

THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2011-2014)**

THIRD REPORT

(Presented on 20th March, 2012)



SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2012

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On

**Paragraph relating to Food, Civil Supplies and Consumer Affairs Department
contained in the Report of Comptroller and Auditor General of India
for the year ended 31st March, 2006 (Civil)**

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INTRODUCTION

I, the Chairman, Committee on Public Accounts having been authorised by the Committee to present this Report on their behalf, present the Third Report on paragraph relating to Food, Civil Supplies and Consumer Affairs Department contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2006 (Civil).

The Report of the Comptroller and Auditor General of India for the year ended 31st March, 2006 (Civil) was laid on the Table of the House on 28th December, 2006.

The Committee considered and finalised this Report at the meeting held on 23rd November, 2011.

The Committee place on record their appreciation of the assistance rendered to them by the Accountant General in the examination of the Audit Report.

Thiruvananthapuram,
20th March, 2012.

DR. T. M. THOMAS ISAAC,
Chairman,
Committee on Public Accounts.

REPORT

FOOD, CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

AUDIT PARAGRAPH

Food Security, Subsidy and Management of Foodgrains

Highlights

The Targeted Public Distribution System launched in 1997, was a major initiative of Government of India for ensuring availability of foodgrains to Public at affordable price and food security for the poor. Due to non-revision of the list of BPL families, short lifting of foodgrains, delay in identification of beneficiaries, reduction in the scale of distribution prescribed by Government of India, etc., the basic objective of benefiting the poor and vulnerable sections of the society could not be satisfactorily achieved. The decentralised procurement of foodgrains by State Government launched during 2005-06 was not economical as it involved substantial subsidy burden to Government. Inspection and monitoring of the system of distribution of foodgrains was also lagging behind in the State.

- * Identification of Below Poverty Line—families under Targeted Public Distribution System was based on IRDP survey of 1992. Due to non-revision of list, omission of eligible families and inclusion of ineligible families in the list of BPL families cannot be ruled out.
- * 3.66 lakh MT of foodgrains intended for BPL families had lapsed due to non-lifting of foodgrains.
- * There was low off-take of foodgrains by Above Poverty Line—families ranging from 0.3 per cent to 4.7 per cent of the allotment in respect of rice and from 18.98 per cent to 58 per cent in respect of wheat.
- * Delay in identifying beneficiary families under Antyodaya Anna Yojana resulted in shortfall in providing 54617 MT of foodgrains costing ₹ 16.38 crore to the prospective beneficiaries.
- * Allotment of APL wheat to Kerala State Civil Supplies Corporation Limited for conversion into atta in violation of Government of India instructions resulted in unintended subsidy of ₹ 6.09 crore.
- * State Government had to bear extra financial commitment of ₹ 18.15 crore due to high cost of procurement of paddy against the Minimum Support Price fixed by Government of India.(Appendix is available in the Library.)

Introduction

The objective of food security policy of India is to ensure availability of foodgrains to the common people at affordable price, focusing essentially on increase in agricultural production and on support price for procurement and maintenance of adequate rice and wheat stock. The responsibility for procuring and stocking of foodgrains lies mainly with the Food Corporation of India and distribution with the Public Distribution System (PDS) of the State Government. The State Government was also procuring paddy under the decentralised Procurement Scheme during 2005-06.

PDS was introduced in Kerala in 1965 through the Kerala Foodgrains (Regulation and Distribution) Order, 1965 and the Kerala Rationing Order, 1966. Government of India (GOI) launched a new scheme called Targeted Public Distribution System (TPDS) in June 1997 especially for the benefit of people below the poverty line. This was implemented in Kerala in the same month. In December 2000, the GOI introduced Antyodaya Anna Yojana (AAY) for the poorest among Below Poverty Line (BPL) families by providing foodgrains at cheaper rates. This was later expanded in 2003, 2004 and 2005 to include more BPL families.

In addition to TPDS, other foodgrains based schemes viz., Annapoorna Scheme, Mid-day Meal Scheme, Sampoorna Grameena Rozgar Yojana, Sampoorna Grameena Rozgar Yojana (Special Component), scheme for supply of foodgrains for SC/ST/OBC Hostels/Welfare Institutions and National Food for Work Programme are also implemented in the State. Of these, foodgrains under Annapoorna Scheme and Scheme for supply of foodgrains to SC/ST/OBC Hostel/Welfare Institutions are canalised through Authorised Retail Distributors under the Civil Supplies Department in the State.

Audit objectives

Audit objective was to examine and assess:

- * the efficiency and effectiveness of the distribution arrangement of the Government in ensuring availability of foodgrains under TPDS;
- * the economy and efficiency of decentralised procurement of foodgrains in the State;
- * whether Inspection and Monitoring were adequate and effective; and
- * the periodic evaluation of the implementation of the scheme.

Audit Criteria

The following criteria were adopted for assessing the performance:

- * GOI guidelines on TPDS, Annapoorna Scheme and orders of the State Government;
- * The policy of the State Government for procurement of foodgrains, the orders issued by the Government thereon, MOU with the GOI, Regulation for paddy procurement by the Kerala State Civil Supplies Corporation Limited, agreement with Mill owners and certificates furnished to the GOI;
- * Norms fixed for Inspections and Monitoring by the State Government and orders regarding constitution of Monitoring Committee;
- * Periodic evaluation report and recommendations of the Committee on Public Accounts on para 3.1 of the Report of Comptroller and Auditor General of India for the year ended 31st March, 1999 (Civil), Government of Kerala.

Organisational set-up

The Secretary, Food, Civil Supplies and Consumer Affairs Department is in charge of the Public Distribution System at the Government level. Commissioner of Civil Supplies is the head of the Food and Civil Supplies Department (CSD) who was assisted by the Director of Civil Supplies (DCS), Controller of Rationing, two Deputy Controllers of Rationing, 14 District Supply Officers, 63 Taluk Supply Officers and 6 City Rationing Officers.

Food Corporation of India (FCI) is responsible for the purchase, storage and movement of foodgrains. GOI allocates foodgrains to the State, based on

* Also known as Fair Price Shops.

requirement. State Government is responsible for lifting of foodgrains from the FCI depots. Under the decentralised procurement of foodgrains introduced in Kerala during 2005-06, locally procured foodgrains was also distributed.

There were 22 FCI depots, 333 Authorised Wholesale Distributors (AWDs), 14195 Authorised Retail Distributors (ARDs)* in the State (March 2006). AWDs lift foodgrains from FCI/Authorised Mills for distribution to ARDs. ARDs are the retail distributors.

Audit Coverage

A review on the working of the Public Distribution System was included in paragraph 3.1 of the Report of the Comptroller and Auditor General of India for the year ended 31st March, 1999 (Civil). State Public Accounts Committee had discussed the paragraph and their recommendations were presented to the State Legislature in February 2003.

A further review on the subject "Food Security, Subsidy and Management of Foodgrains" was conducted during August–October 2005 and April–June 2006 covering the period 2001-02 to 2005-06.

Audit methodology

Records of the Food and Civil Supplies Department of Government Secretariat, Commissionerate of Civil Supplies, four District Supply Offices (out of 14) (Thiruvananthapuram, Kottayam, Thrissur and Kasaragod), 48 ARDs in eight Blocks and four Municipalities and the attached Taluk Supply Offices in the selected districts were test checked. Districts, Blocks and Municipalities were selected by Simple Random Sampling Without Replacement (SRSWOR) and

(Rupees in crore)

Year	Administrative expenditure of Civil Supplies Department		Procurement and supply		Antyodaya Anna Yojana		Annapoorna	
	Provision	Expenditure	Provision	Expenditure	Provision	Expenditure	Provision	Expenditure
2001-02	4.49	3.70	15.46	13.77	1.50	1.50	*	*
2002-03	4.57	4.43	12.53	12.32	2.00	2.01	3.00	3.00
2003-04	4.14	4.31	10.49	11.19	5.03	5.03	1.84	1.84
2004-05	5.14	4.52	14.03	11.87	8.81	8.70	2.26	2.26
2005-06	4.70	4.88	12.70	12.82	1.98	1.97	2.34	2.34
Total	23.04	21.84	65.21	61.97	19.32	19.21	9.44	9.44

* Expenditure of ₹ 2.15 crore met out of funds directly received by the DCS during 2000-01 from the GOI.

