

List of Pending Para

FOOD, SUPPLY AND COMMERCE DEPARTMENT

Year		Pending Para as per PAC	Compliance Report Received from Administrative Deptt. as on 31/12/2010	Compliance Report not Received from Administrative Deptt. as on 31/12/2010
2005-06	Civil	3.3 (3.3.1 , 3.3.2 , 3.3.3 , 3.3.4 , 3.3.5 , 3.3.6 , 3.3.7 , 3.3.8 , 3.3.9 , 3.3.10 , 3.3.11)		3.3

FOOD, SUPPLY AND COMMERCE DEPARTMENT

3.3 Targeted Public Distribution System

Highlights

Targeted Public Distribution System was introduced in June 1997 to provide subsidised foodgrains to population living below poverty line. Dilution of criteria for identification of BPL / AAY families combined with absence of authenticated records of distribution of ration cards in the blocks shows poor programme management. Unauthenticated records of distribution at the level of fair price shops, inadequate inspections by district officials, non functional vigilance committees along with low per capita availability of foodgrains for BPL category provided low assurance regarding distribution of foodgrains to intended families.

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The identification of BPL families as required under Government of India guidelines was not carried out. Ninety two BPL lists in test-checked districts containing 14614 families were finalized in the absence of designated government officials.

(Paragraph 3.3.5.1)

In case of 7825 AAY families important details like income, age and father's name were missing.

(Paragraph 3.3.5.2)

Ration cards were sent to districts in excess of the identified families. In Rohtas district eleven thousand ration cards were distributed to ineligible families.

(Paragraph 3.3.6.1)

Department weeded out 21 lakh BPL families number in the list but the correctness of ascertainable in the absence of any records.

(Paragraph 3.3.6.2)

Quality check of foodgrains was not being carried out.

(Paragraph 3.3.9)

Inspection of fair price shops was far below the norms. Vigilance committees were non-functional in the State

(Paragraph 3.3.10)

3.3.1 Introduction

The Government of India (GOI) launched (June 1997), the Targeted Public Distribution System

(TPDS) by issuing guidelines for distribution of special ration cards to identified families living below poverty line (BPL) to provide them foodgrains at subsidized prices. Antyodaya Anna Yojana (AAY) was launched by the GOI (December 2000) to ensure food security to the poorest of the poor of the society by providing wheat and rice at specially subsidised price under TPDS. States were required to formulate and implement fool proof arrangements for identification of the poor for distribution of foodgrains in a transparent manner at public distribution system (PDS) dealers' level. GOI allocates foodgrains to states based on estimates of BPL households. Under TPDS, each BPL household was entitled to 20 kg up to June 2001, 25 kg from July 2001 to March 2002 and 35 kg from April 2002 of foodgrains per month at subsidised rates i.e. Rs 4.85 per kg wheat and Rs 6.35 per kg rice. AAY families were entitled to 25 kg foodgrains upto March 02 and 35 kg from April 2002 per month at the subsidised rate of Rs 2 per kg wheat and Rs 3 per kg rice.

3.3.2 Organizational set up

The department headed by Secretary at apex level; the District Magistrate (DM) and District Supply Officer (DSO) at district level; the Sub Divisional Officer (SDO) / Additional District Supply Officer (ADSO) at subdivision level and Marketing Officer and Supply Inspector at block level are responsible for monitoring the process of allotment, lifting and distribution of foodgrains.

3.3.3 Audit Objectives

The objectives of the performance audit were to assess whether:

- the procedure adopted for identification of BPL/AAY households conformed to the GOI guidelines;
- the distribution arrangement was effective and transparent to ensure that all targeted people have access to foodgrains;
- the delivery mechanism was effective at the level of PDS shops;
- the monitoring arrangement was adequate.

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3.3.4 Audit coverage and methodology

The records of the Food, Supply and Commerce Department, District Supply Officers in eight districts¹, Block Supply Officers in 24 blocks and 96 PDS shops for the period 2001-2006 were test checked during December 2005 to February 2006 and information was updated in July 2006. The audit commenced with entry conference (December 2005) with Secretary, Food Civil Supplies and Commerce Department in which the audit objectives, criteria and methodology were explained. The exit conference was also held (October 2006) and reply of the Department has been incorporated at appropriate places.

