

Chapter - V

Internal Control Mechanism

Internal Control Mechanism in the Department of Food, Supplies and Consumer Affairs, GNCT of Delhi

Highlights

Internal Control is an integral component of an organization's management processes which are established in order to provide reasonable assurance that the operations are carried out effectively and efficiently. Financial reports and operational data are reliable and the applicable laws and regulations are complied with so as to achieve organizational objectives. An evaluation of Internal Controls in the Department of Food, Supplies and Consumer Affairs (DF&S) revealed that weaknesses existed in the department such as non-compliance to rules, manuals and codes in the area of budget preparation, expenditure, account of transactions, maintenance of stores, etc.

Non-observance of budgeting procedure such as compilation of inputs from field offices made budget provisions unrealistic and resulted in savings ranging from 19.54 per cent to 60.80 per cent in plan head of budget allocations during 2003- 06.

(Paragraph 5.6.1)

Department had incurred expenditure in the month of March ranging from 21 per cent to 63 per cent under various heads during 2005-08 which is against the provisions of General Financial Rules

(Paragraph 5.6.2)

There was shortage in field staff ranged from 11 to 100 per cent directly linked with the public distribution system of essential commodities.

(Paragraph 5.8.1)

34252 ration cards i.e. 33 per cent of total applications received from the persons falling under below poverty line were not prepared even after the delay of 8-14 months from 45 days of the closure of the respective schemes.

(Paragraph 5.9.2)

Number of beneficiaries under Annapurana Scheme meant for indigent senior citizens decreased from 170 to 128 during 2003-08 and only 0.21 per cent to 5.50 per cent of allocated funds were utilized.

(Paragraph 5.9.3)

According to the survey 37 per cent and 42 per cent beneficiaries of the selected samples reported that cash memo for commodities purchased was not given whereas in 6 per cent and 9 per cent cases there was difference in quantity received by the beneficiaries from the FPS and KOD respectively.

(Paragraph 5.9.10)

Vigilance Cell did not submit any periodical report/returns to the higher authority on overall status of the pending cases indicating poor monitoring and accountability.

(Paragraph 5.10.1)

Due to bogus or multiple BPL and AAY ration cards Government had suffered loss in the shape of subsidy on Specified Food Articles against such cards.

(Paragraph 5.11.4)

The department had no Internal Audit Wing of its own. Internal Audit Wing of the Finance Department was also not effective.

(Paragraphs 5.12.1 & 5.12.2)

5.1 Introduction

Internal Controls in an organization are meant to give reasonable assurance that its operations are carried out according to laid down rules and regulations and in an economical, efficient and effective manner. The DF&S is responsible for implementation of a critical component of Government's food management strategy, Public Distribution System (PDS) aimed at ensuring availability of food grains/specified food articles (SFA) at affordable prices and enhancing the food security for the poor in the area covered by Government of NCT of Delhi. SFAs namely wheat, rice, sugar and kerosene oil are distributed through PDS outlets i.e. at Fair Price Shops (FPS) and Kerosene Oil Depots (KOD) to the beneficiaries.

5.2 Organizational Set up

The DF&S is headed by the Principal Secretary/Commissioner who is assisted by an Additional Commissioner and 2 Joint Commissioners who supervise the

functioning of the nine zones, headed by Assistant Commissioner (AC). The zones are divided into seventy circles, headed by respective Food and Supply Officer (FSO).

5.3 Audit Objectives

The audit objectives were to assess whether:

- Budgetary expenditure and cash control were adequate and effective;
- Administration including establishment and inventory related controls were complied with;
- Manpower Management;
- Operational controls were adequate to achieve the objectives of the department in an economic, efficient and effective manner;
- Timely investigations and disposal of vigilance cases were done;
- Monitoring was adequate and effective; and
- Internal Audit arrangement was effective.

5.4 Audit Criteria

The criteria used to assess the internal controls were:

- Internal audit arrangements in the Department.
- Provisions prescribed in the General Financial Rules.

5.5 Scope and Methodology of audit

Internal Control Structure of the department for the year 2003-08 was reviewed during July to October 2008. The audit methodology adopted was to test-check records of Headquarters and 9 circle offices of 5 zonal offices with reference to the provisions of the Essential Commodities Act 1955, Departmental Rules, Regulations and Government orders and instructions. A beneficiary survey was also conducted by audit to ascertain the efficacy of the PDS and the level of beneficiary satisfaction. An entry conference with Joint Commissioner was held in July 2008 and exit conference was held in December 2008 with Commissioner and the audit observations were discussed and finalized after incorporating the views of the Department.