ARDs by Circular Systematic Sampling. Records of the Kerala State Civil Supplies Corporation Limited relating to the Paddy Procurement Scheme were also test checked. Discussions were held with senior officers of the Department. Recommendations of the State PAC (presented to the Legislature in February 2003) are also incorporated in this report.

Funding

The details of the Budget allocation and the expenditure incurred there against under the PDS in the State were as under:

AUDIT FINDINGS

Distribution of foodgrains

A proper system of foodgrains management would require a realistic projection of requirement based on a systematic identification of beneficiaries as well as proper lifting of foodgrains and its efficient distribution to the target groups. This would include timely identification of beneficiaries, providing foodgrains according to norms, proper co-ordination and arrangement of distribution net work, efficient monitoring system and proper quality control.

Identification of target groups

On introduction of the Targeted Public Distribution System in 1997 in the State, BPL families were identified based on the norms adopted by the District Rural Development Agencies for the Integrated Rural Development Programme and the Jawahar Rozgar Yojana schemes in 1992. As per this, all the families with an annual income of ₹ 11,000 or below would come under BPL. Local bodies were entrusted with the work of identifying the BPL families. Local bodies identified the BPL families in the State. The number of BPL families as of March 2001 was 20.35 lakh out of the total 65.95 lakh families in the State (30.85 per cent). As per the GOI estimate of March 2000, the number of BPL families in the State was 15.54 lakh out of 61.10 lakh families (25.43 per cent).

Mention was made in paragraph 3.1 of the Report of the Comptroller and Auditor General of India for the year ended 31st March 1999, Government of Kerala that the selection of BPL families was flawed in the State as income noted in the ration card was invariably on the lower side and ineligible persons were included in the list while certain eligible persons were excluded. PAC in their 42nd report (February 2003) recommended taking corrective steps to solve the

* Thiruvananthapuram, Kottayam, Thrissur, Kasaragod.

disparities that crept in the identification of households under Below Poverty Line. However, no corrective steps were taken till date (June 2006).

A test check of the records of the four districts* in the State revealed that:

- Out of 4566 cards of twelve ARDs in two Taluk Supply Offices, the income shown was ₹ 300 per month in 2653 cards. The fact that 58 per cent of the cards showed the same income of ₹ 300 casts doubts on the reliability of this information.
- In 27 ARDs of four Taluk Supply Offices, in Thiruvananthapuram District 431 consumers under BPL category also had LPG connection which was indicative of the fact that they may not be falling under BPL categories.
- Twenty three card holders in BPL category in two Taluk Supply Offices had reflected annual income of ₹ 30,000 and more in their cards rendering them ineligible for consideration under BPL.

Annual Review

No periodical review was conducted in the State for revision of the beneficiary list. As a result, the omission of deserving families and inclusion of ineligible families in the list of BPL families could not be ruled out. Though it was reported that survey of BPL families in rural areas was conducted by the Rural Development Department in 1998 and in urban areas by Kudumbashree in 2001, the data were not used in revising the list of BPL card holders. A BPL census was conducted in 2002 by the Rural Development Department on the basis of the GOI directions and the final list had not yet been published (June 2006).

Non-implementation of PDS (Control) Order, 2001

GOI issued in August 2001, the PDS (Control) Order, 2001 under the Essential Commodities Act, 1955 to strengthen the PDS. The order was not implemented in the State (June 2006). It was only in August 2004, after three years of issue of the GOI orders, that the State Commissioner of Civil Supplies directed the Law Officer of the Department to examine the orders and make suggestions for amendment to the Kerala Rationing Order. DCS stated (June 2006) that the proposal for amending the Kerala Rationing Order based on provisions of the PDS (Control) Order, 2001 was under consideration.

Short supply of foodgrains to the BPL families

GOI estimated 15.54 lakh families in the State living below poverty line based on the projected population of the State as on March 2000; whereas the State Government identified 20.35 lakh families living below poverty line. Foodgrains at BPL rate was allotted by GOI to 15.54 lakh families only. However, the State Government provided full scale of ration to all BPL families (20.35 lakh) till July 2001 by meeting expenditure to provide foodgrains at BPL rate in respect of the excess number of families identified. After July 2001 foodgrains allotted by GOI were proportionately distributed to all BPL families in the State without adhering to BPL scale of ration prescribed by GOI. The average distribution of foodgrains per BPL card holder ranged from 13.82 kg. to 24.71 kg. as detailed below:

Year	No. of Allotment (MT in lakh)			Lifting (MT in lakh)			Quantity lapsed due to non lifting (MT in lakh)	Fixed by the GOI (Kg.)	Distri- bution per BPL Card holder (Kg.)	
	BPL card holders* (in Lakh)	Rice	Wheat	Total	Rice	Wheat				Total
2001-02	20.35	3.75	..	3.75	3.56	..	3.56	0.19	20† 25‡	14.59
2002-03	20.11	5.53	..	5.53	3.34	..	3.34	2.19	35	13.82
2003-04	17.44	5.03	0.32	5.35	3.90	0.27	4.17	1.18	35	19.94
2004-05	16.64	3.71	1.23	4.94	3.71	1.22	4.93	0.01	35	24.71
2005-06	15.71	3.37	1.12	4.49	3.30	1.10	4.40	0.09	35	23.37
Total							3.66			

* As on 1st April of the year. † June 2001. ‡ July 2001.

A quantity of 3.66 lakh MT of foodgrains lapsed during the period 2001-06 due to non-lifting of the foodgrains allotted by GOI. Thus the State could not ensure the lifting of even the allotted quantity and resulted in further reduction in the scale of ration in addition to the reduction due to excess identification of BPL families.

Low off-take by Above Poverty Line families

Under the PDS, Above Poverty Line (APL) families were also eligible for foodgrains at a higher rate—₹ 8.90 per kg. for rice and ₹ 6.70 per kg. for wheat.

* Extra off-take over lifting was on account of carry over balances in stock of previous years.

The off-take of foodgrains of APL families was as under:

(Metric Tonnes in lakh)

Year	Allotment		Lifting		Rice	Percentage of off-take to allotment	Off-take	
	Rice	Wheat	Rice	Wheat			Wheat	Percentage of off-take to allotment
2001-02	13.29	4.53	0.19*	0.96	0.22	1.6	0.86	18.98
2002-03	13.61	4.48	0.07	1.66	0.06	0.4	1.57	35.0
2003-04	13.61	4.48	0.04	1.21*	0.04	0.3	1.26	28.1
2004-05	13.61	4.48	0.92	1.73	0.64	4.7	1.60	35.7
2005-06	13.50	4.48	0.45	2.67	0.40	2.96	2.60	58.0

The off-take of rice during the five-year period 2001-02 to 2005-06 ranged from 0.3 per cent to 4.7 per cent of the allotment and that for wheat from 18.98 per cent to 58 per cent. Obviously the APL families were not fully depending on the PDS for their foodgrains requirement.

According to the State Planning Board, high price for APL rice, lack of desired quality of foodgrains and restriction of levy sugar to the BPL card holders were the reasons for low off-take. In view of the fact that only a very small percentage of the allotted foodgrains was being used by the intended beneficiaries, Government need to examine the issues involved and take necessary steps to make the scheme attractive for the APL families.

Antyodaya Anna Yojana

GOI launched Antyodaya Anna Yojana (AAY) in December 2000 to provide food security to the poorest of the poor who were not in a position to buy foodgrains even at the BPL rate. The scheme provided for issue of foodgrains @ ₹ 2 per kg. for wheat and @ ₹ 3 per kg. for rice.

GOI initially (December 2000) targeted 2.38 lakh families in the State for coverage and thereafter increased the coverage to 3.57 lakh families in June 2003, 3.72 lakh families in August 2004 and finally to 5.96 lakh families in April 2005. As of 31st March 2006, there were 5.92 lakh families enjoying the benefits of

* 54617 MT; 2001-02 (11246 MT); 2003-04 (10443 MT); 2004-05 (6156 MT); 2005-06 (26772 MT).

‡2000-01	30564 MT
2001-02	21240 MT
2002-03	21240 MT
2003-04	10620 MT
2004-05‡	21240 MT
Total	104904 MT i.e. 1.05 lakh MT.