3.3.5 Identification

3.3.5.1 BPL families

Identification of BPL families was not made as per GOI guidelines

GOI had issued guidelines (June 1997) for identification of BPL families by involving the Gram Panchayats and Nagar Panchayats. The thrust was to include really poor and vulnerable sections of the society such as landless, agricultural labourers, marginal farmers, rural artisans, craftsmen etc. in rural areas and slum dwellers and persons carrying their livelihood on daily basis in the informal sectors in urban areas. The identification of the families was based on estimates of the Planning Commission.

As against the estimation for identification of 65.23 lakh BPL families made by the expert group of planning commission (1997), 61.63 lakh BPL families were identified in 1997

which was subsequently reduced to 51.53 lakh after identification of about 10 lakh AAY families in October 2001. In the test checked districts it was, however, noticed that no household survey was conducted for identification and list of BPL prepared for Integrated Rural Development Scheme was adopted.

The Food Supply and Commerce department issued order (April 2002) for re-survey to identify 73.94 lakh BPL including AAY families (based on census of 2001) in the State and decided that the identification should be done through Gram Shabha in which any designated block officials was supposed to be present. The identification process started in April 2002 was still underway (July 2006) though it was to be completed by December 2002. As a result the State was receiving foodgrains for only 61.63 lakh BPL/AAY households. The actual lifting of wheat was 25.62 lakh MT and rice was 4.50 lakh MT against allotment of wheat 64.73 lakh MT and rice 45.5 lakh MT during 2001-06. The families were identified on the basis of single criteria of annual income below Rs 20,000 though GOI had observed that income approach of identification of BPL families was inferior to the revised normative approach.

92 BPL lists containing 14614 families of seven test-checked districts (except Patna district) showed that the lists of families were finalized without the presence of any designated official².

1. Patna, Muzaffarpur, Bhagalpur, Bettiah, Gaya, Rohtas, Kishanganj and Lakhi Sarai
2. Gram Panchayat Supervisor, Block Agricultural officer, Animal Husbandry officer, Co-operative Extension officer, Block Welfare Officer, Block Supply Officer, Supply Inspector and Circle Inspector.

3.3.5.2 AAY families

GOI launched the Antyodaya Anna Yojana (AAY) for the poorest of the poor on 25 December 2000. The families of this scheme were to be identified out of list of the BPL families. The verification was to be done within two months by carrying out household survey. About 10 lakh AAY families were identified in the State. The Government extended the scheme (June 2003) to cover an additional five lakhs families from the following priority groups.

- Households headed by widows or terminally ill persons or disabled persons or persons aged 60 years or more with no assured means of subsistence or social support.
- All primitive tribal households proportionately to their population in the State.

The scheme was further extended in September 2004 and June 2005 to cover additional ten lakh families in each extension.

Records of test checked districts disclosed that list was prepared and finalised in the meeting of Gram Shabha without conducting household survey for identification of families.

100 AAY lists containing 7825 families in eight districts showed that details of 266 families, age and income of 4363 families and father's name of 1100 families were not recorded and 2096 person in age group of 19 to 40 years were identified without specifying reasons.

Thus, in the absence of household survey inclusion of ineligible persons in the list could not be ruled out.

3.3.5.3 Excess burden on AAY families

The identification of 10 lakh AAY families was completed up to September 2001 after delay of six months. Another identification of five lakh families was completed in February 2006 after delay of 29 months. Identification in respect of second extension (4.8 lakh households) and third extension (5.20 lakh households) was under process though it was required to be completed in November 2004 and August 2005 respectively. Thus,

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**Incorrect
identification of
Antyodaya families**

**Delay in
identification led to
excess burden on
AAY families**

delay in identification forced the AAY families to purchase the foodgrains at prescribed rate for BPL leading to extra burden on AAY families.

