

APSCSCL. H.O.

12 OCT 2015

HYDERABAD

GOVERNMENT OF ANDHRA PRADESH

Office of the Commissioner of
Civil Supplies, A.P., Hyderabad.

Dated: 08.10.2015

CCS Ref.No. P5/413/2015

From
Smt. G. Jaya Lakshmi, I.A.S.,
Commissioner of Civil Supplies &
E.O. Secretary to Govt.,
Civil Supplies Bhavan,
A.P., Hyderabad.

To
The VC & Managing Director,
A.P.S.C.S.C.L.,
Hyderabad.

FINANCE
Sir,

Sub: Civil Supplies – Procedure for submission of accounts, audited by
auditors appointed by C&AG by State Governments in order to
finalise procurement incidentals of State Agencies and economic
cost of rice, wheat and coarse grains for the past years – Reg.

Ref: Lr.No.192(29)/2007-FC.A/cs, dt.19.08.2015 of the Director, Min. of
CA, F&PD, Dept. of F&PD, GoI, Krishi Bhavan, New Delhi.

I am forwarding a copy of the reference cited and request to take
necessary action in the matter.

Encl: As above.

Yours faithfully,

for Commissioner of Civil Supplies

413

CNO-1498/24-9-15

**MOST IMMEDIATE**

No.192(29)/2007-FC.A/cs

Government of India

Ministry of Consumer Affairs, Food and Public distribution
Department of Food and Public DistributionKrishi Bhavan, New Delhi
Dated the August 19, 2015

To

- (1) The Principal Secretary/Secretary,
Food & Civil Supplies Department,
Governments of Andhra Pradesh, Assam, Bihar, Telangana,
Chhattisgarh, Gujarat, Jharkhand, Karnataka, Kerala, Madhya
Pradesh, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar
Pradesh, Uttarakhand and West Bengal.
- (2) CMD, FCI, New Delhi

Subject: Procedure for submission of accounts, audited by auditors
appointed by C&AG by State Governments in order to finalize
procurement incidentals of State Agencies and economic cost
of rice, wheat and coarse grains for the past years

Madam/Sir,

I am directed to refer to this Department's letter of even number dated 08.12.2008 and 16.09.2010 on the above subject vide which procedure for submission of final claims by the States and time limit for pending FCI's comments thereon was fixed to avoid delay and expedite finalization of accounts. Subsequently, keeping in view the inconvenience being faced by some State Governments and also simplify the procedure for expeditious submission of proposal for fixation of final rate of procurement incidentals/economic cost vide Joint Secretary(Policy & FCI)'s D.O. letter of even number dated 27.12.2013, proforma was partially modified to enable the States to submit the information expeditiously. Further, vide letter of even number dated 25.2.2015, State Governments were informed that the proforma circulated vide letter dated 27.12.2013 will be effective from prospective date.

2. Subsequently, while finalizing the proposals of some States, it has been observed that the documents required to be submitted along with proposal for fixation of final rate of procurement incidentals/economic cost still requires further modification. Similarly, it has also been observed that in case of heads like administrative charges, the items which should be booked or not to be booked are not quite clear. Accordingly, matter has been further examined in the Department and it has been decided to circulate a list indicating the documents which must be submitted along with the proposal to enable PI Cell of this Department to examine the proposal expeditiously and recommend realistic rates of various items of procurement incidentals. A list of documents required to be submitted along with the proposals (**Annex-I**) along with an illustrative list of items

which should be booked and not to booked under the head "Administrative Charges" is given at **Annex-II**. It may be noted that the list of documents is not exhaustive and, whenever required to prove the veracity of a claim, production of more documents will be insisted upon by the Department.

3. All State Governments are requested to strictly follow the guidelines given in para 2 above and issued earlier from time to time while submitting their proposals for fixation of final rates of procurement incidentals/economic cost.

4. While examining the proposals and sending their comments to this Department, all Regional Offices of FCI and FCI Headquarters are also requested to ensure that the proposals to be submitted by the State Governments in future should be in accordance with aforesaid instructions.

Yours faithfully,



(Manoj Kr. Gupta)
Director

Tel.No.011-2338 9436
Fax No.011-2338 9358

Copy to: ED (Proc), FCI HQ, New Delhi with a request to circulate it to all ED (Zones)/GM (Regions) for strict adherence to the above procedure.