‡ No allotment thereafter.

AAY.

According to guidelines (December 2000), the State Government was required to complete the original identification of beneficiaries within a period of two months and the identification of beneficiaries in the subsequent expansion within one month. Test check revealed that the Government could not identify the targeted number of families eligible for AAY benefits within the time prescribed by the GOI. There was delay ranging from 4 to 7 months in identification of AAY families which resulted in depriving of 54617* MT of foodgrains costing ₹ 16.38 crore (@ ₹ 3/kg.) to these families.

Diversion of foodgrains

GOI had instructed (December 1997) that foodgrains allotted under PDS should be distributed in the form of whole grains only and conversion of wheat into atta or suji was not permitted. Against this, the DCS allotted 1.05 lakh MT† of wheat from the allotment meant for APL families to the Kerala State Civil Supplies Corporation Limited (Corporation), a State owned Undertaking, for conversion into atta for distribution through the PDS.

During 2001-05, the Corporation lifted 29095 MT wheat and converted it into 28319 MT of atta. Of this, only 8892 MT was supplied through the PDS and the balance quantity was sold through its own sale outlets. The economic cost of the wheat lifted by the Corporation was ₹ 18.50 crore against the Central issue price of ₹ 12.41 crore and the diversion resulted in unintended subsidy of ₹ 6.09 crore by the GOI.

Physical verification of Authorised Retail Distributors

- Local inspection of 48 ARDS* by Audit in the presence of departmental officers revealed the following facts.
- Major shortage in stock of foodgrains was found in two ARDS†. The Department suspended licences of these ARDs.

* 12 ARDs each in 4 Districts.

† Neyyattinkara Taluk of Thiruvananthapuram District.

‡ One each in Neyyattinkara and Chirayinkil Taluk of Thiruvananthapuram District and Changanassery Taluk of Kottayam District.

§ 7 in Neyyattinkara Taluk, 3 in Chirayinkil Taluk of Thiruvananthapuram District and 4 in Changanassery Taluk of Kottayam District.

|| Neyyattinkara Taluk of Thiruvananthapuram District; Changanassery Taluk of Kottayam District.

¶ Neyyattinkara, Changanassery, Kanjirappally, Talapilly, Mukundapuram, Kasaragod, Hosdurg Taluk.

- Out of 48 ARDs test checked, three‡ were found closed during their working hours.
- The essential information like entitlement to the beneficiaries, authorities to whom complaint can be made, etc., were not exhibited in 14 ARDs§.
- A test check of 151 cards in four districts revealed discrepancies in 50 per cent of the entries in ration cards and that of the Ledger maintained in ARDs varied indicating manipulation of stock entries.
- In two ARDs other provisions including foodgrains apart from rationed articles were also kept for sale in the shop premises, in violation of the norms.

Rationing Inspectors were required to inspect each ARD under them once in a month. During the period 2001-06, in seven¶ out of eight Taluk Supply Offices test checked there was shortfall in inspection by the Rationing Inspectors ranging from 13 per cent to 75 per cent. Reasons for the shortfall in inspection were not furnished by the Department.

The Departmental inspections indicated that the ARD generally committed the following types of irregularities:

- Shops (ARDs) closed during working hours;
- Shortage in stock of foodgrains;
- Essential information like entitlement to the beneficiaries, stock position were not exhibited;

This would indicate that there was non-compliance of rules and regulations.

Annapoorna Scheme

GOI, Ministry of Rural Development launched the Annapoorna Scheme to be implemented from April 2000 onwards to provide foodgrains at 10 kg. per month free of cost to the indigent senior citizens who were eligible for pension under the National Old Age Pension Scheme but not receiving it. Originally the GOI provided funds to the State as advance towards cost of foodgrains payable to the FCI and implementation at State Level was done by the Department of Civil

* No. of sanctioned Annapoorna beneficiaries per month=44980.

Quantity of foodgrains per beneficiary per month =10kg.

Quantity of foodgrains required for five years—44980X10X12X5=26990 MT.

Supplies in the State. Panchayats were responsible for identification of beneficiaries. The number of beneficiaries for the State was to be limited to 44980. The scheme was transferred to the State from 2002-03 onwards, with allocation of funds as additional Central Assistance. Against the targeted 44980 persons, the number of beneficiaries identified during 2001-02 to 2005-06 ranged from 35241 to 45648. During 2001-02 and 2002-03, the number of beneficiaries identified was less than the sanctioned number and during 2003-04 to 2005-06, it exceeded the sanctioned number. However, foodgrains were actually distributed to the identified beneficiaries only from 2001-02 onwards. For the full sanctioned 44980 beneficiaries, 5398 MT foodgrains were required at the prescribed scale each year. So against 26990 MT* of rice required to be distributed to beneficiaries free of cost during 2001-2006, only 21341 MT was distributed. Delay in identification of beneficiaries resulted in a loss of 5649 MT of foodgrains that could have been made available to indigent senior citizens.

Quality checks

There was no quality control wing in the Department. Instructions were issued (September 1990) by the DCS to the District Supply Officers to inspect the stock of foodgrains in the FCI depots along with officers of the FCI and segregate inferior quality so as to allow only the rest to be released for distribution. Even though the Government established a Foodgrains Testing Laboratory in 2000-01, the laboratory was not functioning properly since 2004 for want of suitable hands. DCS stated (November 2005) that in doubtful cases, quality of foodgrains to be distributed was tested in the laboratory attached to the FCI.

In one of the ARDs test checked at Neyyattinkara, a loose bag of very inferior quality raw rice unfit for human consumption was kept for sale for AAY beneficiaries.

The sealed samples collected from the FCI depots were to be issued to the AWDS/ARDs and displayed by the ARDs at their counters for verification by the inspecting officers of the CSD. However, verification of the ARDs revealed that in 21* out of 46 ARDs test checked, sealed samples were not exhibited. The periodical checking reports indicating any variation of quality between sample and actual were also not available with the Department.

DCS stated (October 2005) that there was one instance of issue of inferior quality rice in 2005 by the FCI from a stock not selected by the joint inspection committee. Due to complaint from the public and intervention of the Civil

* 8 in Neyyattinkara Taluk of Thiruvananthapuram District; 4 in Changanassery Taluk of Kottayam District; 5 in Kasaragod Taluk and 4 in Hosdurg Taluk of Kasaragod District.

Supplies officials, the stock was taken back by the FCI.

Decentralised Procurement

There was no decentralised procurement of foodgrains in the State for distribution through the TPDS up to 2004-05. In pursuance of Memorandum of Understanding with the GOI for decentralised procurement of rice, the State Government entrusted (June 2005) the Kerala State Civil Supplies Corporation Limited (Corporation) to carry out the procurement of paddy from the farmers of the State and Co-operative Societies and convert it to rice for the Public Distribution.

As per Memorandum of Understanding with the GOI, the State Government should hold in itself stock of Custom Milled Rice (CMR) under scientific storage. Corporation had no infrastructure facilities for transportation, storage and milling and as such the entire operation was outsourced to various private mills by the Corporation. Under the present arrangement, the stock of CMR was held by the mills in their godowns until it was lifted by the Civil Supplies Department. This procedure was a deviation from the understanding with the GOI. Neither the State Government nor the Corporation exercised any physical control over the stock of grains procured under the scheme. Corporation detected (December 2005) misappropriation of 4345.20 MT of paddy costing ₹ 3.07 crore in the case of one of the contracted mills (M/s Poonoli Rice and Foods Private Limited, Ernakulam District) and the matter is under investigation as directed by High Court of Kerala.

