

**COMMITTEE ON PAPERS LAID ON THE TABLE
(2021-2022)**

SEVENTEENTH LOK SABHA

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NINETY-THIRD REPORT

[Action Taken by the Ministry of Consumer Affairs, Food & Public Distribution (Department of Food & Public Distribution) on the Recommendations/ Observations made by the Committee in their Sixty Eighth Report (Seventeenth Lok Sabha) regarding the delay in laying the Annual Reports and Audited Accounts of the Food Corporation of India, New Delhi]

(Presented to Lok Sabha on 05 August, 2022)



सत्यमेव जयते

**LOK SABHA SECRETARIAT
NEW DELHI
August, 2022/Sravana, 1944 (Saka)**

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COMPOSITION OF COMMITTEE ON PAPERS LAID ON THE TABLE

LOK SABHA

(2021-2022)

Shri Ritesh Pandey

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Chairperson

MEMBERS

2. Dr. Shafiqur Rehman Barq
3. Shri Margani Bharat
4. Dr. A. Chellakumar
5. Shri Pallab Lochan Das
6. Shri Chowdhury Mohan Jatua
7. Choudhary Mehboob Ali Kaiser
8. Dr. Amol Ramsing Kolhe
9. Shri Raja Amareshwara Naik
10. Shri Jamyang Tsering Namgyal
11. Smt. Aparupa Poddar
12. Shri T.N. Prathapan
13. Shri S. Ramalingam
14. Shri Saptagiri Sankar Ulaka
15. Shri Ashok Kumar Yadav

SECRETARIAT

1. Smt. Suman Arora - Joint Secretary
2. Shri Sundar Prasad Das - Director
3. Shri Uttam Chand Bharadwaj - Additional Director

INTRODUCTION

I, the Chairperson of the Committee on Papers Laid on the Table, having been authorized by the Committee to present the Report on their behalf, present this Ninety-third Report on the action taken by the Government on the recommendations/observations made by the Committee in the Sixty Eighth Report (Seventeenth Lok Sabha) regarding the delay in laying the Annual Reports and Audited Accounts of the Food Corporation of India, New Delhi.

2. The Sixty Eighth Report (Seventeenth Lok Sabha) was presented to Lok Sabha on 11.02.2021. The Ministry of Consumer Affairs, Food & Public Distribution (Department of Food & Public Distribution) (DF&PD) furnished their replies on 3rd March, 2022 indicating the action-taken on the observations/ recommendations contained in the Sixty Eighth Report. The Committee considered and adopted this Report at their sitting held on 01 August, 2022.

3. The Committee places on record their appreciation of the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

4. The Observations/Recommendations of the Committee have been printed in bold letters at the end of the Report.

New Delhi;

03 August, 2022
12 Sravana,1944(saka)

Ritesh Pandey
Chairperson
Committee on Papers Laid on the Table

COMMITTEE ON PAPERS LAID ON THE TABLE (2021-2022), LOK SABHA

Action Taken by the Ministry of Consumer Affairs, Food & Public Distribution (Department of Food & Public distribution) on the Recommendations/ Observations made by the Committee in their Sixty Eighth Report (Seventeenth Lok Sabha) regarding the delay in laying the Annual Reports and Audited Accounts of the Food Corporation of India, New Delhi.

This Report of the Committee deals with the action-taken by the Ministry of Consumer Affairs, Food & Public distribution (Department of Food & Public Distribution) (DF&PD) on the Recommendations/Observations made by the Committee on Papers Laid on the Table (2020-2021) in their Sixty Eight Report (17th Lok Sabha) which dealt with the matter of the delay in laying the Annual Reports and Audited Accounts of the Food Corporation of India (FCI), New Delhi for the years 2015-2016 to 2019-2020, and which was presented to the Lok Sabha on 11.02.2021.

2. The action-taken replies to all the Observations/Recommendations of the said Report have been received from the Ministry of Consumer Affairs, Food & Public Distribution (Department of Food & Public Distribution) on 3rd March, 2022. Accordingly, the reply showing the action-taken by the Ministry of Consumer Affairs, Food & Public distribution (Department Food & Public distribution) on the Recommendations/Observations contained in the Sixty Eight Report (17th Lok Sabha) is given in Appendix-I.