Audit Findings

5.6 Budgetary expenditure and cash control

Control over budget and expenditure is essential for optimal utilization of limited resources to achieve the objectives of the department. The shortcomings noticed in the preparation of budget estimates and expenditure thereof are detailed in the succeeding paragraphs:

5.6.1 Financial Outlay

The details of Budget grants received and expenditures incurred there against by the DF&S during the period 2003-08 are as under:

Year	Modified Budget (Rs. in lakh)			Total Expenditure (Rs. in lakh)			Savings (Rs. in lakh)			Per cent of savings	
	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan	Total	Plan	Non-Plan
2003-04	272.00	1107.00	1379.00	106.63	1056.37	1163.00	165.37	50.63	216.00	60.80	4.57
2004-05	182.00	1197.51	1379.51	120.75	1180.41	1301.16	61.25	17.10	78.35	33.65	1.43
2005-06	400.00	1251.64	1651.64	321.84	1226.37	1548.21	78.16	25.27	103.43	19.54	2.02
2006-07	255.50	1336.85	1592.35	254.17	1315.65	1569.82	1.33	21.20	22.53	0.52	1.59
2007-08	305.00	1500.50	1805.50	298.58	1459.15	1757.73	6.42	41.35	47.77	2.10	2.76
Total	1414.50	6393.50	7808.00	1101.97	6237.95	7339.92	312.53	155.55	468.08		

From the above table, it is clear that during 2003-08 either the department failed to assess the requirements accurately or to carry out prescribed regular monitoring of expenditure resulting in overall savings of Rs. 468.08 lakh. The percentage of savings under Plan head ranged from 19.54 per cent to 60.80 per cent of budget allocation during the period 2003-06, however, there was no significant variations during 2006-08. The savings were also not surrendered before the end of the financial year in accordance with the provisions of General Financial Rules (GFRs)¹ which showed lack of planning with its consequential effect on the allocation of scarce financial resources of the State to more needy areas and developmental activities.

5.6.2 Rush of expenditure in the month of March

GFRs² stipulate that rush of expenditure, particularly in the closing months of the financial year, shall be regarded as a breach of financial propriety and shall be avoided by keeping a close watch on the progressive expenditure by the Drawing and Disbursing Officers (DDOs) on month to month basis.

¹ Rule 56 (1 &2)

² Rule 56(3)

The expenditure incurred by the department in the month of March during the years 2005-08 under different heads was as under:

(Figures in lakh)

Head	2005-06			2006-07			2007-08		
	Total exp.	Exp. incurred in March	Per cent of exp. in March	Total exp.	Exp. incurred in March	Per cent of exp. in March	Total exp.	Exp. incurred in March	Per cent of exp. in March
Non-Plan	258.52	66.44	25.70	278.38	127.55	45.81	262.28	68.37	26.06
Plan	321.39	67.96	21.14	254.17	160.82	63.27	298.26	113.39	38.02

Note : Figure denotes that the total expenditure in six out of nine sub-head (Non-plan) and three out of four sub-head (Plan).

From the above table, it is clear that the expenditure incurred in the month of March with respect to whole year under non-plan head ranged from 26 to 46 per cent whereas under plan head it was between 21 to 63 per cent during 2005-08 respectively. Utilization of funds towards the end of the financial year was indicative of imprudent financial management apart from violation of provisions of GFR.

5.6.3 Non-adjustment of advances

GFRs³ stipulate that the officer drawing money for making advance payment to suppliers or stores, etc. is responsible for its adjustment within fifteen days of its drawal. It was, however, noticed that 23 advances aggregating Rs. 56.75 lakh were outstanding for adjustment as of July 2008. Out of above, four advances amounting to Rs. 4.32 lakh were drawn prior to November 2002. In one case of advance (Rs. 28.29 lakh) of January 2007, computer/hardware received but whether put to use or not is not known, final bill yet to be received. Advances drawn for purchase of two laptops, six desktops, five printers and computer hardware (Rs. 16.22 lakh) during March 2006 to December 2007 have not been adjusted till date which clearly indicates that internal control measures were not sufficient.