Documents/Certification to be submitted by States along with their accounts for fixation of final rate of Procurement Incidentals/Economic Cost			Annexure-I
Procurement incidentals at Acquisition Stage			
Sl. No	Procurement Incidentals	Particulars/List of Activities considered for incidentals	Documents required (To be submitted by State Govt./Agencies)
1.	Minimum Support Price	<ul style="list-style-type: none"> MSP refers to the specified rate paid to the farmers by the GOI for their produce. MSP is fixed by the GOI for Paddy, Wheat, Jowar, Bajra, Barley, Maize & Ragi every year on per qtl basis. GOI issues separate cost sheet for URS and allows a specified amount as value cut from MSP. 	<ol style="list-style-type: none"> Self declaration/certificate by M.D mentioning that they have actually paid MSP to the farmers. Certificate of FAQ quantity procured for MSP operation.
2.	Taxes/Market Fee & other charges		
(i)	Market Fee/Mandi Fee	<ul style="list-style-type: none"> Market fee/Mandi fee is a statutory duty payable to Market Committees wherever there is purchase of food grains at the established mandi places, for the maintenance of mandi and facilities provided in the mandi premises for the farmers. 	<ol style="list-style-type: none"> Notification of Mandi board. Utilisation certificate of previous year from the Mandi Board for the proper utilization of the mandi fees for development of the mandi.
(ii)	VAT	<ul style="list-style-type: none"> VAT is payable as applicable in the respective State. The rate & calculation of VAT varies from State to State, therefore, the same is recommended by way of a footnote in the finalized cost sheet stating that "<i>Reimbursement/Payment of Purchase Tax/VAT is to be made based on proof of its actual payment by State Govt. as per the VAT Act applicable to the State Govt. and subject to adjustment of CENVAT, MODVAT, other Input credits, etc.</i>". 	Certificate that VAT claimed is after adjustment of CENVAT, MODVAT, other Input credits, etc.
(iii)	Rural Development Cess/Agricultural Produce Fee	<ul style="list-style-type: none"> As per the provisions of the RD Cess Act. 	<i>Certificate by the Competent Authority of the State that the amount collected by way of RD Cess has actually been utilized for the purpose for which it has been collected.</i>
(iv)	<u>Nirashrit Shulk</u>	<ul style="list-style-type: none"> This is applicable @ 0.2% of MSP and this is payable for the facilities provided in the mandi. 	<ol style="list-style-type: none"> Mandi Notification showing Nirashrit shulk. Utilisation certificate Sample bills of payment.
(v)	Commercial Tax	<ul style="list-style-type: none"> It is claimed by Chhattisgarh State levied on Paddy. 	<ol style="list-style-type: none"> Notification of Commercial tax Sample bills for payment of commercial tax.
(vi)	Mapari Charges	<ul style="list-style-type: none"> These charges are claimed by the Maharashtra State only and the State Government considers these charges as Mandi Labour Charges. 	<ol style="list-style-type: none"> Notification as per Maharashtra Agriculture Produce Marketing (Regulation) Act, 1963. Sample bills for Payment. The State should submit certificate duly signed by Managing Director/Secretary that activities for which Mapari Charges are paid, does not overlap with the

			activities covered and paid under Mandi Labour Charges head.
			4. Each State procuring agency should submit certificate from Managing Director certifying quantity procured through societies out of total procurement by respective agencies.
(vii)	Dami/Arthia charges	Arthias render the services of the immediate intermediary and aggregator in the process of procurement for which they charge their commission as notified in the Agricultural Produce Marketing Committee (APMC) of the respective States.	<p>1. Notification of APMC notification showing Arthia charges.</p> <p>2. Sample bills showing actual payment.</p> <p>3. The State should submit certificate duly signed by Managing Director/Secretary that activities for which Dami/ Arhatia Charges are paid, does not overlap with the activities covered and paid under Mandi Labour Charges head.</p> <p>4. Each State procuring agency should submit certificate from Managing Director certifying quantity procured through societies out of total procurement by respective agencies.</p>
(viii)	Infrastructure Development Fee	- These charges are generally claimed by the Punjab State.	Utilisation certificate by the Competent Authority, showing that these charges were actually utilised for the purpose it was collected.
3.	Mandi Labour charges	<p>APMC rates and list of Activities:</p> <p>(i) Filling and placing the unit on the Platform/Balance.</p> <p>(ii) Weighment</p> <p>(iii) Unloading bags from the Balance</p> <p>(iv) Manual/Machine Stitching Charges</p> <p>(v) Mandi Marka (labelling) Charges</p> <p>(vi) Temporary Stacking at Mandi</p> <p>(vii) Weighment for Storage/Loading</p> <p>(viii) Loading of Stocks from Mandi</p>	<p>1. APMC notification for verification of Mandi Labour charges (activity-wise)</p> <p>2. Activity-wise details of expenses incurred by each State Agency reconciled with their Annual Accounts along with the weighted average consolidated claim.</p> <p>3. Sample bills for the actual payment of mandi labour charges covering major procuring districts.</p> <p>4. In case co-operative societies are involved, list of operations being performed on behalf of State Govt. and sample bills for the payment of mandi labour charges incurred by the societies.</p> <p>5. Each State procuring agency is required to provide weighted average rate of Mandi Labour Charges duly certified by Chartered Accountant at the State level as a whole. It should be supported by two bills by each agency engaged in</p>