3. **The Committee notes that the Department of Food & Public Distribution and the Food Corporation of India had accepted the recommendations made by the Committee. To ensure timely laying of the documents of the FCI, a time schedule has been prepared by the DoF&PD/FCI which was shared with the CAG and is also being monitored continuously with all FCI Field Offices as well as CAG Offices. It has also been informed that with continuous efforts made by the DoF&PD/FCI, the Annual Report and Audited Accounts of the FCI for the year 2020-2021 were sent on 11.02.2022 to the DoF&PD. The Committee appreciates that the FCI has overcome several issues faced earlier and has managed to reduce the overall delay period to a considerable extent. However, the Committee feels that the DoF&PD/FCI, shall put in extra effort to completely eliminate such minor delays to fulfil its statutory**

requirement towards the Parliament. The Committee would like to be informed of the action taken by the DoF&PD/FCI in this regard.

New Delhi;

03 August, 2022

12 Sravana, 1944(saka)

Ritesh Pandey

Chairperson

Committee on Papers Laid on the Table

Reply showing action taken by the Ministry of Consumer Affairs, Food & Public Distribution (Department Food & Public Distribution on the Recommendations/ Observations contained in the Sixty Eighth Report (Seventeenth Lok Sabha)

Food Corporation of India, New Delhi

Recommendation Serial No. 23

The Committee take a serious view of the fact that the Department of Food & Public Distribution, Ministry of Consumer Affairs, Food & Public Distribution has been a defaulter in the matter of timely laying of the Annual Reports and Audited Accounts of the Food Corporation of India, Delhi. A scrutiny of the dates of laying of these documents of the FCI pertaining to the years from 2015-2016 to 2019-2020 shows that the delays in laying the documents ranged from 02 months to 14 months. Earlier, the Committee had taken up the matter of delays in laying the requisite documents of the FCI, for the years from 1978-1979 to 1980-1981 in their 7th Report (10th Lok Sabha) and for the years from 2002-2003 and 2003-2004 in their 5th Report (14th Lok Sabha). Though the Ministry had taken some of the remedial measures for timely laying of the documents, however, there is no improvement in laying of the documents of the FCI for subsequent years. The Committee consider this as grave irregularity on the part of the Administrative Ministry/ FCI which cannot be overlooked. The Committee, therefore, strongly recommend to the Ministry to pay utmost attention to the recommendations of the Committee by making all-out efforts to ensure that in future the Annual Reports and Audited Accounts of the FCI are laid on the Table of the House within the stipulated time. The Committee would like to be apprised of the initiatives taken/being taken by the Ministry in this regard.

Reply of the Government

To ensure that in future the Annual Reports and Audited Accounts of the FCI are laid on the Table of the House within the stipulated time, a time schedule is prepared at the start of the year for preparation and audit of Accounts. Time schedule is shared with CAG. It is monitored continuously with all FCI field offices as well as CAG offices. With these efforts, Accounts of 2020-21 could be finalized and Annual Report and Annual Accounts containing

CAG Audit Report and Reply of Management has been sent to the Ministry on 11.02.2022 for laying the same on the Table of the House, in spite of disruption caused by COVID-19 Pandemic. However, the Accounts of FCI for the year 2019-20 was completed and was forwarded to the Ministry for placing on the Table of Parliament on 22.7.2021. Hence efforts are being made to adhere to time lines by follow up & co-ordination

[The Ministry of Consumer Affairs, Food & Public Distribution (Department of Food & Public Distribution) O.M. No. 11031/2020CBII dated 03rd March, 2022]

Recommendation Serial No.24

The Committee note that in the instant case, the Annual Accounts of the FCI are audited by the C&AG at two stages. At first, the Annual Accounts are audited by the C&AG at each Branch of the FCI and then these are sent to the Head Office where the consolidated Annual Accounts of the FCI are again audited by C&AG. Time taken by the C&AG in auditing of the Annual Accounts of the FCI at the Branch level and then at the Corporate level was stated to be the main reason for delays. It was apprised to the Committee that the C&AG took 69 days to 155 days at the stage of the Branch level audit and then again they took 79 days to 189 days at the stage of auditing of the Annual Accounts of the FCI at the corporate level. From the replies furnished by the Ministry, the Committee could not find any justification in the time taken by the Audit Authorities in this regard. The Committee, therefore, desire to know the nature of queries raised by the audit authorities and the time taken by the Ministry/FCI to resolve the queries so that the Committee may identify the stages where the delays had actually occurred.