5.6.4 Cash Management

The Receipt and Payment Rules and GFRs provide internal control measures in cash management. Test-check of selected zonal offices revealed that (i) monthly surprise verification⁴ of cash was not conducted; (ii) the cashiers⁵ did not furnish the requisite indemnity bonds in any zonal offices; and (iii) the amount collected from the beneficiaries on account of preparation/renewal of ration cards were deposited in the Government account with the delay of one to nine months in two circles⁶ out of nine circles selected.

³ Rule 292(2)

⁴ R&P Rule 13(iv) Requires monthly verification of cash

⁵ GFRs 275(3) Requires furnishing of security bond

⁶ Circle Nos. 36 (Badarpur) & 65 (Motinagar).

5.7 Administration including establishment and inventory controls

5.7.1 Up-keep of Codes and Manuals

Documentation of procedures for various functions of the department and its updation is essential. Further, Guard Files containing corrections and important instructions issued by the Government and the department from time to time are also to be maintained for effective control to achieve the said objectives. It was observed (October 2008) that no Office Procedure Manual (OPM) was maintained by the department. However, 17 manuals relating to the DF&S were available on the departmental site on the internet wherein 50,05 and 75,10 inspections per month of FPS/ Kerosene Depot were fixed for AC and FSO respectively. However, these were reduced to 7 and 10 in case of AC and FSO respectively in April 2005. This shows that Manuals available at website were not being updated regularly. As a result, compliance of the departmental instructions issued from time to time was not being monitored properly.

5.7.2 Inventory Controls

The GFRs⁷ prescribe the procedure for procurement, storage and disposal of stores. A test check of store records of the department revealed that

- (i) 225 units of various items of furniture and fixtures in head office, 35 units in two zonal offices⁸ and 13 units in one circle⁹ were lying unserviceable and were awaiting auction; and
- (ii) Stores worth Rs. 2.01 lakh were purchased during 2006-08 in excess of the requirements which shows assessment of requirements was not being done before making actual purchases as such resulted in blockage of funds.

5.7.3 Improper maintenance of Service Books

According to Supplementary Rule¹⁰, a Service Book in prescribed form is maintained by Head of Office for every government employee. Test check of 141 service books in five selected zones and at headquarters revealed that (i) in respect of 18 service books, verification of 25 complete years of service had not been done, (ii) annual verification by the employees for their respective services had not been done in five service books, (iii) nominations

⁷ Rule 192(1&2) & 196

⁸ AC(South-West) and AC(North)

⁹ Circle-53 (Wazirpur).

¹⁰ Rule 196 & 197

of GPF/DCRG/CGEIS were not found recorded in 13 service books and (iv) leave account in 19 service books had not been updated.

5.8 Manpower Management

The manpower of an organization should be so utilized that maximum possible output is derived from the available manpower. Adequate administrative and field staff in key posts is essential for the effective functioning of an organization. Overall, manpower management in the department was not commensurate with the programme implementation work as discussed in the succeeding paragraphs.

5.8.1 Vacancies in key post

As against the sanctioned strength of 1130 ministerial and Group 'D' posts in the department, only 785 persons were in position as on 31 May 2008 with 345 posts (30.5 per cent) lying vacant. Vacancy position of field staff¹¹ responsible for distribution of essential commodities ranged from 11 per cent to 100 per cent. Shortage of staff was one of the reasons due to which internal control measures were not working properly. However, the department in reply stated that the latest reminder for filling up the vacant posts was sent in July 2008 to the Service Department of Government of NCT of Delhi

5.8.2 Training

Training of the officers/officials at regular intervals in the Department is necessary to enable them for the appraisal of the latest orders/circulars so that they can discharge their duties effectively.

In response to audit query, it was informed that neither any training nor any seminar was conducted in the Department during last five years. In the absence of training, it can not be ensured that the staff was fully equipped with the necessary skills to discharge their duties effectively and efficiently.