Uneconomical Procurement

Under the decentralised procurement in Kerala, paddy was procured at ₹ 700 per quintal against the Minimum Support Price (MSP) of ₹ 560 per quintal fixed by the GOI for 2005-06. For one quintal of rice, the MSP was determined by the State Government at ₹ 1,274.13 against MSP of ₹ 1,068.65 for one quintal of rice fixed by the GOI. The difference of ₹ 205.48 for one quintal of rice was met by the State Government. Kerala State Civil Supplies Corporation Limited supplied 64121 MT of rice during 2005-06 for which the State Government's financial commitment was ₹ 13.18 crore on account of the above difference in MSP. The rice supplied included rice from 52379 MT of paddy relating to 2004-05 cropping season collected by the Co-operative Societies also for which the

* Subsidy @ ₹ 950/MT for 52379 MT of paddy	= ₹	4,97,60,050
Subsidy @ ₹ 2,054.80 MT for 64121 MT of rice	= ₹	13,17,55,830
Total subsidy	₹	18,15,15,880
Hence the effective subsidy per quintal	=	181515880 = ₹ 283
		64121 X 10

State Government paid a subsidy at ₹ 95 per quintal of paddy to the Societies. Hence the effective procurement cost of the State Government for the quantity (64121 MT) was ₹ 283* per quintal resulting in extra financial commitment of ₹ 18.15 crore. There was no direct benefit to the farmers since the paddy was already procured from them by Co-operative Societies and the cost of paddy was paid to the farmers at the time of procurement. This quantity lying with the society was again procured by the Civil Supplies Corporation and therefore the farmers were not benefited in the repurchase.

MONITORING

Vigilance Mechanism

District/Taluk/Municipality/Panchayat Level Committees

Government directed (August 1997) the District Collectors to reconstitute the then existing Food Advisory Committees at various levels into Food Advisory cum Vigilance Committees at the District/Taluk/Municipality/Panchayat level for ensuring smooth and effective implementation of TPDS. The Committees were to meet once in a month and review the functioning of the PDS in the area so as to ensure good quality of rationing articles, correct weighment, etc. No reports from the District Collectors regarding the reconstitution of such committees were received.

DCS stated (November 2005) that action to constitute the Food Advisory cum Vigilance Committees was being taken.

There is a Vigilance Officer in the Directorate of Civil Supplies who conducts enquiries on petitions, complaints, etc., received by the CCS and DCS. But no staff members are provided to assist the Vigilance Officer. Fifteen out of 17 cases received during 2002-05 were pending disposal (October 2005). Non-deployment of staff affected speedy disposal of petitions and complaints.

State Level Food Advisory Committee

As per suggestions of the GOI, the State Government constituted (May 1998) the State Level Food Advisory Committee for the smooth and effective functioning of the TPDS in the State. The Committee was reconstituted in April 2002. The State Level Committee had met only twice in the last seven years.

Online Monitoring and Management System

There was no State Server in the Civil Supplies Department. Computers were available in all the District Supply Offices. Interconnectivity was not available in the State, the District or the Taluk level. The off-take position and details of Demand, Collection, Balance of revenue collection were uploaded from all the District Supply Offices and the State level report generated through the network of the National Informatics Centre. All the ration cards were digitalised

and cards issued with the help of computers. Public grievances were not being monitored through the computers. State Government allotted (July 2002) ₹ 5 crore for the computerisation of the Civil Supplies Department in response to the request of the DCS to establish the first phase local area net works in each of the TSO, DSO and Directorate of Civil Supplies so as to arrange INTRANET with dial up net working. Out of ₹ 5 crore, only ₹ 0.44 crore could be spent for site preparation, electrification and furniture. The balance of ₹ 4.44 crore was surrendered and ₹ 0.12 crore refunded after drawal due to non-finalisation of purchase procedure of computer hardware and software with the financial year 2002-03. So, the scheme to install the Online Monitoring System could not be implemented and the expenditure of ₹ 0.44 crore already incurred for site preparation, electrification, furniture etc., was unfruitful. Government sanctioned (April 2005) a new scheme for implementing Service Delivery Project under Modernising Government Programme in DCS at a cost of ₹ 5.95 crore under which computers and accessories were proposed to be supplied to all TSO and City Rationing Offices. In the test checked districts computers had been supplied but not yet installed (June 2006).

System of Evaluation

Evaluation of the PDS was being conducted in the monthly conference of DSOs and Deputy Controllers of Rationing in which review on allotment, lifting and off-take of rationed articles take place.

The Public Accounts Committee in its 42nd Report presented to Legislature in February 2003 based on discussion of paragraph 3.1 on PDS in the Report of the Comptroller and Auditor General of India for the year ended 31st March 1999, had recommended that the Government should conduct an exhaustive study regarding problems plaguing the PDS in the State and take urgent and effective action to strengthen the PDS.

State Government entrusted (September 2004) the Institute of Management in Government, Thiruvananthapuram, to conduct an evaluation study of the PDS in the State at a cost of ₹ 3 lakh. The study report due to be furnished by the Institute of Management in Government in January 2005 was furnished to the Department in August 2005. The report was forwarded to the State Planning Board in October 2005 for perusal. Further developments were awaited (June 2006).

Conclusion

The identification of BPL families under TPDS was based on IRDP survey of 1992 and the list was not revised based on subsequent surveys conducted. As a result, possibility of ineligible families enjoying the benefits and eligible families being excluded cannot be ruled out. As the PDS Control Order, 2001 was not implemented in the State, the annual review of BPL list to include eligible families and exclude ineligible families were not carried out. The scale of ration

distributed to BPL families was less than prescribed scale during all the five years under review due to excess identification of families and non-lifting of allotment. Foodgrains amounting to 3.66 lakh MT lapsed due to non-lifting of allotted foodgrains during 2001-06. The off-take of APL foodgrains during the last five years ranged from 0.3 per cent to 4.7 per cent in respect of rice and 18.98 per cent to 58 per cent in respect of wheat. APL families were therefore not dependent on public distribution system for their foodgrains need. Due to delay in identification of Annapoorna beneficiaries, the targeted people could not be provided with foodgrains under the schemes during the delayed period. Allotment of APL wheat to Kerala State Civil Supplies Corporation Limited in violation of GOI instructions resulted in unintended subsidy of ₹ 6.09 crore.

Local inspection of ARDs revealed closure of shops during working hours, shortage in stock of foodgrains, non-exhibition of sealed samples, non-exhibition of essential information to card holders, discrepancy between entries in cards and ARD ledger, etc.

The cost of procurement of paddy was more than MSP fixed by GOI, resulting in uneconomical procurement. Due to lack of infrastructure facilities for storage of foodgrains, the paddy procured and rice produced were left with Mill Owners resulting in poor physical control leading to misappropriation.

Monitoring of the distribution system by Vigilance Committees and online monitoring system was not effective.

Recommendations

- The Government should take corrective steps to solve the disparities that crept in the identification of BPL families and conduct annual review as envisaged in the PDS (Control) Order, 2001.
- The Government should ensure that foodgrains provided to BPL families is in accordance with the norms prescribed by GOI.
- The low off-take by APL card holders should be reviewed to ascertain the causes and corrective action taken.
- Inspection should be strengthened to ensure that ARDs function as per rules.
- Action should be taken to constitute/strengthen the different level vigilance committees.

During the exit conference Government agreed to take remedial action on the points raised in the report and to consider the recommendations for

implementation.

[Paragraph 3.2 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2006 (Civil), Volume I.]

(Note furnished by the Government on the above audit paragraph is included as Appendix II.)

The Committee noted from the audit paragraph that the number of BPL families identified by the Government of India and the State Government exhibits wide variation. As per the Government of India estimate of March 2000, the number of BPL families in the State was 15.54 lakh whereas the number as identified by the local bodies came to 20.35 lakh as on March 2001. On being asked about the reason for this, the Director of Civil Supplies informed that the criterion for identification was different. The Committee enquired whether the survey was conducted according to the standard criterion followed by GOI. To this the General Manager, Supply Co. answered in the negative and informed that there would be State wise local variation which was not approved by GOI.

2. As regards the current stage of final BPL list, the Committee enquired whether defects noticed were rectified. The officials from the department informed that the draft list was in the final stage in Local Self Government Department. To a query of the Committee about the action taken on the direction regarding the survey conducted by Rural Development Department during the year 2002, the Additional Secretary, Food and Civil Supplies Department answered that the inspection by the District Collector has been completed and the list is in the final stage. The Committee expressed displeasure on the attitude of the department for not completing the action as per direction given by the Rural Development Department in 2002 even after a lapse of 8 years. In reply, the witness, Additional Secretary, Food, Civil Supplies and Consumer Affairs Department submitted that the survey was conducted in rural area during 2003 itself and in urban area the survey was conducted during the year 2007 and it has not yet been completed. At this juncture, the Director of Civil Supplies informed that according to the direction of Government of India and State Government, the final list is to be prepared and finalised by local bodies. The Committee felt that there are numerous complaints regarding the inclusion of ineligible cases and elimination of deserving cases in the draft list published. The Committee desired to know about the mechanism prevalent in the department to check the accuracy of the list. The Additional Secretary, Food, Civil Supplies and Consumer Affairs Department stated that it was co-ordinated by the District Collector. As it was learned that the District Collectors were not directed for hearing the appeal on such irregularities, the Committee decided to recommend that the BPL list should be published urgently, in a time bound manner preferably before the end of this

year itself by including eligible cases and eliminating ineligible cases.

