

**TWELFTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE  
ON  
PUBLIC ACCOUNTS  
(2008-2011)**

**ONE HUNDRED AND FOURTEENTH REPORT**

(Presented on 22nd March, 2010)



SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM  
2010

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**COMMITTEE  
ON  
PUBLIC ACCOUNTS  
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**ONE HUNDRED AND FOURTEENTH REPORT**

**On**

**Action taken by Government on the Recommendations contained  
in the Hundred and Seventh Report of the Committee on  
Public Accounts (1998-2000)**

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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 One Hundred and Fourteenth Report on Action Taken by Government on the Recommendations contained in the Hundred and Seventh Report of the Committee on Public Accounts (1998-2000).

The Committee considered and finalised this Report at the meeting held on 20th January, 2010.

Thiruvananthapuram,  
22 March, 2010.

ARYADAN MUHAMMED,  
*Chairman,*  
*Committee on Public Accounts.*

## **REPORT**

This Report deals with the action taken by the Government on the recommendations contained in the 107th Report of the Committee on Public Accounts (1998-2000).

The 107th Report of the Committee on Public Accounts (1998-2000) was presented to the House on December 18, 2000 and it contained six recommendations relating to Food, Civil Supplies and Consumer Affairs Department. The Government were addressed to furnish the statements of Action Taken on the recommendations contained in the Report on 2-2-2001 and the final replies were received on 7-11-2008.

The Committee examined the statements at its meetings held on 5-10-2005 and 17-6-2009. The Committee was not satisfied with the action taken by the Government on the recommendation Nos. 2 and 3 (Para Nos. 15 and 16) and decided to pursue them further. Those recommendations, their replies and further recommendations are included in chapter I of this Report.

The Committee decided not to pursue further action on the remaining recommendations, in the light of the replies furnished by the Government. Such recommendations, their replies and additional details furnished are incorporated in chapter II of this Report.

## CHAPTER I

**RECOMMENDATIONS IN RESPECT OF WHICH ACTION TAKEN BY  
THE GOVERNMENT IS NOT SATISFACTORY AND WHICH  
REQUIRES REITERATION**

FOOD, CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

**Recommendation***(Sl.No. 2, Para No. 15)*

1.1 The Committee are displeased to note that the Government did not take into account the adverse impact of the diversion of 5000 tonnes of Wheat per month from Public Distribution System for conversion into byproducts through Private Millers. Neither test milling nor serious discussions with the mill owners were conducted before fixing the percentage of maida, sooji etc. Though the Government was aware of the Central Government norms that the percentage of Maida and Sooji together should be 68% they fixed the percentage of out turn at a lesser rate of 40% for Maida and 10% for Sooji on the basis of mere negotiation with the mill owners. The Committee do not approve the argument of the Department that the fixation of percentage was ratified by the Central Government as it failed to furnish necessary supporting evidence. The Committee genuinely doubt why the millers in the remaining districts could not supply by-products at the percentage fixed by the Central Government if it was possible for millers in the districts of Palakkad and Kottayam. The Committee criticise the inaction of the Department in not conducting a scientific study or any serious discussions with the mill owners for fixing the percentage of out turn as per the Central Government norms thereby depriving the general public who depend on Public Distribution System of the additional benefits of it. No discussions were conducted between the mill owners and the Minister concerned. The Committee is of the view that Government suffered loss of lakhs of Rupees due to the mistake in fixing percentage of out turn.

**Action Taken**

1.2 While implementing the scheme for the conversion of the PDS Wheat to Roller Flour Mills one of the conditions in Government of India letter dated 12-10-1989 was that the State Government would fix norms for extraction of Maida and Sooji. Accordingly the State Government fixed the rate of Maida and Sooji as 40% and 10% respectively vide G.O.(Ms.)No.24/89 dated 13-11-1989. On the basis of the above order contract had been drawn up with the mill owners. There are no records to prove that the Central Government have approved the out turn fixed for conversion of wheat products by the State Government.