3.3.6 *Ration cards*

3.3.6.1 *Issue of ration cards*

Under the PDS (Control) Order 2001, the ration cards were required to be issued within one month of the date of receipt of applications. Also, separate ration cards were required to be issued for different categories of consumers. The following was noticed in issue of ration cards:

Cost of ration cards could not be realised in six districts

- Distinct ration cards were to be issued to the identified families on realisation of Rs two per card within a month of their identification. In the test-checked districts, 31.41 lakh ration cards were distributed for which Rs 62.82 lakh at the rate of Rs two each was to be collected from the families but only Rs 4.65 lakh³ was realised in Patna and Bhagalpur districts against actual distribution of 6.40 lakh ration cards. The department stated (October 2006) that DMs had been directed to recover the cost of ration cards.
- The details of families were to be printed on ration cards by the department after obtaining full information of identified families in the districts and after printing the details the ration cards were to be sent to districts for distribution. It was noticed that department sent blank ration cards to the districts without recording name and other details of BPL households. Reasons for not printing the details of families in the ration cards were not stated.

Cards distributed in excess of identified BPL families

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- Against 61.63 lakh identified BPL/ AAY families, 66.45 lakh ration cards were sent to districts for distribution to families without collecting back the old ration cards. Department, thus issued about 10 *per cent* cards in excess of the target. Excess issue of blank ration cards was fraught with the risk of misuse of cards.
- In Rohtas district, the department sent 1.92 lakh BPL ration cards against 1.63 lakh identified house holds of which 1.74 lakh ration cards were distributed. Thus, 0.11 lakh ration cards were distributed to unidentified families. The department stated (October 2006) that extra ration cards were sent on the basis of estimated families which could be different from the actual number. The reply is not acceptable, as the actual number of families should have been ascertained before sending the ration cards to the districts.

Records of distribution of ration cards not maintained

- BPL ration cards were sent to the sub-divisions and blocks for further distribution to the families but neither any certificate regarding their distribution was obtained nor records of distribution of ration cards were maintained in the blocks.

3.3.6.2 *Weeding out of ration cards*

The Government directed all the Divisional Commissioners and DMs to start a campaign (September 2000) for survey of BPL/AAY list in their districts for deletion of ineligible families and addition of eligible families who were not identified earlier.

There were no records to show the basis for inclusion and deletion of

Scrutiny of the list furnished by the department of Food, Supply and Commerce disclosed that names of 2106526 families were deleted and equal number of families were included in the list. The correctness of these figures could not be ascertained in audit in the absence

names in all test checked districts as well as in the department

of any initial record on the basis of which the department had prepared the final list.

In the test checked districts (Muzaffarpur, Bhagalpur and Lakhisarai) 31363 BPL families were excluded and 12163 BPL families were included in the list whereas the number of inclusion and exclusion as furnished by the department was shown as 191993 in these districts.

The department stated (October 2006) that the departmental figures were based on rough estimation of 30 per cent of BPL families. The reply of the department is not tenable because rough estimation cannot lead to deletion of ineligible and inclusion of eligible families in absence of specific information relating to individual beneficiary.

3.3.6.3 Annual revision of ration cards

Annual revision of BPL and AAY list not conducted in seven out of eight districts

As per norms defined in the PDS (Control) Order 2001, State government was to specify a time frame for making addition and alteration of identified households. For this purpose, yearly revision of BPL and AAY households lists was to be carried out by the district authorities. However this was not done in seven out of eight test checked districts. In Masaurhi block of Patna district, out of 42304 BPL families 6491 AAY families were selected (October 2001) but the number of selected AAY families were not deleted from the list of BPL families.

The department stated (July 2006) that review of addition and deletion are made at district level but no specific reply was given either by the department or by the district authorities.

3.3.7 Lifting of foodgrains

3.3.7.1 BPL Families

Despite instructions of the government to ensure cent per cent lifting of foodgrains, there was short lifting of 39.11 lakh MT wheat and 41.03 lakh MT rice in the State during the period 2001-06 as per details in following table :

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(Figures in lakh MT)