3. The witness further stated that the BPL list was prepared by Local Self Government Department. The Committee noted that the number of BPL families included in the new list was less compared to the previous list. On being asked about the income limit of BPL category, the Additional Secretary, Food, Civil Supplies and Consumer Affairs Department stated that it was ₹ 11,000. The Committee expressed its reservations about the answer given and asked to verify and inform the exact amount.

4. Audit paragraph revealed irregularity of exhibiting income as ₹ 300 per month in 2653 cards out of 4566 cards allotted to 12 Authorised Retail Distributors. The Committee was surprised to see that all the 2653 card holders are of income at ₹ 300 per month. The Committee opined that the income in respect of Government employees could be recorded correctly and there is no mechanism to assess the income in respect of NRIs, Agriculturists, Businessmen Category who earn more than that of Government employees. So there may be chances to include them in BPL category. Further, the Committee observed that the records prepared during 1997 had neither inspected nor rectified even after a lapse of 13 years. The Deputy Secretary, Food, Civil Supplies and Consumer Affairs Department intimated the list as prepared, on the basis of survey conducted by the teachers were not yet approved. The present practice is to renew the cards on the basis of data included in the old card and as per the details furnished by the incumbents. The Committee expressed concern that there exists no system neither to check the details furnished by the card holders or to detect false data about actual income declared by the card holder to be included in BPL category. At this juncture, the Additional Secretary, Food, Civil Supplies and Consumer Affairs Department informed that verification of entire application for ration cards is not practicable so they were attempting only random checking only.

5. The Committee learned from the Government reply that 1465239 families have been included in the category of BPL whereas the number was recorded as 15.5 lakh when the survey was conducted by Government of India during the year 2000. To a query of the Committee as to when the survey was conducted by the local bodies, the witness informed that the complete list was not obtained. Even though the estimate of March 2000 reflected the number of BPL families in the State as 15.54 lakh, the actual number of BPL families comes to 10 lakh and 590000 belongs to Antyodaya Anna Yojana Schemes. The Committee invited attention to the statistics of BPL given by State Planning Board through its publication, 'Economic Review'. Accordingly, the number of BPL families within the State as on 30-9-2009 was 1490420. Displeasing with the variation in the

enumeration of BPL category, the Committee suggests to formulate an operational methodology to compute the actual number. An appellate authority should be entrusted for hearing and taking decision on the enumeration. It was also directed to include eligible families if any and to complete the procedure in a time bound manner.

6. The Committee noticed the discrepancies crept in the identification of households under BPL. Even though LPG consumers are not included in the BPL category, 431 consumers under BPL category in Thiruvananthapuram District who had LPG connection which was indicative of the fact that they may not be falling under BPL category. Moreover, the audit report revealed that 23 card holders in BPL category had annual income of ₹ 30,000 and more in their cards rendering them ineligible for consideration under BPL category. In this context, the Director of Civil Supplies informed that identification of beneficiaries for BPL or AAY is not falling under the purview of Civil Supplies Department. They are issuing ration cards on the basis of list furnished by Local Self Government Department. The Committee expressed concerns that the Local Self Government Department was furnishing such unrealistic data for issuing ration cards under BPL category which had resulted the issuance of BPL cards to ineligible families and excluding eligible families thereby contributing a financial loss to State Government. Due to inaccuracy in preparing BPL list, the Department was forced to supply 17 kg. rice instead of 25 kg. when the proportionate ration issued by Central Government was 35 kg. The Committee analysed the yearwise distribution of rice from the year 2001-02 to 2005-06 as 14.59 kg, 13.82 kg, 19.94 kg, 24.71 kg. and 23.37 kg. respectively. Due to the hike in price, off-take of rice had decreased and as such targeted allotment could not be achieved. The Committee seriously enquired whether 23 card holders mentioned in the audit paragraph with annual income of ₹ 30,000 and more were removed from the BPL list. The Director of Civil Supplies revealed her inability to trace out the concerned files. She informed that concerned officers were directed to submit the action taken report in this regard. When the Committee pointed out the names and number of BPL ration card issued from two supply offices at Changanasserry and Karunagapally Taluks which reflects annual income as ₹ 30,000 and more but included in the BPL category and opined that it was the duty of the Director of Civil Supplies to take action as per the recommendation. The witness assured to take action in respect of the irregularity within two weeks. The Committee asked whether the income recorded in the BPL cards was verified and sought to know about the internal audit wing of the department which is responsible to check whether such malpractices were being done in other places not covered by test audit. When the Committee observed that the practice as followed results in heavy monetary loss to the public exchequer and expressed displeasure over both Civil Supplies and Local Self Government Departments for the drawbacks. The Director, Civil Supplies

deposed before the Committee that on the basis of the observation of the Committee she would direct all Taluk Supply Officers to remove cards with annual income of ₹ 30,000 and above from the BPL list. However, the Committee viewed the issuance of BPL cards to families having income of ₹ 30,000 and above as a grave fault on the part of the Department.

7. The audit paragraph highlighted that the PDS (Control) Order, 2001 issued by GOI in August 2001 under the Essential Commodities Act, 1955 to strengthen Public Distribution System passed on to Law Officer of the department to examine the orders and make suggestion for amendment to the Kerala Rationing Order, in August 2004 after 3 years of issue of GOI order was not implemented in the State till 2006. When the Committee desired to know the current position, the Director of Civil Supplies informed that it was re-notified during the year 2007 and further modification works were being done. Meanwhile, the department had doubts as to whether the order as a whole is suitable to the system prevailing in our State. The witness added that a Government level policy decision is needed in that particular case as it envisages BPL/APL categorisation. The Additional Secretary, Food, Civil Supplies and Consumer Affairs Department on behalf of the Secretary to Government clarified that there was no difficulty in implementing the order under the Essential Commodities Act, as it envisages all provisions pertinent to our State also. The order was already published and the Local Self Government Department is conducting survey on the basis of that order. To a specific query of the Committee as to whether the order was re-notified, the Director of Civil Supplies responded positively. The Additional Secretary, Food, Civil Supplies and Consumer Affairs Department submitted that the proposal for amendment in Kerala Rationing Order was pending with the Law Officer and the final report is being expected. The Committee was displeased with the department for the delay in finalising the proposal and directed the department to ensure immediate implementation of the order.

8. While analysing the statistics of allotment and lifting food grains to BPL families in the State, it was noticed that the GOI had estimated 20.35 lakh families living below poverty line during the year 2001-02 and the corresponding allotment of rice was 3.75 lakh MT. The quantity of foodgrain lapsing due to non-lifting of rice out of the quantity allotted by GOI was 19000 MT. Similarly, the Committee examined the figures in subsequent years also. The Committee observed that against the allotment of 35 kg. of ration to the BPL, the distribution varies from 13.82 kg. to 23.37 kg. The Committee enquired the reason for the decline in the off-take of foodgrain. The witness, Director of Civil Supplies answered that non-lifting of the grains by the card holders may be due to the difference in the quality and price of rice. The Committee understood the logical basis of the situation and wanted to know the latest position. The Director of Civil Supplies informed that as far as both APL and BPL category were concerned

cent per cent off-take and distribution could be achieved during last 3 years. When the Committee asked to furnish the details regarding allotment and off-take in respect of rice and wheat from 2006-07 to 2009-2010, the Director of Civil Supplies submitted the required data before the Committee, which is appended as Annexure-III. The Committee observed that the number of BPL card holders is diminishing year by year and the ration was allotted by the GOI on prorata basis. While offering comments on the off-take of rice during last year, the Committee opined that due to the improvement in the quality of rice and hike in the price at open market, the demand from ration shops has been increased.