The Committee also recommend that the FCI should follow the General Financial Rules and plan in such a way that the Annual Accounts of the FCI, after audited by C&AG at first stage, should be compiled within 03 months after the closure of the respective Accounting year so that the C&AG could issue the final Audit Report by 31st October of the respective Accounting year.

Reply of the Government

(i) The nature of queries raised by CAG are as under (Financial year 2020-2021)

Branch Level- FCI has around 165 Divisional (Branch) offices. CAG conduct audit of Branches, Zonal offices & Institute of Food Security (IFS), on risk basis and select approx. 1/3 branches for audit every year. CAG does audit of all Regional (State) offices & HQ unit. During 2020-21, CAG conducted audit of all Regional (State) offices & HQ unit. During 2020-21, CAG conducted audit of 80 units. CAG deploy audit teams for conducting audit task in a defined time schedule. Resolution of CAGs queries is a concurrent job i.e. reply to audit queries are given during the period of audit plan. However, queries raised during last few days of audit plan are replied immediately after completion of audit plan. CAG conducts Exit conference to discuss Draft/Provisional Audit Report.

Corporate Level : After completion of Exit conference at Branch level, Consolidated accounts are prepared at Head Office level. India is a diverse Country, as far as Procurement of Food grains is concerned, necessitating movement of huge quantity of food grains from surplus States to deficit States. Therefore, reconciliation of inter unit transactions is a major task. Being subsidized corporation having all India operations, consolidation of accounts in FCI is not merely aggregation of Branch accounts, but requires critical analysis specially for valuation of food grains stock and calculation of food Subsidy (as per GOI guidelines) among other things, at Corporate level.

2019-20-CAG took 178 days for 1st stage of audit (DO/RO level) (08.05.2020 to 02.11.2020) and commenced audit of Hqrs on 11.01.2021 and exist conference held on 17.03.2021 (65 days) and final report was received by FCI from CAG on 25.06.2021 and it was approved by Board of FCI on 08.07.2021 and sent to Ministry on 22.07.2021. Annual Report and Annual Accounts for the financial year 2019-20 placed in Rajya Sabha on 06.08.2021 and Lok Sabha on 10.08.2021.

Queries raised by CAG related to Misclassification of Accounts head/scheme/product code, non-reconciliation of figures of accounts and operating division, Non writing off old claims/liabilities, Overstatement/Understatement of Claims/Liability, Non compliance of Head Quarter's circulars, Misclassification of capital and revenue expenses, Title deed of land and building not available, Overstatement/Understatement of contingent liability, Incorrect charging of Depreciation in some cases, Non compliance to Accounting Standards, Non compliance to Corporate Governance guidelines like appointment of directors etc.

(2) COPLOT recommendation: FCI should follow the General Financial Rules (GFR):-

In this connection, it is submitted that Chapter – 4(Rule 71 to 129) of GFR deals with Government Accounts.

Rule 71 reads as under: -

“Accounts of the Union Government shall be prepared every year showing the receipts and disbursement for the year, surplus or deficit generated during the year and changes in Government liabilities and assets. The accounts shall be prepared by Controller General of Accounts, certified by the Comptroller and Auditor General of India and along with the report of the Comptroller and Auditor General of India on these accounts, shall be submitted to the President of India, preferably within six months of the Financial year, who shall cause them to be laid before each House of Parliament.

Rule 74 of GFR reads as under:-

“**Cash based Accounting.** Government accounts shall be prepared on cash basis. With the exception of such book adjustments as may be authorized by Government Accounting Rules, 1990 or by any general or special order issued by the Central Government on the advice of the Comptroller and Auditor General of India, the transactions in Government accounts shall represent the actual cash receipts and disbursements during a financial year as distinguished from the amount due to or by Government during the same period.”