Year	Allotment		Lifting		Short lifting (per cent)		Average per month per family lifting	
	Wheat	Rice	Wheat	Rice	Wheat	Rice	Wheat	Rice
2001-02	13.31	8.88	3.11	0.66	10.20 (77)	8.22 (93)	5.01	1.06
2002-03	13.31	8.88	4.02	0.45	9.29 (70)	8.43 (95)	6.48	0.73
2003-04	13.31	8.88	6.03	0.60	7.28 (55)	8.28(93)	9.74	0.96
2004-05	13.31	8.88	6.72	1.32	6.59 (49)	7.56 (85)	10.85	2.14
2005-06	11.49	10.01	5.74	1.47	5.75 (50)	8.54 (85)	9.26	0.96
Total	64.73	45.53	25.62	4.50	39.11 (60)	41.03 (90)		

(Figures shown in bracket indicate percentage)

Denial of foodgrains due to non-lifting of allotted quota

As a result of short lifting of foodgrains, 23 lakh to 40 lakh BPL families were deprived from subsidised wheat and 45 to 50 lakh families from subsidised rice in the state during 2001-06.

The department stated (October 2006) that most of the BPL families were either marginal farmers or agricultural labourers and they do not require foodgrains for larger part of the year. The reply was not acceptable because department requested for enhancement of allocation of foodgrains.

3.3.7.2 AAY Families

The details of lifting of foodgrains under AAY during 2001-06 was as under:-

(lakh MT)

Year	Allotment		Lifting		Short lifting	
	Wheat	Rice	Wheat	Rice	Wheat	Rice
2001-02	0.90	0.60	0.69	0.46	0.21	0.14
2002-03	2.52	1.68	1.53	0.98	0.99	0.70
2003-04	2.52	1.68	2.43	1.57	0.09	0.11
2004-05	2.52	1.68	2.37	1.55	0.15	0.13
2005-06	2.73	1.82	2.58	1.67	0.15	0.15
Total	11.19	7.46	9.60	6.23	1.59	1.23

It may be seen from the table that lifting during initial year was not good but picked up later except during 2004-05. The lifting of foodgrains under AAY was better than BPL which can be attributed to low price paid by PDS dealers for AAY foodgrains.

3.3.7.3 *Discrepancy between figures of SFC and PDS dealers*

Scrutiny of the foodgrains statement furnished by the SFC and PDS of test check districts, (Muzaffarpur, Bettiah and Rohtas) showed difference in off-take and distribution figures during 2001-06 as detailed in table given below:

(Figure in lakh MT)

Year	Lifting by SFC		Distributed to PDS dealers		Difference	
	Wheat	Rice	Wheat	Rice	Wheat	Rice
2002-03	0.52	0.07	0.48	0.07	0.04	0.00
2003-04	0.80	0.17	0.79	0.16	0.01	0.01
2004-05	0.86	0.31	0.76	0.29	0.10	0.02
2005-06	0.56	0.27	0.55	0.27	0.01	0.00
Total	2.74	0.82	2.58	0.79	0.16	0.03

The reasons of discrepancy between lifting and distribution by SFC could not be ascertained as monthly statements of off-take and distribution was not available. District Manager, SFC Muzaffarpur stated that the difference in quantities of BPL foodgrains were diverted by transfer of stock to other schemes such as mid day meal and flood relief but no supporting documents were shown to audit. Department has sought clarification from SFC on this point.

3.3.8 *PDS shops*

3.3.8.1 *Functioning of PDS shops*

A network of PDS dealers was envisaged in TPDS for effective distribution of foodgrains. The responsibility for distribution of opening of PDS shops rested with the State Government. Norm of one PDS shops for 1900 persons (307 households) for rural area and 1350 persons (219 households) for urban area was fixed by the State government to ensure economic viability of fair price shops. It was also to be ensured that no household should travel more than three kilometers to reach the PDS shops. Altogether 44317 PDS shops were functioning in the State.

As required in PDS (Control) order 2001 none of the 96 PDS dealers test checked, submitted the stock statement in form -A. Ration cards register, unit register, complaint register, stock register, distribution register and inspection-cum-advise register were not maintained. PDS dealers did not display the details of available stock of foodgrains and number of ration card holders. The stock and distribution registers had not been authenticated by supply inspectors. Cash memos were either not issued or issued without machine number.