9. While considering the audit paragraph, low off-take by Above Poverty Line families, the Committee noted that in the year 2001-02, the percentage of off-take of wheat to allotment was 18.98 and for the subsequent years, the percentage was recorded as 35, 28.1, 35.7 and 58. The Committee wanted to know the latest position. The Director of Civil Supplies informed that the off-take by APL category was raised to cent per cent. While submitting information regarding off-take of food grains by APL families during past 3 years, the Director of Civil Supplies deposed that the off-take of rice during the year 2006-07 was below 7 lakh MT out of the allotment of 1361000 MT. The short lifting of rice could be observed in the subsequent years also. The Committee came to the conclusion for the short lifting of rice as due to the difference in price of APL and BPL categories even though one and the same quality food grains was issued to both the category and also due to the lower marginal difference in open market price. People could buy better quality food grains from open market at the same price fixed for the grains issued through ration shops. Later, the quality of food grains in ration shops has improved and price in the open market rocketed.

10. The Audit paragraph—‘Antyodaya Anna Yojana’ revealed that the department failed to identify the targeted number of families eligible for AAY benefits within the time limit prescribed by the GOI. There was a delay ranging from 4 to 7 months in identification of AAY families which resulted in depriving of allotted food grains costing ₹ 16.38 crore. Thus the benefit of the scheme could not accrue to the eligible families. The Committee, wanted to know about the criterion followed to identify the beneficiaries under AAY. The Director of Civil Supplies replied that the benefit is given to the poorest of the poor on the basis of the list furnished by Local Self Government Department. The Committee expressed concern at the local bodies for delaying the identification of beneficiaries of AAY scheme which resulted in depriving of 54167 MT of food grains costing ₹ 16.38 crore to the poorest of the poor families. To a query of the Committee as to when the BPL system was adopted, the Additional Secretary, Food, Civil Supplies and Consumer Affairs Department intimated the year as

1997. Then the Committee raised a doubt as to whether the beneficiaries were selected from the already prepared list. The Director of Civil Supplies submitted that the financial status of families would vary continuously year to year. As a result, the list of beneficiaries has to be renewed annually. But the preparation of the list annually would not be practical in the situation where an important list bearing BPL families could not be prepared even after a lapse of 9 years.

11. The Committee observed that the Kerala State Civil Supplies Corporation during 2001-05 lifted 29095 MT wheat from the allotment under PDS and converted it into 28319 MT of atta by violating the standing instructions of GOI. The Committee sought the reason for this lapse. The Additional Secretary, Food, Civil Supplies and Consumer Affairs Department informed that Government had accorded sanction vide two orders for the conversion of PDS wheat into atta. In this connection, the Committee observed that the scheme may be put in force as there was a fall in demand for wheat supplied through ration shops and the ration card holders who purchase wheat from the ration shops had been demanding supply of wheat products as it is generally difficult for them to take small quantities to flour mill for powdering. On being asked about the difference between atta and maida, the General Manager, Supply Co. replied that conversion of wheat into atta, maida or suji could be done and the difference is in the percentage of fibre content. He added that the conversion of whole wheat into wheat products was being done in private company. The department is attempting to instal an atta mill on BOT system. The estimated expenditure for installation has worked out to be ₹ 20 crore. It was expected to complete the work within 6 months. The Committee learned that atta and maida are mixed together for making profit to the Corporation and directed to conduct an enquiry in the matter. The General Manager, Supply Co. assured to verify the complaint. The audit paragraph revealed that during the period 2001-05, the Corporation lifted 29095 MT of wheat and converted it into 28319 MT of atta of which 8892 MT of atta was supplied through PDS resulted in unintended subsidy of ₹ 6.09 crore to GOI. The Committee felt that the Corporation is running in a huge loss condition and hence offered no remarks on this.

12. Responding to a question regarding the action for rectifying the irregularities like closure of ration shops during working hours, non-exhibition of essential information like entitlement to the beneficiaries, authorities to whom complaint can be made, non exhibition of complaint register etc., the witness submitted that this type of irregularities was continuing every time. The vigilance wing was alert about this and they were conducting inspections regularly. 1000 out of 14238 ration shops were suspended for committing such irregularities.

To a query about the remedial measures taken on the audit report furnished by the Accountant General, the Director of Civil Supplies submitted that all District Officers were directed to inform details as the concerned files were not available in the Directorate of Civil Supplies. But later the file was located and hence the Director of Civil Supplies agreed to take action within two weeks. The Committee enquired about the mechanism for inspecting and monitoring the activities of offices which are out of coverage of the audit inspection. The Director of Civil Supplies replied that the system followed currently by the department is in good working condition. Monthly physical verification of ration shops by the Rationing Inspectors was done regularly. The Committee noted from the audit findings that during the period 2001-2006, in 7 out of 8 Taluk Supply Offices test checked there was a short fall in inspection by Rationing Inspectors ranging from 13 to 75 per cent. On being asked about the prevailing mechanism to furnish the reports to TSO, DSO and Director of Civil Supplies regularly, the Director of Civil Supplies deposed that the list of ration shops inspected from 2006 April to 2010 March was available. Further, monthly meetings of Taluk Supply Officers are convened regularly. It was directed to submit monthly report from District/Taluk Supply Officers to the Director personally and the details such as number of ration shops inspected, suspended and took action against flaws etc. in the report submitted in the prescribed format would be verified. The Vigilance Wing of the department is strong enough to check the feasibility of the details collected and the Central Vigilance Officer who is in the capacity not lower than the Rationing Inspector also conducting surprise checking.

13. The Committee observed that as per Annapoorna Scheme, the GOI allotted 10 kg foodgrains per month free of cost to the indigent senior citizens who were eligible for pension under the National Old Age Pension Scheme, but not receiving it. There was a shortfall in identification of beneficiaries with respect to sanctioned numbers. The Committee wanted to know the reason for this shortfall and the agency responsible for the identification. The Director of Civil Supplies informed that identification of beneficiaries was done by local bodies. At this juncture, the Additional Secretary, Food, Civil Supplies and Consumer Affairs Department informed that old age pension would not be given to those receiving any other pension. In the guidelines it was specified that the Panchayat Department should ensure that beneficiaries under Annapoorna Scheme are not receiving any old age pension. When the Committee directed to conform the eligibility, it was informed that according to the eligibility criteria, the applicant should not be in receipt of pension under NOAPS or short pension scheme.

14. Regarding the operation of Food grains Testing Laboratory, the Committee enquired about the latest position. The General Manager, Supply Co. informed that it was running under the auspices of CFRD Co Meal. Even though

the laboratory was not functioning properly for want of suitable hands, currently the full fledged institution is functioning well. About 1000 foodgrain samples were collected from Corporation. Foodgrain samples collected from Maveli stores were given separate code and tested in the Laboratory. The Committee desired to know whether sealed samples collected from Food Corporation of India Depots were exhibited in Taluk Supply Offices and Ration Shops. The Committee expressed its satisfaction that the Director of Civil Supplies had conducted inspections in this regard. The Committee instructed that it would be very fruitful to convene separate Regional Conference of Rationing Inspectors and Ration dealers and give directions about quality control. The consumers themselves are aware of the Public Distribution System.

15. The Committee observed that there was misappropriation of 4345.20 MT of paddy costing ₹ 3.07 crore in the case of M/s. Poonoli Rice and Foods Pvt. Ltd., Ernakulam District where storage, milling and subsequent operation was outsourced by the Kerala State Civil Supplies Corporation Ltd. On being asked about the action taken by the department in this regard, the General Manager, Supply Co. informed that criminal prosecution as well as RR proceedings were being taken for the loss to Government. The Hon'ble High Court of Kerala ordered stay on the criminal prosecution procedure. The Committee strongly opined to take urgent necessary action to vacate the stay. If the authorities show a lenient approach to such severe cases, chances for committing such irregularities would increase. When the witness informed that a similar case was detected in Alappuzha recently, the Committee stressed the need for stringent action should be taken against those who commits malpractice in this regard and the case should be handled vigorously. The Committee further decided to recommend that severe punishment should be imposed on the defaulters.