5.9 Operational Controls

Operational controls are essential to achieve the objectives of the Government policies in respect of public distribution system by the department in an economic, efficient and effective manner. Deficiencies noticed during audit are discussed in the succeeding paragraphs:

¹¹ Food & Supply Officers, Inspectors & Sub-Inspectors

5.9.1 Irregularities in the process of issue of Ration Cards

The year-wise detail of number of ration cards for the beneficiaries of APL, BPL and AAY categories for the year 2005-06 to 2007-08 is as under :

Year	No. of ration cards of different categories		
	APL	BPL	AAY
2005-06	2196619	383817	56249
2006-07	2375280	379512	59162
2007-08	1518892	229666	150235

APL=Above Poverty Line, BPL=Below Poverty Line
AAY= Antodaya Anaj Yojana

From the above, it could be seen that the reduction in BPL ration cards from 3.80 lakh to 2.30 lakh and increase in AAY ration cards from 0.59 lakh to 1.50 lakh during 2007-08 were mainly due to introduction of two schemes viz. "BPL to AAY conversion" and "Renewal of BPL and AAY cards. The Department in its reply stated that Government of NCT vide its cabinet decision restricted PDS benefits to the families having an annual income of Rupees one lakh or less. Therefore, though the present number of APL cards is 2457192, only 1518892 APL cards got stamped and are eligible for food grains and kerosene oil.

5.9.2 Irregularities in the issue of Ration Cards

As per Citizen Charter of the department, the new ration cards are to be issued within 45 days of the receipt of application. The records of preparation/renewal of ration cards of the selected nine circles were test checked for the following three schemes:

Sl. No.	Name of the scheme	Period of validity of scheme
(i)	BPL to AAY conversion.	March 2007 to June 2007.
(ii)	Preparation of JRC ¹² cards.	June 2007 to November 2007.
(iii)	Renewal of BPL and AAY cards.	November 2007 to January 2008.

It was revealed that out of 104081 applications received and verified by the competent authority, 34252 ration cards (33 per cent) were not issued even after a delay ranging from 8 months to 14 months worked out after deducting 45 days from closure of the respective schemes. The reasons for non-preparation of ration cards are awaited from the Department (December

¹² Jhuggi ration cards

2008). This has deprived the poor beneficiaries of legitimate benefits of the Government policies meant for them.

5.9.3 Implementation of Annapurna Scheme

The Annapurna scheme aims at providing food security to meet the requirement of those Senior Citizens who were eligible, but remained uncovered under the Old Age Pension Scheme. Under this scheme, 10kg of food grains per month are to be provided 'free of cost' to the beneficiary who has completed 65 years or more and must be a 'destitute' in the sense of having little or no regular means of subsistence from his/her own source of income or through financial support from family members or other sources.

The details of beneficiaries, budget allocation/expenditure and allocation & lifting of food grains for the years 2003-08 are given below:

Year	No. of beneficiaries	Budget Allocation (Rs. in lakh)			Exp. (Rs. in lakh)	Per cent of expenditure to total budget allocation	Food grains (in kgs.)		Shortfall in lifting (Percentage)
		State	Central	Total			Allocated	lifted	
2003-04	170	5.00	63.87	68.87	3.79	5.50	20400	10980	9420 (46.18)
2004-05	154	5.00	78.87	83.87	0.18	0.21	18480	4490	13990 (75.70)
2005-06	154	5.00	78.87	83.87	0.45	0.54	18480	10200	8280 (44.81)
2006-07	128	1.00	Nil	1.00	Nil*	-	15400	2020	13380 (86.88)
2007-08	128	1.00	Nil	1.00	Nil*	--	15400	4420	10980 (71.30)

* No expenditure incurred since the agency i.e. DSCS Corp's claim has not been finalized.

From the above table, it could be seen that the number of beneficiaries under this scheme were continuously decreasing from 170 in 2003-04 to 128 in 2007-08 which indicates that the department was not serious in implementation of this Central Scheme. Secondly, the percentage of expenditure to the total budget allocation during 2003 to 2006 ranged from 0.21 to 5.50 only. Further, the food grains were short lifted to the extent of 45 per cent to 87 per cent of the allocation of food grains during 2003-04 to 2007-08. Utilization of less than six per cent of the budget allocation indicates that internal controls were not working efficiently.

5.9.4 Allocation and lifting of food grains under APL, BPL and AAY schemes

Allocations of food grains under APL, BPL and AAY schemes were being made by Government of India on the basis of the average annual off-take during the previous ten years. Details of allocation of food grains and lifting there against during the period 2003-08 were as under:

Allocation and lifting of food grains under APL schemes

(Figure in tonnes)

Year	Allocation		Lifting		Shortfall (Percentage)	
	Wheat	Rice	Wheat	Rice	Wheat	Rice
2003-04	714009	282393	307160	19895	406849 (56.98)	262498 (92.95)
2004-05	714096	282420	294720	94591	419376 (58.72)	187829 (66.50)
2005-06	703072	293444	241098	54008	461974 (65.70)	239436 (81.59)
2006-07	365720	298956	274527	92585	91193 (24.93)	206371 (69.03)
2007-08	Data not furnished by the department.					