1.3 The percentage of out turn was fixed by the State Government as per the direction of the Government of India and norms fixed by the State Government. Moreover, the Department had been sending the monthly statement to Government of India showing the details of wheat allotted, out turn fixed and the wheat products supplied by the Millers. So, it is clear that the Government of India was also aware of the out turn fixed by the State Government. As no objections or clarifications in this regard had been raised or sought for from Government of India till 1990, (ie. the year in which the ratio revised by the G.O.I), the Department was of the view that Government of India had accepted the implementation of the scheme in its full spirit.

#### **Further Recommendation**

**1.4 The explanation of the department is not acceptable to the Committee. The Committee desires that the norms fixed by the Government of India in the conversion of wheat into wheat flour should be accepted by the State Government. The Committee also desires that the flour mills in the Co-operative sector should also be included in the scheme.**

#### **Recommendation**

*(Sl. No. 3, Para No. 16)*

1.5 The Committee are also doubtful of the veracity of the argument of the Government that it had lifted only 17,951 Tonnes of wheat and given it to millers during November, 1989 to June 1990 whereas the records shown by the Food Corporation of India clearly revealed that the Government lifted 24,417 Tonnes of wheat during this period. It is naturally to be inferred that the remaining quantity of 6466 Tonnes had not been accounted. Therefore, the Committee suggest that Departmental enquiry should be conducted in the matter and stringent disciplinary action taken against the responsible Officers for not accounting the above said quantity of wheat and thereby giving undue monetary benefit to the millers.

#### **Action Taken**

1.6 A scheme to allot PDS wheat to Roller Flour Mills for conversion into wheat products was introduced with the permission of Government of India as per State Government Order No. (Ms.)24/89/F&CSD. dated 13-11-1989. As per the G.O dated 13-11-1989, the Millers' had to deliver 40% Maida and 10% Sooji out of the total quantity lifted from FCI for this purpose. Accordingly 24417.412 MTs of wheat were lifted from FCI for the period from November 1989 to June 1990. As per the ratio fixed by the Government, Maida and Sooji to be supplied by the Millers were 9766.96 MTs and 2441.74 MTs respectively.

Against these quantities the Millers had supplied 9759.96 MTs of Maida and 2439.77 MTs of Sooji. A Statement showing the period, the details of wheat allotted, Quantity to be supplied and actual quantity supplied by the Flour Millers, etc. is enclosed as Appendix-II for ready reference and information.

1.7 From the details of Appendix-II, it may be seen that there is no considerable variation between the Wheat products to be supplied by Millers and the actual quantity supplied by them. The argument that 17951 MTs of wheat only had been used for conversion into wheat products was only an assumption based on the ratio. Subsequently fixed at 68% (ie. Maida 55% + Sooji 13%). Thus the alleged diversion of 6466 MTs of wheat has not occurred and therefore no departmental enquiry was conducted in the matter.

#### **Further Recommendation**

1.8 **The Committee pointed out that the fixation of norms was arbitrary and that it could not be justified. The Committee desires that a scientific study should be conducted about the quantity of by-products and specific norms should be fixed for it. The Committee suggests that there is no need to deviate from the norms fixed by the Government of India and that it should be accepted without any objection.**

#### CHAPTER II

### **RECOMMENDATIONS WHICH THE COMMITTEE DOES NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES FURNISHED BY THE GOVERNMENT**

FOOD, CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

#### **Recommendation**

*(Sl. No. 1, Para No. 4)*

2.1 The Committee understands that the State Government was constrained to spend an additional amount of Rs. 36.55 Lakhs during the period from 1985-86 to 1987-88 due to the extension of the Central Government Scheme of distribution of foodgrains at specially subsidised rates outside ITDP areas by violating the guidelines of the Central Government in this regard. The Committee opines that the scheme should not have been implemented outside ITDP areas on the basis of the discussion held with the Joint Secretary to Government of India who arrived here to discuss the modus operandi of the scheme before obtaining confirmation for the decision or securing approval from Government of India. The Committee, while appreciating the good intention behind the decision, recommends that in future, written confirmation should

immediately be secured before implementing Centrally Sponsored Schemes on the basis of informal discussions. The Committee further recommends that the State Minister for Food and Civil Supplies should immediately take up the matter with the Central Minister concerned apprising him of the decision taken in the meeting with the Central Government representative and seek ratification of the action of the State Government in extending the scheme outside ITDP areas and thereby refund the excess money spent by the Government. The Committee also desire to be furnished with a report explaining inter alia the reasons for not securing confirmation properly for the decision to extend the scheme outside ITDP areas, reasons for continuing the scheme up to 1988 overlooking the directions of Government of India given in 1985 and 1986 which entailed additional financial burden to the State exchequer and the present position of the matter and the steps taken by the State Government to secure ratification from Government of India etc.