16. The Committee was not in agreement with the observation made by the audit that there was no direct benefit to the farmers since the paddy was already procured from them by Co-operative Societies under the decentralised procurement in Kerala. The Committee observed that in addition to the Minimum Support Price, for the procurement of Custom Milled Rice, GOI would give hulling charge, rent for godown, interest, commission to society, 1% price for paddy etc. When it was informed that Minimum Support price for Paddy was fixed as ₹ 12 per kg, the Committee observes that the Central Government would allot ₹ 10 per kg. as assistance. The deliberations of the Committee revealed that price was paid to farmers was higher than that in the open market. In this context, the General Manager, Supply Co. stated that during harvest season, farmers would be paid @ ₹ 10 per kg of paddy and the cost of paddy was remitted to the farmer's bank account directly. The Committee went through the audit observation that Kerala State Civil Supplies Corporation Ltd. procured paddy from the farmers. The Minimum Support Price (MSP) was raised and an amount

of ₹ 95 per quintal was paid to the paddy procured during the period 2004-05. But the benefit was not shared with the primary farmers. The General Manager, Supply Co. explained that as the entire procedure was erroneous, the scheme was dropped later. The subsidy @ ₹ 95 per quintal was paid to the farmer's society, but not to the farmers. The Committee considered this as very unfair and concluded that the benefit should have been given to farmer class.

17. When the Committee asked about the current position of disposal of 15 out of 17 cases pending with the Vigilance Officer in the Directorate of Civil Supplies, the Director of Civil Supplies informed that all pending cases were disposed off. Sufficient staff was provided for speedy disposal of petitions and complaints. The Committee wanted to know about the realisation of loss from the defaulters. The witness informed that the loss along with fine was confiscated from the security amount. Excess amount was recovered additionally from the incumbents.

18. To a query of the Committee regarding the meetings of the State Level Food Advisory Committee, the officials from the department replied that the last meeting of the re-constituted State Level Food Advisory Committee was convened during June 2010. Three meetings were convened during last year and the meetings were being held regularly.

19. Regarding the computerisation in the Directorate of Civil Supplies, the Committee enquired whether inter connectivity at State, District or Taluk level was established. The Director of Civil Supplies informed that the implementation work was entrusted with the National Informatics Centre and the work was completed in Palakkad District. The delay in the implementation of the system was due to the shortage of computers and paucity of funds.

20. On being asked about the action taken on the basis of the recommendation put forth through the IMG study report of 2003, the Director of Civil Supplies explained that immediate revision of BPL/APL families in the State which mainly focussed on effective targeting was entrusted with Local Self Government Department. The list was not received from the Local Self Government Department. They were vigilant in executing their obligation to eliminate errors of inclusion and exclusion in the list and to ensure transparency in the process. Kudumbasree and neighbourhood groups were engaged for identification process. The rate of commission for the intermediaries especially in rural and backward areas was enhanced to ₹ 6 and ₹ 9. Vigilance Committees at all levels to ensure effective monitoring of APLs were constituted. As a part of creating awareness about the customer needs at village or taluk levels, classes were being arranged regularly by the officials of departments through community development societies or Kudumbasree groups. Posters were printed for giving

publicity to animal husbandry. They were proposing to conduct a mobile exhibition and to arrange awareness classes for school children. 100 consumer clubs were constituted by incorporating various schools.

21. The Committee asked about the duration in which ration cards would be distributed. It was informed that the cut off-date was fixed as 31st August 2010 and the distribution of pending cards were being done. The entire work was monitored by District Co-ordinators. There was shortage of staff to carry out the work. As such, additional staff on daily wages was provided by C-DIT. It was expected to issue the cards by September 2010. The facility for submitting application for new ration cards was widened and as such, the customers would be able to submit application online. The application would be sent through Akshaya Centre as well as other Computer Centres. Concerned certificates would be scanned as a permanent record and the back up would be kept. The procedure in the issuance of cards would be streamlined by Taluk Supply Offices and as per the existing facilities card could be issued within a single day. When the Committee asked about the action taken to augment the staff strength, the Additional Secretary, Food, Civil Supplies and Consumer Affairs Department informed that some employees were posted on deputation to Supply Co. in connection with Onam fair. It was expected to clear the pending on their re-deployment.

Conclusion/Recommendation

22. **The Committee notes that identification of Below Poverty Line families under Targeted Public Distribution System in the State was entrusted with local bodies as per the guidelines issued by Government of India as well as State Government. There exists complaints regarding the published draft selection list of BPL beneficiaries in that ineligible families are enjoying the benefits and eligible families are being excluded. Likewise there exists remarkable variation in the number of BPL families approved by the State Government and the Government of India. No corrective steps were taken by the department to settle the issues. Further, the Committee expresses concern that recommendations contained in the 43rd Report of PAC (2001-04) regarding the identification of household coming under BPL category were not yet acted on. Hence the Committee emphatically recommends to prepare, finalise and publish the BPL list in a time bound manner not later than the end of this year itself.**

23. **The Committee expresses concern that during the test check 58 per cent of the cards showed the same income of ₹ 300. The Committee concludes that there was no mechanism to ensure the accuracy of the income furnished by some of the NRIs, Agriculturists, Businessmen etc., whose earning are much higher than of Government employees. The Committee severely expresses displeasure with the Local Self Government Department**

for furnishing unrealistic data for including ineligible families in the BPL category and excluding eligible ones. The Committee further desires to know the current income limit prescribed for classifying the BPL and APL category.

24. The Committee expresses dissatisfaction that the department had miserably failed to frame a methodology for verifying the accuracy of the BPL list even after a lapse of thirteen years. The Committee understands that the present practice is to renew the ration cards on the basis of data included in the old cards and as per the details furnished by the card holders without ascertaining its reliability. Regarding the identification of beneficiaries under BPL scheme, the Committee recommends that a suitable methodology should be evolved. The District Collectors should be entrusted to examine and finalise the complaints regarding the non-inclusion of BPL category and to include the families eligible for enjoying the benefits under BPL system by empowering an appellate authority.

25. The Committee observes that 23 card holders in BPL category had reflected annual income of ₹ 30,000 and above in their cards rendering them ineligible for consideration under BPL, which caused heavy loss to the State. The Committee holds that both Food, Civil Supplies and Consumer Affairs Department and Local Self Government Department are responsible for this lapse. The Committee concludes that distribution of foodgrains to ineligible families paved way to forfeit the proportionate quantity of ration allotted by the Government of India. The Committee views the action of the Food and Civil Supplies department in issuing BPL ration cards to households with annual income of more than ₹ 30,000 as very serious and recommends that the department should ensure that foodgrains provided to BPL families is in accordance with the norms prescribed by Government of India. The Committee further recommends that Government should take corrective steps to rectify the discrepancies that crept in the identification of BPL families and conduct annual reviews as envisaged in the PDS (control) order, 2001.

26. Regarding the proposal for amendment of the Kerala Rationing order, the Committee expresses concern over the inordinate delay in finalising the proposed amendment and directs the department to ensure speedy implementation of the amended Kerala Rationing Order.

27. As far as the distribution of commodities is concerned, low off-take of APL foodgrains during the last five years ranged from 0.3% to 4.7% in respect of rice and from 18.98% to 58% in respect of wheat. APL families were therefore not dependent on public distribution system for their foodgrains requirement. Hence the Committee recommends that the low off-take by APL card holders should be reviewed to ascertain the causes and to take corrective action.

28. The Committee finds that the lackadaisical attitude exhibited by the

department in identifying beneficiary families under Antyodaya Anna Yojana resulted in shortfall in providing 54617 MT of food grains costing ₹ 16.38 crore to the poorest of the poor families. The Committee understands that the responsibility for the preparation of AAY list is with the Local Self Government department and therefore directs the department to finalise the list urgently and review the same considering the frequent changes in the income of families so listed.

29. The Committee learns that wheat supplied by GOI was converted into Atta and Maida violating the Central Government guidelines and the complaint regarding the mixing of atta and maida together with a view to reap profit to the Kerala Civil Supplies Corporation still remains. Therefore the Committee directs the department to look into the matter seriously and take appropriate action.

30. The Committee recommends the department to strictly adhere to the compliance of rules and regulation and to take remedial action in respect of the irregularities detected by audit such as closing of Authorised Retail Distribution Shops during working hours, shortage of stock of foodgrains, non-exhibition of essential formalities like entitlement to the beneficiaries, stock position etc. The Committee directs the department to strengthen the inspection to ensure that Authorised Retail Distribution System functions as per rules.