FCI follows “Accrual Method of Accounting”:-

As per section 34(1) of Food Corporations (Amendment) Act, 2000, “A Food Corporation shall maintain proper accounts and other relevant records and prepare an annual statement of accounts including the profit and loss account and the balance sheet in such form as may be prescribed by the Central Government in consultation with the Comptroller and Auditor General of India.”

Ministry of Consumer Affairs, Food & Public Distribution vide notification no. 1133(E) dated 02.12.2016 has notified the Format of annual statement of accounts of Corporation containing Balance Sheet, Statement of Profit and Loss accounts and Cash Flow statement.

Accordingly, accounts of the Corporation are prepared on “**Accrual Method of Accounting**” by following applicable Accounting Standard of the Institute of Chartered Accountants of India.

In view of above, GFR is not applicable to FCI for preparation of accounts.

In line with the COPLOT recommendation, Plan for the year 2021-22 will be prepared in such a way, that the C&AG could issue the final Audit Report by 31st October of the respective Accounting year..

[The Ministry of Consumer Affairs, Food & Public Distribution (Department of Food & Public Distribution) O.M. No. 11031/2020CBII dated 03rd March, 2022]

Recommendation Serial No. 25

The Committee also observed from the time schedule laid down by the Ministry that the documents of the FCI for subsequent years would be submitted to the Ministry by 20th December every year for being laid on the Table of the House by 31 December. On being specifically pointed out by the Committee during evidence that the session of the Lok Sabha normally concludes by third week of the December, the Ministry/FCI assured the Committee that they would reschedule the timeline so that the documents of the FCI would be laid within the stipulated time in future.

Reply of the Government

Observation of the Committee has been noted and time schedule for the Financial Year 2021-22 will be prepared in such a manner that target date for laying of Annual Report and Annual Accounts of FCI on the table of the Parliament will be not later than 3rd week of December, 2022.

[The Ministry of Consumer Affairs, Food & Public Distribution (Department of Food & Public Distribution) O.M. No. 11031/2020CBII dated 03rd March, 2022]

Recommendation Serial No. 26

The Committee further observed that the Ministry had failed to comply with the recommendation made in their earlier Reports regarding laying of a statement within 30 days of the expiry of the prescribed period or as soon as the House meets, whichever is later, explaining the reasons as to why the requisite documents could not be laid within the stipulated period. Therefore, the Committee strongly recommend to the Ministry to lay this statement as per the recommendation of the Committee.

Reply of the Government

All out efforts have been made and will be made in future also to lay this statement as per the recommendation of the Committee.

[The Ministry of Consumer Affairs, Food & Public Distribution (Department of Food & Public Distribution) O.M. No. 11031/2020CBII dated 03rd March, 2022]

Committee On Papers Laid On The Table (2021-2022)

Minutes of the sitting of the Committee

The Committee sat on Monday, 1st August, 2022 from 15:00 hrs. to 15:30 hrs. in Committee Room "C", Parliament House Annexe, New Delhi.

Present

Shri Ritesh Pandey - ***Chairperson***

Members

2. Dr. A. Chellakumar
3. Shri Pallab Lochan Das
4. Smt. Aparupa Poddar
5. Shri S. Ramalingam
6. Shri Saptagiri Sankar Ulaka
7. Shri Ashok Kumar Yadav

Secretariat

1. Smt. Suman Arora - Joint Secretary
2. Shri Uttam Chand Bharadwaj - Additional Director

Witnesses

XX XX XX XX

2. At the outset, the Chairperson welcomed the Members of the Committee to the sitting and apprised them about the agenda.

3. Thereafter, the Committee took up for consideration, four draft Reports and nine draft Action-taken Reports on the following subjects:-

I to vii xx XX XX XX

viii. Action Taken by the Ministry of Consumer Affairs, Food & Public Distribution (Department of Food & Public Distribution) on the Recommendations/Observations made by the Committee in their Sixty Eighth Report (Seventeenth

Lok Sabha) regarding the delay in laying the Annual Reports and Audited Accounts of the Food Corporation of India, New Delhi;

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4. After deliberations, the Reports and Action-taken Reports as mentioned above have been adopted by the Committee and the Chairperson has been authorized by the committee, as per the factual verification of (narration portion) the Reports and Action-taken Reports, to finalize and present these Reports and Action-taken Reports to Lok Sabha.

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The Committee then adjourned.