Allocation and lifting of food grains under BPL schemes

(Figure in tonnes)

Year	Allocation		Lifting		Shortfall (Percentage)	
	Wheat	Rice	Wheat	Rice	Wheat	Rice
2003-04	113100	45240	111894	43533	1206 (1.07)	1707 (3.77)
2004-05	112161	44866	105730	40946	6431 (5.73)	3920 (8.74)
2005-06	106044	42420	103595	41291	2449 (2.31)	1129 (2.66)
2006-07	103920	44544	102280	43217	1640 (1.58)	1327 (2.98)
2007-08 (upto Dec.2007)	72132	31029	71644	30546	512 (0.68)	483 (1.56)

Allocation and lifting of food grains under AAY schemes

(Figure in tonnes)

Year	Allocation		Lifting		Shortfall (Percentage)	
	Wheat	Rice	Wheat	Rice	Wheat	Rice
2003-04	9278	3711	9882	3694	(-)604 (-)	17 (0.46)
2004-05	10506	4202	10090	3996	416 (3.96)	206 (4.90)
2005-06	16656	6660	15858	6396	798 (4.79)	264 (3.96)
2006-07	16656	6660	16390	6543	266 (1.60)	117 (1.76)
2007-08 (upto Dec. 2007)	18315	7320	15664	6181	2651 (14.47)	1139 (15.56)

The above tables show that the shortfall in lifting of wheat ranged from 24.93 per cent to 65.70 per cent and shortfall in lifting of rice ranged from 66.50 per cent to 92.95 per cent under APL scheme during 2003-08. The Department stated (December 2008) that shortfall in lifting of food grains was low as (i) APL cardholders were not lifting their full quota and (ii) Government of India does not permit lifting of the food grains which are not lifted within the stipulated time frame prescribed. The reply is not tenable as the allocation should be based on the average annual off take of APL scheme during the previous years.

Under BPL scheme the shortfall in lifting of wheat ranged from 0.68 per cent to 5.73 per cent and shortfall in lifting of rice ranged from 1.56 per cent to 8.74 per cent and under AAY scheme the shortfall in lifting of wheat ranged from 1.60 per cent to 14.47 per cent and shortfall in lifting of rice ranged from 0.46 per cent to 15.56 per cent. The Department stated (December 2008) that shortfall in lifting under BPL and AAY categories were due to (i) re-settlement of Jhuggi dwellers resulted in decreased lifting till fresh allocation is made in the area of re-settlement and (ii) migrated people from neighboring states going to their native places during festive seasons. The reply is not tenable as the ration drawn in one area or the other will not affect the overall lifting and in respect of (ii) ration can be drawn on any date by any member during the month.

5.9.5 Allocation and lifting of kerosene oil

Department orders of July 2005 and October 2006 provide that the quantity of kerosene oil be distributed at the rate of 9.5 litres to APL beneficiaries and 22 litres each to the BPL and AAY beneficiaries at the cost of Rs. 9.09 per litre (as of March 2008). Details of allocation of kerosene oil and its lifting during

the period 2003-08 are given below:

Allocation and lifting of kerosene oil

(Figures in kilolitres)

Year	Allocation	Lifting	Short lifting	Percentage of shortfall in lifting
2003-04	229932	229098	834	0.36
2004-05	216674	216058	616	0.28
2005-06	216504	202186	14318	6.61
2006-07	216480	206640	9840	4.54
2007-08	216480	211546	4934	2.28

The table shows short lifting of kerosene oil ranging from 0.28 *per cent* to 6.61 *per cent* during 2003-08. In response to audit query, department stated (January 2009) that the allocation of kerosene oil is made by Government of India, and the department has no role in allocation. The lifting of kerosene oil is based on actual card position. The reply is not tenable as the department has never submitted any details regarding actual card position to the Government of India in order to reduce the allocation accordingly.