A test check of 23 blocks revealed that 352 PDS shops (Urban: 250 and Rural: 102) were found in excess in 10 blocks and 339 PDS shops in eight blocks (Urban: 45 and Rural: 294) were in

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lesser number than the norms. Further, in five blocks, 62 PDS shops (Urban: 26 and Rural: 36) were in excess and 52 shops (Urban: 13 and Rural: 39) were found in lesser number than the norm.

In Muzaffarpur, Bhagalpur, Gaya and Rohtas districts, 6992 MT (Wheat 3458.37 and rice 1565.44 MT) foodgrains valuing Rs 26.72 lakh under BPL category was seized by the officials. FIR (during 2004-05 and 2005-06) had been lodged against 74 dealers for misappropriation/black marketing of foodgrains. The Department directed (January 2006) that the records should be properly maintained by PDS shops dealers failing which their licenses would be cancelled.

3.3.8.2 Viability of PDS dealers

Test check of eight districts disclosed that the monthly income of 96 PDS dealers ranged from Rs 200 to Rs 1000 per month through their commission on the sale of BPL/AAAY foodgrains. Low financial viability of PDS shops would encourage malpractices by fair price owners. The team of Programme Evaluation Organisation's (PEO) study of the Planning Commission also showed (2005) that Public Distribution System shops are inherently non-viable in villages with population less than 500 and are poorly connected. There are many such villages in the State. The system in such villages was virtually non-functional as dealers do not open their shops regularly. Department stated (October 2006) that the commission on kerosene has been enhanced to improve their viability.

3.3.9 Quality test of foodgrains

Quality test of foodgrains was not carried out

State Government was to ensure distribution of good quality of foodgrains through fair price shops by carrying out quality test of samples drawn by the Supply Inspector from SFC godowns and PDS dealers. The facility of quality test of foodgrains was not in existence at any level during 2001-06.

The department stated (July 2006) that DMs have been directed to carry out sample check of foodgrains and this will be monitored at the State level. The reply was not acceptable as there was no such facility in the state.

3.3.10 Monitoring and Evaluation

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State Government was responsible for efficient network of PDS for distribution and its monitoring. Vigilance Committees were to be constituted at each level. The DMs were to hold weekly review meetings.

The records of eight districts showed that inspection at each level was far below the norms. The percentage fall of inspection during 2001-06 was between 93 and 100 *per cent* in eight test checked districts. Vigilance committees were non-functional in the state. The department stated (October 2006) that it was considering training of Panchayati Raj representatives for monitoring of public distribution system.

Minutes of monthly review meeting of department showed that the department had frequently expressed concern over low lifting, inadequate inspection and monitoring. Directions were not complied by the districts because authorities at districts were not under the administrative control of the department.

Reporting of functioning of PDS in prescribed format was not furnished by the districts for consolidation at department level as prescribed under PDS Control Order 2001. Monitoring the functioning of PDS dealers through computer network by installing NIC centre at districts were not implemented by the department.

Study by Programme Evaluation Organisation of Planning Commission of PDS revealed (2005) that a larger part of the subsidized food grains (75 per cent) did not reach the target group in the State. Thus, objectives of the TPDS to provide benefit to poor households could not be achieved.

3.3.11 Conclusion

The department deviated from the norms prescribed by Government of India regarding household survey for identification of BPL families. The re-survey based on 2002 guidelines is still underway indicating government's failure in devising an effective mechanism for identification of families. The records supporting the distribution of ration cards to the BPL/AAY families were not available in the blocks. BPL families were deprived of foodgrains due to short lifting. Fair price shops were not inspected to verify the genuineness of entries made. No laboratory was available in the State for quality test of foodgrains. The vigilance committees were non functional in the state. Monitoring by the department was ineffective.

Recommendations

- The identification of BPL/AAY should be done in accordance with the guidelines issued by Government of India.
- The stock and distribution records at the level of PDS dealers and SFC godowns should be periodically inspected and authenticated by Government officials to prevent any unauthorised diversion of subsidised foodgrains.
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k Facility of laboratory needs to be provided for quality test of foodgrains.
- To strengthen vigilance mechanism, training should be imparted to panchayat representatives.
- Functioning of PDS should be monitored through NIC computer network as required under the PDS (Control) Order 2001.

The above points were reported to Government (July 2006); the reply (October 2006) has been incorporated in the review at appropriate places.