

OVERVIEW

Government of India's foodgrains management strategy involves procurement of foodgrains at remunerative prices from the growers, its storage and movement, maintenance of buffer stocks and ensuring availability of foodgrains to the public at reasonable prices. Procurement of foodgrains is handled primarily through the Food Corporation of India (FCI), with decentralised procurement allowed in respect of 11 State Governments and Union Territories. Distribution is managed through a Targeted Public Distribution System (TPDS) involving a network of around 4.77 lakh Fair Price Shops (FPSs) throughout the country, with the State Governments being responsible for identification of beneficiaries, issue of ration cards and distribution of foodgrains to the beneficiaries through FPSs.

The performance audit on management of foodgrains for the period 2000-01 to 2004-05 was carried out by sample checks at the Ministry of Consumer Affairs, Food and Public Distribution, FCI and various implementing agencies in 34 States and Union Territories.

Audit of procurement revealed significant inefficiencies with quantified financial effect of Rs. 1310.30 crore, and several instances of reimbursement of excessive statutory levies and non-statutory charges comprising procurement incidentals amounting to Rs. 2005.61 crore. As regards the scheme of Decentralised Procurement (DCP), there was a need for regular and continuous calculation of actual State-wise economic costs to validate the basic premise that the subsidy burden would be reduced on account of lower economic costs of DCP procurement.

Audit examination revealed deficiencies in the distribution of foodgrains, which affected the achievement of food security. The offtake of foodgrains under the APL scheme was just 10.88 per cent of the total allotment between 2000-01 and 2004-05, reflecting consistently poor assessment of APL requirements. As regards the BPL scheme, due to differences in norms, the number of BPL households identified by the State Governments was 32 per cent higher than the

estimates of the Union Government, leading to scaling down of rations. Audit

found irregularities in identification of BPL and AAY beneficiaries, including delays in the identification process and issue of ration cards, failure to weed out ineligible/ bogus beneficiaries and issue of ration cards to ineligible beneficiaries. There were irregularities in the distribution of foodgrains, including diversion of foodgrains and distribution of lower quantities vis-à-vis the prescribed scale. Further, there were deficiencies in the operation of Fair Price Shops, including non-display of statutorily mandated information and non-maintenance/ improper maintenance of records of issues and sales.

Audit found the actual arrangements for quality control, monitoring and inspection to be inadequate. There were shortfalls in quality inspection of foodgrains at the time of procurement as well as storage. The requirement of obtaining Utilisation Certificates from the States for confirming distribution of foodgrains allocated from the Central pool was, in effect, not being acted upon. Further, the Area Officers Scheme introduced by the Ministry was practically non-functional. Similarly, the system of inspection by District Level Officers and Vigilance Committees (VC) over the functioning of Fair Price Shops was deficient, with most VCs being either non-existent or defunct and the actual number of inspections being well below the prescribed frequency.