5.9.6 Allocation and lifting of food grains for welfare institutions

The Department released food grains to 11 welfare institutions during 2007-08 having 3652 inmates recognized by the Department of Social Welfare at the rate of 15 kg per inmate per month at the rate prescribed for BPL beneficiaries. The details of food grains allocated and lifted during the years 2003-08 were as under:

Table: Food grains for Welfare Institutions

(Figures in quintals)

Year	Allocation		Lifting		Percentage of shortfall in lifting	
	Wheat	Rice	Wheat	Rice	Wheat	Rice
2003-04	10001	2500	7120	2077	28.81	16.92
2004-05	10759	3460	4538	2200	57.82	36.42
2005-06	2359	590	2018	621	14.46	--
2006-07	1915	1066	757	275	60.47	74.20
2007-08	3356	2112	3324	1201	0.95	43.13

There was a shortfall in lifting to the extent of 14.46 *per cent* to 60.47 *per cent* in the case of wheat and 16.92 *per cent* to 74.20 *per cent* in the case of rice during the years 2003-08 (except wheat in the year 2007-08). The reasons for

lifting of rice more than the allocation during 2005-06 and short lifting of wheat and rice during 2003-07 (except 2005-06 in case of rice) were called for (November 2008), reply is awaited from the department (December 2008).

5.9.7 Non-furnishing of Specified Food Articles statement

According to the Manual No. 2 available on internet, FSO is required to send daily statement regarding availability of SFAs in FPS/KOD to the zonal office but test check of records revealed that it was only sent on monthly basis resulting in delay in passing information and taking required measures for proper distribution to beneficiaries.

5.9.8 Irregularities in maintenance of complaint register

Manual noted above (Paragraph 6.9.7) also prescribes that FSO is required to maintain and check complaint register and mark his initial on daily basis. Scrutiny of records of selected nine circles revealed that in three circles¹³, it was stated (October 2008) that complaints received from the public were diarised in the general diary register, in one circle¹⁴, it was stated that no complaint was received after March 2005 and in five circles complaint registers were not maintained. In the absence of maintenance of proper complaint register in the circles, the timely disposal of complaints viz. (i) full quantity of ration not given, (ii) delay in issue of ration card, (iii) quality of ration not upto the mark, (iv) non-observance of timing of ration shop etc. could not be ensured.

5.9.9 Door to door survey of BPL and AAY beneficiaries

BPL scheme:

Families having total income below Rs. 24,200/- per annum have been identified under this category.

AAY scheme:

Household with disabled adult with no assured means of subsistence, landless labourers, marginal farmers, artisans, craftsmen, widows, terminally ill

¹³ C.Nos. 21 (Shahbad Daulatpur), 23 (Sultanpur) & 56 (Adarsh Nagar).

¹⁴ C.No. 22 (Bawana)

persons, etc are included in this category.

Benefits under BPL and AAY schemes

Commodity per card per month	BPL		AAY	
	Quantity (in kgs.)	Reduced rate per Kg.	Quantity (in kgs.)	Reduced rate per Kg.
Wheat	25	Rs. 4.65	25	Rs. 2.00
Rice	10	Rs. 6.15	10	Rs. 3.00
Sugar	06	Rs. 13.50	06	Rs. 13.50

5.9.10 Results of door to door survey:

A beneficiary survey was conducted by audit in the month of September 2008 to ascertain the efficacy of the PDS and the level of beneficiary satisfaction. For this purpose, 1350 beneficiaries (923 under BPL category out of 2.14 lakh and 427 under AAY category out of 1.32 lakh) were selected out of nine circles¹⁵ (30 beneficiaries of each five selected FPS of nine circles) of the five districts on simple random sampling basis. Out of these, 240 beneficiaries could not be surveyed due to viz. (i) their premises being locked (73), (ii) wrong address (24), (iii) families do not reside there (49), (iv) sale of jhuggi by card holders (02), and (v) transfer of J.J. cluster (92). Further, 153 ration cards could not be verified with the records of FPS/KOD as it was told by the beneficiaries that they were not getting rations since January 2008 either due to cancellation of ration cards by the department or non submission of their applications at the time of renewal of their respective ration cards.