- 9 -

			procurement operations and should cover three major procuring districts.
4.	Handling & Transportation charges	The transportation cost depends on the lead distances between procurement centres to storage points, storage points to rice mills and rice mills to delivery points at FCI/Agencies godown etc (in case of CMR) and Purchase centre to storage point (for wheat).	<ol style="list-style-type: none"> 1. Proforma showing the quantity transported to different locations, average lead distance and average transportation rates in prescribed format. Actual expenses claimed to be reconciled with Annual Accounts. 2. Copy of the Agreement with transporters. 3. Sample bills for the actual payment of transportation charges covering major procuring districts. 4. Slab rates for transportation fixed by DM/DC of the State (If applicable). 5. Certificate for least cost of transportation. 6. State Govt. should give details of activities involved in handling charges with sample bills. 7. Each agency is required to submit at least one bill towards transportation & handling charges for each district along with details as per prescribed proforma. However, for three major procuring districts of the State, the number of bills to be submitted should be at least five.
5.	Driage	<ul style="list-style-type: none"> - Driage loss is a loss in the quantity of foodgrain due to reduction in moisture content during storage. It is allowed in case of paddy during storage at acquisition stage for Raw Rice only. - In the case of Coarse Grains, driage is allowed only if storage period is more than six months. - In the case of wheat, no driage is allowed. 	<ol style="list-style-type: none"> 1. Audited & certified details of actual losses towards driage, storage loss and transit loss separately. 2. Stock Flow statement showing driage/shortages. 3. Information towards recoveries from the transporter, insurance agency, storage godowns etc is also required. 4. Certificate from Principal Secretary for allowing driage @ 1% of MSP or actual, whichever is lower, in case of Punjab & Haryana.
6.	Commission to Societies	<ul style="list-style-type: none"> - It is allowed for procurement of foodgrains through Co-operative societies for MSP operation only. - Expenses reimbursed to the Societies for additional functions "like temporary storage, Mandi labour activities, etc. is allowed under proper head e.g. labour charges under 'Mandi Labour Charges', storages under 'C & M Charges' etc.; not under this head. 	<ol style="list-style-type: none"> 1. Detail of quantities procured through societies and the quantities procured without engaging Societies. 2. Copy of Agreement with societies is required to be furnished specifying the various activities assigned to the societies, payment terms and other relevant details. 3. Sample bills as proof of payment

			<p>of commission</p> <p>4. Certificate that activities of Mandi Labour charges & Societies are not overlapping with each other.</p> <p>3. The State should submit certificate duly signed by Managing Director/Secretary that activities for which Commission to Society Charges are paid, does not overlap with the activities covered and paid under Mandi Labour Charges head.</p> <p>4. Each State procuring agency should submit certificate from Managing Director certifying quantity procured through societies out of total procurement by respective agencies.</p>
7.	Custody & Maintenance charges	C&M Charges are allowed for storage of food-grains at private godowns/ CWC/SWC godowns / miller's place or godowns for the average storage period based on actual stock flow statement.	<p>1. Audited month-wise and variety/grade wise (FAQ/URS) Stock flow Statement of the foodgrain involved with the breakup of the quantities stored under CAP or Covered godowns.</p> <p>2. Separate stock flow Statement for Acquisition and for Distribution Stage.</p> <p>3. Details/supporting documents regarding the type of storage i.e. At own Godown or private Godown or millers place/godowns or CWC/SWC godowns etc.</p> <p>4. Copy of sample bills, miller's agreement, CWC/SWC storage rate certificate etc.</p> <p>5. Copy of the tender form for disposal of coarse grain.</p> <p>6. In case coarse grain is lifted through tenders, normally the storage charges and interest cost after the free lifting period are recovered from the tenderer/buyer. Details of such recoveries made from the parties for delayed lifting alongwith scheduled & actual lifting dates are to be provided alongwith the claim.</p> <p>7. In case milling period is extended, GOI permission letter for the extended period should be submitted.</p> <p>8. In case, after the Provisional findings, the SG/SA claims revised higher CWC/SWC storage rates, SG/SA's revised claim would be</p>