31. In light of the departmental reply, the Committee expresses its satisfaction that sealed samples of foodgrains collected from Food Corporation of India were exhibited in Taluk Supply Offices and Ration shops. However, the Committee opines that it would be more fruitful to convene separate Regional Conference of Rationing Inspectors and Ration dealers and give directions about the quality control measures.

32. While examining the audit findings in connection with decentralised procurement of Paddy pointing the misappropriation of 4345.20 MT of Paddy costing ₹ 3.07 crore in Ernakulam district where storage milling and subsequent operations were outsourced by Kerala State Civil Supplies Corporation, the Committee notes that criminal prosecution as well as RR proceedings were being taken against M/s Poonoli Rice and Foods private Limited., Ernakulam District against the loss sustained to Government and there exists a stay order on the criminal prosecution procedure. The Committee urges the department to take steps to vacate the stay. The Committee further recommends to take stringent action against those who committed malpractice. The Committee recommends to pursue the matter vigorously and to impose suitable punishment on the defaulters.

33. The Committee observes that the department had not made any serious efforts for inter connectivity at State, District and Taluk levels for monitoring of the distribution system. The Committee also finds that online

APPENDIX I

SUMMARY OF MAIN CONCLUSION/RECOMMENDATION

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusions/Recommendations</i>
(1)	(2)	(3)	(4)
1	22	Food, Civil Supplies and Consumer Affairs	The Committee notes that identification of Below Poverty Line families under Targeted Public Distribution System in the State was entrusted with local bodies as per the guidelines issued by Government of India as well as State Government. There exists complaints regarding the published draft selection list of BPL beneficiaries in that ineligible families are enjoying the benefits and eligible families are being excluded. Likewise there exists remarkable variation in the number of BPL families approved by the State Government and the Government of India. No corrective steps were taken by the department to settle the issues. Further, the Committee is expressed concern that recommendations contained in the 43rd Report of PAC (2001-04) regarding the identification of household coming under BPL category were not yet acted on. Hence the Committee emphatically recommends to prepare, finalise and publish the BPL list in a time bound manner not later than the end of this year itself.
2	23	”	The Committee expresses concern that during the test check 58 per cent of the cards showed the same income of ₹ 300. The Committee concludes that there was no mechanism to ensure the accuracy of the income furnished by some of the NRIs, Agriculturists, Businessmen etc.,

(1)	(2)	(3)	(4)
			whose earning are much higher than Government employees. The Committee severely expresses displeasure with the Local Self Government Department for furnishing unrealistic data for including ineligible families in the BPL category and excluding eligible ones. The Committee further desires to know the current income limit prescribed for classifying the BPL and APL category.
3	24	Food, Civil Supplies and Consumer Affairs	The Committee expresses dissatisfaction that the department had miserably failed to frame a methodology for verifying the accuracy of the BPL list even after a lapse of thirteen years. The Committee understands that the present practice is to renew the ration cards on the basis of data included in the old cards and as per the details furnished by the card holders without ascertaining its reliability. Regarding the identification of beneficiaries under BPL scheme, the Committee recommends that a suitable methodology should be evolved. The District Collectors should be entrusted to examine and finalise the complaints regarding the non-inclusion of BPL category and to include the families eligible for enjoying the benefits under BPL system by empowering an appellate authority.
4	25	”	The Committee observes that 23 card holders in BPL category had reflected annual income of ₹ 30,000 and above in their cards rendering them ineligible for consideration under BPL, which caused heavy loss to the State. The Committee

(1)	(2)	(3)	(4)
			holds that both Food, Civil Supplies and Consumer Affairs Department and Local Self Government Department are responsible for this lapse. The Committee concludes that distribution of foodgrains to ineligible families paved way to forfeit the proportionate quantity of ration allotted by the Government of India. The Committee views the action of the Food and Civil Supplies Department in issuing BPL ration cards to households with annual income of more than ₹ 30,000 as very serious and recommends that the department should ensure that foodgrains provided to BPL families is in accordance with the norms prescribed by Government of India. The Committee further recommends that Government should take corrective steps to rectify the discrepancies that crept in the identification of BPL families and conduct annual reviews as envisaged in the PDS (Control) Order, 2001.
5	26	Food, Civil Supplies and Consumer Affairs	Regarding the proposal for amendment of the Kerala Rationing Order, the Committee expresses concern over the inordinate delay in finalising the proposed amendment and directs the department to ensure speedy implementation of the amended Kerala Rationing Order.
6	27	”	As far as the distribution of commodities is concerned, low off-take of APL foodgrains during the last five years ranged from 0.3% to 4.7% in respect of rice and from 18.98% to 58% in respect of wheat. APL families were therefore not dependent on public distribution system for their foodgrains requirement.

(1)	(2)	(3)	(4)
			Hence the Committee recommends that the low off-take by APL card holders should be reviewed to ascertain the causes and to take corrective action.
7	28	Food, Civil Supplies and Consumer Affairs	The Committee finds that the lackadaisical attitude exhibited by the department in identifying beneficiary families under Antyodaya Anna Yojana resulted in shortfall in providing 54617 MT of foodgrains costing ₹ 16.38 crore to the poorest of the poor families. The Committee understands that the responsibility for the preparation of AAY list is with the Local Self Government department and therefore directs the department to finalise the list urgently and review the same considering the frequent changes in the income of families so listed.
8	29	”	The Committee learns that wheat supplied by GOI was converted into Atta and Maida violating the Central Government guidelines and the complaint regarding the mixing of atta and maida together with a view to reap profit to the Kerala Civil Supplies Corporation still remains. Therefore the Committee directs the department to look into the matter seriously and take appropriate action.
9	30	”	The Committee recommends the department to strictly adhere to the compliance of rules and regulation and to take remedial action in respect of irregularities detected by audit such as closing of Authorised Retail Distribution Shops during working hours, shortage of

(1)	(2)	(3)	(4)
			stock of foodgrains, non-exhibition of essential formalities like entitlement to the beneficiaries, stock position etc. The Committee directs the department to strengthen the inspection to ensure that Authorised Retail Distribution System functions as per rules.
10	31	Food, Civil Supplies and Consumer Affairs	In light of the departmental reply, the Committee expresses its satisfaction that sealed samples of foodgrains collected from Food Corporation of India were exhibited in Taluk Supply Offices and Ration shops. However, the Committee opines that it would be more fruitful to convene separate Regional Conference of Rationing Inspectors and Ration dealers and give directions about the quality control measures.
11	32	”	While examining the audit findings in connection with decentralised procurement of Paddy pointing the misappropriation of 4345.20 MT of Paddy costing ₹ 3.07 crore in Ernakulam district where storage milling and subsequent operations were outsourced by Kerala State Civil Supplies Corporation, the Committee notes that criminal prosecution as well as RR proceedings were being taken against M/s Poonoli Rice and Foods Private Limited, Ernakulam District against the loss sustained to Government and there exists a stay order on the criminal prosecution procedure. The Committee urges the department to take steps to vacate the stay. The Committee further recommends to take stringent action against those who committed malpractice. The Committee

(1)	(2)	(3)	(4)
12	33	Food, Civil Supplies and Consumer Affairs	<p>recommends to perceive the matter vigorously and to impose suitable punishment on the defaulters.</p> <p>The Committee observes that the department had not made any serious efforts for inter connectivity at State, District and Taluk levels for monitoring of the distribution system. The Committee also finds that online monitoring system was not completed in all districts. The Committee recommends to take speedy action in order to strengthen the Monitoring and Management at different levels of the public distribution system.</p>
13	34	”	<p>And finally, regarding the existing Public Distribution System, the Committee is of the general view that there are a lot of problems in the classification of people as APL and BPL, as per the norms prescribed by the Government of India. Taking into account the above difficulties, the Committee recommends that the System of Universal Rationing, which is more desirable than the existing system, shall be adopted in the State of Kerala. In this regard, the Committee suggests that in the implementation of the new system, some exclusion criteria such as gazetted rank among employees, holders of 5 acres of land or above, certain income limit among other persons, shall be fixed to exclude persons from the scheme. The provision for periodical upgradation of the list of eligible persons shall also be incorporated in the new scheme for its successful implementation in the State.</p>