The findings of survey of the balance 957 cards (444 BPL and 513 AAY) revealed the following:

- 13 per cent card holders complained of poor quality of food grains received from FPS owners.
- 13 per cent card holders stated that FPS and KOD did not observe the prescribed timing for opening and closing of shops;
- 37 per cent card holders stated that cash memos for commodity purchased were not given/issued by the FPS;
- 19 per cent card holders stated that they had not signed the cash memo after receipt of ration from FPS;
- In six per cent cases, there was difference in quantity received by card holder and quantity shown as issued by FPS;

¹⁵ C.Nos. 20 (Badli), 21(Shabhad Daulatpur) & 22 (Bawana), 23 (Sultanpuri) of AC (North-West), C.No. 31 (Mahipalpur) of AC (South- -West), C.No. 36 (Badarpur) of AC (South), C.No.53 (Wazirpur) & 56 (Adarsh Nagar) of AC (North) and C.No.65 (Moti Nagar) of AC (West)

- 42 *per cent* card holders stated that cash memos for kerosene oil were not given/issued by the KOD; and
- In nine *per cent* cases, there was difference in quantity received by card holder and quantity shown as issued by KOD.

The above results of the survey show that the desired benefits of the BPL and AAY schemes were not reaching to the intended beneficiaries due to poor internal control mechanism of the Department.

5.10 Timely investigation and disposal of vigilance cases

5.10.1 Inadequate vigilance management

The vigilance branch deals with the vigilance/disciplinary cases against the officials of the department in accordance with the prevalent rules. The details of vigilance cases registered and settled during 2004-05 to 2007-08 is as under:

Details of Vigilance Cases

Year	Opening Balance	No. of cases registered	Total	Cases finalized	Closing balance	Percentage of settlement
2004-05	04	07	11	03	08	27
2005-06	08	17	25	08	17	32
2006-07	17	12	29	05	24	17
2007-08	24	07	31	04	27	13

From the above table, it is clear that the number of pending vigilance cases were increasing continuously i.e. from eight in the year 2004-05 to 27 in 2007-08. It was informed (October 2008) that 14 vigilance cases were pending for more than two years, out of which four cases were sub-judice. The percentage of settlement has decreased from 32 to 17 and 13 respectively during the last three years. Further, the vigilance cell is not preparing and submitting any periodical report/return to the higher authority indicating overall status of the cases instituted. There was, thus, no monitoring over functioning of the cell resulting in delay in investigation *vis-a-vis* disposal of vigilance cases.

5.11 Monitoring

5.11.1 Inadequate inspection of senior officers

As per departmental order of April 2005, the officers of the department are

required to conduct monthly inspection of FPS/KOD as under:

Sl. No.	Officials	No. of inspections to be conducted per year FPS/KODs
01.	Areas Inspector	180
02.	FSO	120
03.	Asstt. Commissioner	84
04.	Addl. Commissioner	60
Total		444

Scrutiny of records of nine selected circles revealed that neither any inspection registers were maintained nor any periodical returns about inspections conducted by the officers have been submitted to the higher authorities by any of the circle. Absence of such records indicated that there was no effective internal control; as such objective of carrying out inspections by various authorities could not be ascertained.

5.11.2 Inadequate enforcement inspections

Number of inspections conducted and action taken against the licensee for violating conditions of license for the years 2005-08 have been given as under:

Sl. No.	Year	No. of Inspections done		No. of cases found violating conditions of license		Action taken					
						FIR lodged		Suspension		Departmental action taken	
		FPS	KOD	FPS	KOD	FPS	KOD	FPS	KOD	FPS	KOD
1.	2005	241	367	241	367	32	06	30	29	179	332
2.	2006	346	310	346	310	02	02	25	13	319	295
3.	2007	147	58	147	58	11	02	21	05	115	51
4.	2008 upto 31 st July	58	51	58	51	13	06	07	08	38	37

From the above table, it could be seen that in 2007 the number of enforcement inspections reduced drastically from 241 to 147 in case of FPS and 367 to 58 in case of KOD inspite of the fact that violations by the licensee were noticed during all the inspections. Scrutiny also revealed that the enforcement inspections were only conducted on receipt of complaints and not by the branch on its own as no norms have been prescribed to visit FPS/KOD on regular basis which defeats the very purpose of creation of enforcement branch.

5.11.3 Advisory Committee Meetings not held regularly

As per the departmental circular (April 1995), an Advisory Committee chaired by the Member of Legislative Assembly (MLA) of the area is to be

constituted whose primary functions are to advise about streamlining the functioning of PDS outlets, redressal of grievances of the card and PDS outlet holders, suggest objective methods for deletion of inflated and ineligible units and suggest ways and means to prevent diversion of SFAs and kerosene oil. FSO of the respective circle will be the Member Secretary of this committee. Scrutiny of records revealed that out of nine selected circles, no such record was available in two circles¹⁶, in two circles¹⁷ records prior to April/May 2008 were not available and in five circles¹⁸ meetings with area MLA were not held on regular basis.