			<p>considered if accompanied by declaration that the revised storage rates have been paid and copies of payment voucher, bills etc. subject to maximum of revised CWC/SWC storage rates specified for the respective year.</p> <p>9. State Govt. should give details of quantity handed over to FCI at mandi/purchase centres, if applicable.</p> <p>10. For each district, each State procuring agency should provide one bill towards C&M charges for atleast one storage godown. The total quantum of bills should cover all engaged warehousing agencies like CWC, SWC etc.</p>
8.	Interest Charges	<ul style="list-style-type: none"> - Interest charges are allowed based on compounding basis for the actual average storage Period calculated based on stock flow statement and at interest rate applicable during the relevant marketing period as under:- - At acquisition stage, on MSP, statutory charges (including notional VAT, if applicable) & Mandi labour charges. In case of non-DCP states, transportation charges are also to be added for calculation of interest charges. - At distribution stage, on Acquisition cost excluding interest charges & administrative charges (admin charges not to be deducted in case of CMR). 	<p>Details of actual interest charges incurred by it in the relevant marketing season duly reconciled with their Annual Accounts i.e Sources of funds, interest charges actually paid, storage period involved, amount borrowed and Bank certificate of the interest rate payable/paid during the relevant marketing season etc.</p>
9.	Administrative charges	<ul style="list-style-type: none"> - Extraordinary/abnormal expenses/Expenses not related to MSP operations booked towards various provisions/write-offs and abnormal expenses like provisions for bad and doubtful debts, capital works, business promotion expenses, commission and discounts, donations, loss on sale of fixed assets/stores, advertisement and publicity and warehousing expenses etc. are excluded, in order to work out the eligible administrative expenses. - Calculation: These common expenses, as worked above, are thereafter apportioned to MSP and non-MSP procurement activities taking into account the value of MSP of all crops i.e. Paddy/Wheat/Levy Rice/Coarsegrain. Proportion of administrative cost determined for MSP operations may then suitably be divided among the various commodities (Paddy/Wheat/Levy Rice/Coarsegrain) under various marketing seasons. The administrative charges will be restricted to the maximum limit of administrative charges prescribed by the GOI i.e. 2.5% of MSP. 	<p>1. Printed Annual Report of the State Agency for the relevant period.</p> <p>2. Each State procuring agency should submit the break-up of different sub-heads of Administration charges along with details of expenditure incurred under head of miscellaneous expenses and income.</p>

10.	Gunny Cost	<ul style="list-style-type: none"> - Gunny cost is allowed for new bags and once used bags (Jute bags as well as HDPE bags) for MSP procurement operations of food-grains. - Branding charges, cess, education cess, central sales tax, railway freight, second stage handling, "DGS&D & Inspection charges" (including service tax), Extra handling charges and interest for 5 months are allowed in gunny cost. 	<p>1. Statement regarding utilization of gunny bags showing opening stock, purchases, consumption and closing stock duly reconciled with annual accounts.</p> <p>2. Where the State Government directly purchases Gunnies from DGS&D, the breakup of actual cost i.e. basic price, branding charges, taxes duties/cess departmental charges, transportation charges and inspection charges are to be provided. Further in most of States, now VAT is applicable which off-sets the taxes on the inputs. Therefore, breakup of all the taxes of duties should be shown separately and appropriate adjustment may be made for adjustment under VAT or any other tax as applicable in the State.</p> <p>3. Sufficient sample bills i.e. of DGS&D etc. for the actual payment of gunny cost.</p> <p>4. Copy of permission from GOI to use non-jute bags like HDPE bags and details cost breakup of such bags and number of such bags used should be provided.</p> <p>5. Details of once used gunny bags along with its rate for procurement of commodity, if any, and copy of GOI permission are also to be provided along with the claim.</p> <p>6. Details regarding gunnies supplied by FCI.</p>
11.	Gunny Depreciation	<ul style="list-style-type: none"> - The Gunny Depreciation is allowed in case of paddy only. - As per GOI principle, 4 (Four) Gunny bags are provided for Paddy procurement out of which the cost of 2 (two) gunny bags are separately provided for Rice delivery and 40% depreciation on balance 2 (two) gunny bags have been provided. - Some of the State Governments fill 40 kg paddy in 50 kg bag while some fill less than 40 kg of paddy in 50 kg bag, therefore, gunny depreciation is calculated accordingly. 	<p>Filling capacity of bags for paddy/CMR and Wheat.</p>
Procurement Incidentals at Distribution Stage			
12.	Handling and transportation Charges	<p>The transportation cost is allowed for the lead distances between Designated State Godown to intermediate storage point of State/distribution centre/ base depot. The cost also depends on the rates of transportation per km per quintal applicable for such distances at different places, which varies among the states.</p>	<p>1. Proforma showing the quantity transported to different locations, average lead distance and average transportation rates in prescribed format. Actual expenses claimed to be reconciled with Annual</p>

