slip the identity of the bags cannot be ascertained and thus, the principle of First-In-First-Out cannot be followed while issuing the stock, increasing the risk of older grain lying for a longer time in storage leading to deterioration. Moreover, lead distance based incentive payment also cannot be verified in such cases.

The Management stated (November 2016) that the details of food grains available in FSD was maintained in stack ledger and shed ledger.

The Management reply is not acceptable as shed and stack number should be invariably mentioned on the output slips, to capture documentation of work done to make accurate payments.

3.5.2 Acceptance of unsigned output slips for processing of incentive

As per the recommendations of the Standing Committee on Food, Consumer Affairs and Public Distribution (25 August 2004) for the prevention of proxy labour and letter issued (March 2015) by the FCI, daily output slips were to be mandatorily signed by each labour at the end of day and the same was also to be countersigned by the Sardar/ Mandal/shed in-charge. However, it was observed from the test check of the output slips at selected FSD[31] that none of the output slips was signed by the sardar/mandal/labour.

In absence of relevant signatures the work done by labour remained uncertified. However the slips were being used to process payment, increasing the risk of extra/undue payment to labour.

The Management stated (November 2016) that signing of output slips by Sardar, Mandal and Labours could not be implemented on account of resistance from the Union as well as operational difficulties.

The Management has thus accepted that it could not take required administrative action for prevention of proxy labour due to resistance by union a fact that indicates urgent need for corrective action in this area.

[31] ***Selected FSDs- West Bengal-5 , Bihar-1, Assam-5, Andhra Pradesh-5, Madhya Pradesh-5, Haryana-5, Nagaland-1 and Delhi-5. Total-32.***

3.5.3 Internal audit of Booking-cum-output slips and related payments

As per instructions issued by FCI, audit of booking-cum-output slips and related payments such as incentive, overtime wages etc. thereof was to be conducted every three months. The objective of the direction was to find out irregularities/malpractices in the payment of incentives and overtime wages. However, it was observed that no such separate audits were conducted to ensure that there were no irregularities/malpractices in the payment of incentives and overtime wages.

The Management stated (November 2016) that there was full-fledged internal audit and physical verification section in FCI which conducts audit of all the operations of FCI including the booking slips of labour and other related documents on regular basis.

The reply is not tenable as FCI could not provide any evidence to substantiate the above observations. Moreover, during audit of field offices, the Management could not furnish any audit report of output slips.

3.5.4 Opening balance of bags not mentioned on output slips:

Opening balance of bags and layout of the stack should be invariably mentioned on the output slips in case the depot intends to accommodate further receipt in the existing stack, so as to ensure whether height of stack as mentioned on the booking-cum-output slip was correct. However, test check of output slips in the selected FSDs revealed that the opening balance of bags and layout of the stacks was not mentioned.

As the stack details were not mentioned on the output slip it creates a risk of labours adding bags to an already existing stack (below 24 layers) rather than creating a new stack for storage of freshly arrived bags, a practice which entitles them to higher height incentive.

The Management stated (November 2016) that day to day building up of a particular stack together with opening balance as well as closing balance of a particular stack was maintained in the stack ledger in the particular shed.

The reply is not acceptable as FCI has not provided any documentary evidence to substantiate its reply.

3.5.5 Mandatory details about ancillary labour not being mentioned on output slips

As per recommendations of the Standing Committee on Food, Consumer Affairs and Public Distribution (25 August 2004) and letter issued (March 2015) by the FCI, absence and presence of ancillary labour was to be mandatorily marked in booking-cum-output slips. However, it was observed that attendance of ancillary labour was not recorded on any of the output slips. In absence of marking for attendance in the output slips the physical presence of the ancillary labour could not be verified and there was no evidence to verify whether they actually worked on those days in the respective depots.

The Management stated (November 2016) that physical presence of the ancillary labour in the depots was being ensured by the Manager (Depot/Shed In-charges) by way of their attendance in the morning and regular checks during the working hours.

The reply is not acceptable as FCI failed to provide any documentary evidence to substantiate its reply, and the audit observation is based on FCI's records.

3.5.6 Physical proof of attendance not being maintained

As per the recommendations of the Standing Committee on Food, Consumer Affairs and Public Distribution (25 August 2004) departmental labour should give attendance by putting signature or thumb impression in the attendance register. However, it was observed that signatures/thumb impressions of the labour were not obtained, as required. Moreover, it was also noticed that out of 325 output slips reviewed under Haryana region, only in 158 booking-cum-output slips time had been found recorded. Further the mandatory gang output records and consolidated figures of output were also not being mentioned on the output slips. In absence of recording of time on output slips, the correctness of time based incentive/OT payments could not be vouched safe in audit.

The Management stated (November 2016) that attendance of labourers were being ensured by the concerned depot in-charges by way of their entries in the attendance registers.

The reply is not acceptable as FCI failed to provide any documentary evidence to substantiate its reply. Moreover, records clearly indicated a position which is contrary to FCI's reply.

As is evident from the above observations it is clear that there were major lapses in maintaining the mandatory details on the output slips such as shed and stack number, signature of the labours, details of labour, opening balance of bags, etc. These deficiencies have significant impact on overall expenditure related to incentive, OTA, etc. on the handling operations as the output slip is the only original record of the quantum of work performed by the labourers. As the output slips form the very basis on which the payment to labour is calculated, the deficiencies raise a serious doubt on the correctness of the incentive/OTA payment made to the labour.

3.6 Conclusion

The labour management practices in FCI depots were found to be deficient with poor administrative controls resulting in payment of idle wages, inadmissible incentive payments in violation of rules. FCI has not been able to tackle the problem of proxy labours in its depots. Moreover, FCI paid huge inadmissible incentives to departmental labour in violation of CPF Act, Gratuity Act and Judgment/directives of the Courts. Further, deficient controls in preparation of primary records related to work done by labour created an unacceptable risk of excess overtime/incentive payment.

3.7 Recommendations

We recommend,

(i) Pooling of departmental labour in fewer FSDs and conduct handling operation of the vacated FSDs through contract labour.

(ii) Incentive norm and methodology followed for working out incentive and other statutory dues *e.g.* CPF, Gratuity should be compliant with extant acts/rules and judicial directives/judgments.

(iii) Action for elimination of proxy labour by:

   a) Ensuring proper documentation of prescribed details in the Booking cum Output slips.

   b) Expediting installation of Biometric Attendance System and CCTV installations.

   c) Incorporating automated red flag indicators in Financial Accounting Package for suspected abnormally high claims towards incentives and OTA.