#### **Action Taken**

2.2 As recommended by the PAC (1998-2000) in its meeting held on 6-10-1999 a D.O. Letter was sent to the Union Minister for Food & Public Distribution by the State Minister for Food & Civil Supplies describing the circumstances that led to the distribution of foodgrains outside ITDP areas and requested to refund Rs. 36.55 lakhs withheld from the ration subsidy amount remitted by the State Government. But Government of India declined the request vide D.O.No. 2-14/87-DR-IV/1C/1606, dated 20-12-1999. The above matter was intimated to the Legislature Secretariat vide Lr. No.8744/D1/99/F&CSD dated 18-12-2000, and it was requested to inform the position to the members of PAC.

2.3 Regarding the reason for continuing the scheme upto 1988, soon on receipt of letter No.1-9/87-BP.IV/DR.IV, dated 2-11-1987 from Government of India, immediate directions were given to the District Collectors to stop issue of subsidised rice outside ITDP areas by the State Director of Civil supplies. But the issue of subsidised rice could completely be stopped only by March 1988. Out of the total amount of Rs. 36.55 Lakh, Rs. 35.01 lakh relate to the period prior to 31-10-1987.

2.4 After the receipt of the Government of India communication dated 2-11-1987 an additional financial burden amounting to Rs. 1.54 lakh was caused due to unavoidable administrative reasons.

2.5 In future the Department will take utmost care, while dealing with matters under Centrally Sponsored Schemes and written confirmation or prior sanction if any required, will be obtained from Government of India before implementation of the Schemes.

**Recommendation**

*(Sl. No. 4, Para No. 17)*

2.6 The Committee is distressed to note that the department is not in a position to convey any specific reason for doubling the milling charges of wheat during 1992 within a period of 18 months which has since been reduced in the next year. The argument of the witness that the frequent changes in the scheme was the main reason for the hike in milling charges is not at all acceptable to the Committee. The Committee opines that if the Government was vigilant in this matter, there could have been serious negotiations with the millers and thereby unfair increase in the milling charges, which caused hardship to the consumers of the fair price shops could have been avoided.

**Action Taken**

2.7 The expenses such as transportation charges of wheat to mills, transportation charges of wheat products to various Taluks, cost of gunny bags and milling expenses prevailed at the time were considered for fixation of milling charges. Moreover the factors, like hike in fuel charges, electricity charges, labour charges, etc. were considered while fixing the milling charges. Subsequent reduction of the charges itself shows that the rate already fixed was inevitable according to the circumstances that prevailed during the earlier period.

2.8 The Department also agrees with the views of the Committee that if effective negotiations had been conducted with the mill owners during the period in question, the excess charges borne by the consumers could have been avoided. But quite unfortunately the department could not conduct the negotiations at the time as observed by the Committee.

**Recommendation**

*(Sl. No. 5, Para No. 21)*

2.9 The Committee observes that had the State Government taken initiative to implement the scheme of 'distribution of foodgrains at specially subsidised central issue price in areas under Revamped Public Distribution System' to the entire population of ITDP areas, instead of limiting it to tribal people only, loss of subsidy amounting to crores of rupees could have been avoided. The Committee also desires to know the circumstances which led to the restriction of the implementation of the scheme to tribal population in ITDP areas and whether the Department had conducted any study on the impact of the lesser off-take of foodgrains on the price of foodgrains in open market. The Committee note with serious concern that the Principal Secretary to Government,

Food and Civil Supplies Department, was not in a position to furnish the details called for by the Committee during the course of examination of audit paragraph or within the time limit as assured by the witness. The Committee in this context express strong displeasure over the non-receipt of the details called for by the Committee.