5.11.4 Periodic verification of Ration Cards holders

As per instruction No. 2(8) of the Annexure to the Public Distribution System (Control) Order 2001, elimination of bogus ration cards as well as bogus units in the ration cards shall be a continuous exercise by the State Governments to check diversion of essential commodities.

In response to audit query that whether any such exercise was ever done by the Department, it was informed (November 2008) that during 2007-08, 77278 (BPL-9085, AAY-3560 and APL-64633) ration cards were found to be bogus or multiple and as such were cancelled. The period for which these bogus cards remained alive were not intimated by the Department. In the absence of this, the amount of loss suffered by the Government in the shape of subsidy on SFA to BPL and AAY cardholders can not be worked out.

5.12 Internal Audit System

5.12.1 Absence of Internal audit

Internal audit is an integral part of Internal Control Mechanism. To obtain reasonable assurance about its functioning, the Department is required to establish a free and independent internal audit. The Department did not have an internal audit wing of its own, as it is under the audit jurisdiction of Directorate of Internal Audit (DIA) of Government of National Capital Territory of Delhi (GNCTD). It was, however, noticed that 10 Inspection Reports (IRs) containing 266 observations of the DF&S were outstanding for settlement as on November 2008. Audit also revealed that no observation of DF&S (Headquarters office) was settled during last five years which resulted in increase in number of observations from 80 to 102. Further, no Special

¹⁶ C.Nos. 20 (Badli) & 22 (Bawana)

¹⁷ C.Nos. 23(Sultanpuri) & 53 (Wazirpur)

¹⁸ C.Nos. 21 (Shahbad Daulatpur), 31 (Mahipalpur), 36 (Badarpur), 56 (Adarsh Nagar) & 65 (Motinagar)

Audit was conducted by DIA of the DF&S during the period covered under audit.

5.12.2 Lack of response to statutory audit

It is an important function of the Department to monitor compliance with the observations of external audit conducted by the Accountant General (Audit) Delhi. Important audit findings are communicated to the Heads of the offices through IRs and the Heads of offices are required to furnish compliance and necessary rectification of defects pointed out in the IRs within four weeks. As of March 2008, 13 paragraphs relating to eight IRs of the Department were lying unattended. Out of this, three paragraphs (one IR) were more than five years old.

A performance audit of the Department was conducted and printed in the C&AG audit report for the year ended March 2005. The compliance of the observations raised therein were still pending from the Department (November 2008). Failure to comply with the issues raised by audit facilitated continuation of serious financial irregularities pointed out therein and adversely affected the accountability mechanism.

5.13 Conclusion

The budgetary and expenditure controls were not adhered to as there were savings against budgeted provisions and non-observance of financial discipline in cash management. There were instances of rush of expenditure in the month of March. Key posts in the field staff remained vacant for years together. Shortfall in lifting of essential commodities, irregularities in the process of issue of ration cards, non-compliance of departmental orders and shortcomings noticed during survey regarding distribution of essential commodities to the intended beneficiaries are indicative that operational controls of the department were not effective. Investigation and disposal of vigilance cases were also poor. Non-maintenance of inspection records coupled with inadequate supervision by the field officers and enforcement branch diluted the supervisory control. Hence, department's internal audit mechanism was inadequate and ineffective.

Recommendations

- *The DF&S should adhere to the provisions of the financial rules and ensure procedures to avoid excess budget provision and delayed surrender.*
- *Review of manpower deployment should be ensured to fill up the key posts in the field staff.*

- *Projection of allocation of essential commodities should be realistic and based on actual need.*
- *Steps should be taken to ensure that delay in issue of ration cards to genuine beneficiaries was eliminated or minimized so that benefits of scheme could reach the needy. The periodic verification of ration cards should also be conducted as per the PDS (Control) Order.*
- *Inspection norms in respect of enforcement branch should be laid down so that more raids and surprise checks can be conducted to ensure fruitful purpose of its creation.*
- *Periodic meetings with the area MLA should be held regularly to eliminate difficulties/problems of the beneficiaries/PDS outlet holders.*