			<p>Accounts.</p> <p>2. Sample bills for the actual payment of transportation charges covering major procuring districts.</p> <p>3. Copy of the Agreement with transporters.</p> <p>4. State Govt. should give details of activities involved in handling charges.</p> <p>5. Each agency should submit at least one bill towards transportation & handling charges for each district along with details as per prescribed proforma. However, for three major procuring districts of the State, the number of bills to be submitted should be at least five.</p>
13.	Storage Charges-Distribution Stage	The Storage Charges is same as Custody & Maintenance Charges discussed above at point no 7.	The Storage Charges is same as Custody & Maintenance Charges discussed at point no 7 above.
14.	Interest Charges-Distribution Stage	The interest charges have been discussed in the point 8 above.	The interest charges have been discussed in the point 8 above.
15.	Transit/Storage losses	<ul style="list-style-type: none"> - The shortages/losses may be due to various factors like transit losses, storage losses, damage etc. The break-up in this regard have to be provided by the State Government - Bearing the storage loss over the permissible limits is the responsibility of provider of the storage facility. - In case of recoveries from the Handling and Transport contractor/ insurer, the adjustment of those recoveries must be made while calculating storage/ transit loss. 	<p>1. Information towards recoveries from H & T contractor / Insurance agency / Storage godowns etc. are required to be submitting by the SG/SA.</p> <p>2. Separate audited & certified details of actual losses towards storage loss and transit loss.</p>
16.	Moisture gain	Moisture/Storage gain takes place in case of wheat only, therefore, deduction of moisture/storage gain is being made for wheat only @ 1% for wheat stored in covered godowns and 0.7% for wheat stored under CAP is prescribed for quantity of wheat continued to be stored after 30 th June of the season.	Quantitative details regarding moisture gain in the stock of wheat after 30 th June is required to be submitted, separately for CAP Storage and Covered storage.

Notes:-

1. State Govt. should submit audited agency-wise and weighted average consolidated claim.
2. Reconciliation Statement of incidentals with Annual Report.
3. Separate claim for FAQ & URS.
4. State Govt. should submit all the Annexures of the guidelines.
5. Printed copies of Annual Accounts.

A. Illustrative List of items which can be booked under Administrative Expenses Head

S. No.	Particulars
	Salaries
1	Pay & Allowances
2	Gratuity
3	Leave Encashment
4	Bonus to Workmen
5	Contribution To Provident Fund
6	Group Insurance
7	Staff Liveries
8	Children Education Allowance
9	L.T.C. To Staff
10	Salary & Allowance To MD
11	Pensionary Charges
12	Others (Please Specify if any)
13	Total salaries (1 to 12)
14	Less:- Recoveries from salaries
15	Net Salaries
	Other Miscellaneous Charges
16	Stationary
17	Postal Charges
18	Audit charges
19	Rent, Electricity & Water
20	Postage & Telegram
21	Telephone Exp.
22	Other Administrative Expenses (Please give details)
23	Other Miscellaneous Charges (Please give details)
24	Total
25	Less:- Recoveries
26	Misc. Income (Pl. give details)
27	Net Administrative Expenses

B. Illustrative List of items which cannot be booked under Administrative Expenses Head

S. No.	Particulars
1	Demurrage Charges
2	Preliminary Expenses
3	Advertisement Charges
4	Weighment Charges
5	Donation
6	Storage Exp.
7	Publicity Exp.
8	Entertainment Expenses
9	Professional Tax
10	Employee Welfare
11	Rates & Taxes
12	Commission & Discount
13	Packing & Forwarding & Carriage Outward
14	Sale Promotion Exp.
15	Subscription
16	Departmental Charges
17	Consumable Stores
18	Warehouse Expenses
19	Bad & Doubtful Debts
20	Loss on sale of fixed assets