#### **Action Taken**

2.10 On scrutiny of the available records, it is seen that the Department had not conducted any study on the impact of the lesser off-take of foodgrains on the prices of foodgrains in open market during the period in question. Further report on the recommendation of the Committee will be sent soon on tracing out the files concerned.

#### **Further Recommendation**

**2.11 As the reply was not complete, the Committee desires to get a further reply from the department.**

#### **Additional details**

2.12 A scheme for the distribution of foodgrains at specially subsidized rate to the people living in ITDP areas was formulated by the Government of India in November 1985. As per the scheme the State Government was to lift the foodgrains from Food Corporation of India and ensure distribution to the targeted groups. For finalizing the implementation of the scheme a meeting of State Government and Government of India officers was held in November, 1985 and it was decided to extend the scheme to the tribals living outside ITDP area based on the list of beneficiaries furnished by the Director of Tribal Welfare. As such the distribution of foodgrains under the scheme continued till March, 1988.

2.13 In this connection it may please be noted that the allocation made by the Government of India alone was lifted and distributed. No additional stock was lifted under the scheme for the distribution to the non ITDP area. Hence no additional financial burden was created to the Government of India even though the foodgrains were issued to the tribals in non ITDP areas. Moreover the tribal families are residing in a scattered manner in the State. It is to be worth mentioned that the issue of foodgrains benefited all the tribals in the State and the review committee itself had appreciated the distribution. This was done by the State Government in good faith and to give the benefit to all beneficiaries.

**Recommendation**

(Sl. No. 6, Para No. 22)

2.14 The argument of the Department that overcharging of consumers in respect of excess handling charges is not a burden to the consumers as the overcharging per kilogram is very meagre is not acceptable to the Committee and they are of the view that this argument is not defensible. The Committee opine that steps for cutting down labour charges should have been taken by the Government and if they could not do this, the overcharges should have been borne by the Government itself rather than passing it on to the ordinary consumers.

**Action Taken**

2.15 The handling charges was only minimum. No system can be sustained for a long period, if Government bear all the expenses by giving subsidy or concession. The necessity of the common people was such that, they are prepared to share expenses. No forced or unauthorised collection was made. The consumers were benefited from the service through Public Distribution System.

ARAYADAN MUHAMMED,

Thiruvananthapuram,  
22 March, 2010.

*Chairman,*  
*Committee on Public Accounts.*

## APPENDIX I

**Summary of Main Conclusions/Recommendations**

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department Concerned</i>	<i>Conclusions/Recommendations</i>
(1)	(2)	(3)	(4)
1	1.4	Food, Civil Supplies and Consumer Affairs	The explanation of the department is not acceptable to the Committee. The Committee desires that the norms fixed by the Government of India in the conversion of wheat into wheat flour should be accepted by the State Government. The Committee also desires that the flour mills in the Co-operative sector should also be included in the scheme.
2	1.8	„	The Committee pointed out that the fixation of norms was arbitrary and that it could not be justified. The Committee desires that a scientific study should be conducted about the quantity of by-products and specific norms should be fixed for it. The Committee suggests that there is no need to deviate from the norms fixed by the Government of India and that it should be accepted without any objection.

## APPENDIX II

**Statement showing the Period, details of Wheat allotted, Quantity of  
Wheat products to be supplied, Actual quantity supplied by the  
flour Millers, etc.**

<i>Month</i>	<i>Total wheat allotted (IN MTs.)</i>	<i>Wheat products to be supplied @40% maida and 10% sooji (IN MTs.)</i>		<i>Quantity supplied (IN MTs.)</i>	
		<i>Maida</i>	<i>Sooji</i>	<i>Maida</i>	<i>Sooji</i>
11/89	4940	1976	494	1976	494
12/89	5000	2000	500	1993	498
1/90	1060	424	106	424	106
2/90	3670	1468	367	1468	367
3/90	4260	1704	426	1704	426
4/90	No allotment	..	..	..	..
5/90	1500	600	150	600	150
6/90	3987.412	1594.96	398.74	1594.96	398.77
Total	24417.412	9759.96	2441.74	9759.96	2439.77