

## CHAPTER I: SOCIAL SECTOR

### 1.1.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2013 deals with Audit findings on State Government units under the Social Sector.

During 2012-13, total budget allocation of the State Government in major Departments under Social Sector was ₹ 2445.77 crore, against which the actual expenditure was ₹ 1940.22 crore. Details of Department-wise budget allocation and expenditure are given in Table 1.1.1 below:

**Table - 1.1.1**

(₹ in crore)

Sl. No.	Department	Total Budget Allocation	Expenditure
1.	Education	762.53	708.66
2.	Sports & Youth Affairs	39.48	31.87
3.	Library	8.66	6.67
4.	Social Welfare	235.81	178.82
5.	Relief & Rehabilitation	149.51	149.35
6.	Food & Civil Supplies	32.27	24.87
7.	Labour	5.84	5.84
8.	Social & Cultural Affairs	43.76	13.17
9.	Health & Family Welfare	329.58	272.40
10.	Public Health Engineering	248.52	233.15
11.	Urban Development & Housing	229.80	110.08
12.	Rural Works	243.76	162.84
13.	Panchayat Raj	116.25	42.50
<b>TOTAL</b>		<b>2445.77</b>	<b>1940.22</b>

Source: Appropriation Accounts 2012-13

Besides the above, the Central Government transferred a sizeable amount of funds directly to Implementing Agencies under the Social Sector to different Departments of the State Government. Major transfers for implementation of flagship programmes of the Central Government are detailed in Table 1.1.2:

**Table - 1.1.2**

*(₹ in crore)*

Scheme/Programme	Implementing Agency	Amount of fund transferred during the year
Adult Education & Skill Development Scheme	Jana Sikshan Sansthan, Naharlagun and State Resource Centre, A.P.	0.98
Rashtriya Madhyamik Shiksha Abhiyan	A.P. Rajya Madhyamik Shiksha Mission	24.37
Sarva Shiksha Abhiyan	SSA, Rajya Mission	437.65
Forward Linkages to NRHM (new initiatives in NE)	A.P. State Health Society	13.15
National Aids Control Programme, incl. STD Control	A.P. State Aids Control Society	8.70
National Rural Health Mission (Centrally Sponsored)	A.P. State Health Society	38.66
National Rural Health Mission (NRHM), Central Sector	A.P. State Health Society	0.94
Swarna Jayanti Sahari Rojgar Yojana (SJSRY)	State Urban Development Agency	1.30
Rural Housing – IAY	DRDAs	33.27
National Rural Drinking Water Programme	SWSM, A.P., Agency	223.22

Source: Central Plan Scheme Monitoring System (CPSMS)

### **1.1.2 Planning and Conduct of Audit**

Audit process starts with the assessment of risks faced by various Departments of the Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of Departments. Audits were conducted involving expenditure of the State Government amounting to ₹ 257.73 crore under the Social Sector. The report contains a Performance Audit of Indira Awaas Yojana (IAY) and three Compliance Audit Paragraphs.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the Heads of Departments. The Departments are requested to furnish replies to the audit findings within one month of receipt of Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Important audit observations arising out of Inspection Reports are processed for inclusion in the Audit Report, which is submitted to the Governor of the State under Article 151 of the Constitution of India.

Major observations noticed in Audit pertaining to the Social Sector during 2012-13 are discussed in subsequent paragraphs of this Chapter.

## Department of Rural Development

### PERFORMANCE AUDIT

#### 1.2 Implementation of INDIRA AWAAS YOJANA (IAY)

##### Highlights

Indira Awaas Yojana (IAY), a flagship scheme, was launched by the Ministry of Rural Development, Government of India with the objective of helping rural BPL people in construction of dwelling units and up-gradation of existing unserviceable *kutchha* houses by providing financial assistance. A Performance Audit of the implementation of the Scheme in Arunachal Pradesh was carried out covering the period from 2008-09 to 2012-13. The Performance Audit of the scheme brought out the following significant findings:

*IAY waitlist was faulty and as a result many eligible beneficiaries were left out as highlighted in National Level Monitor's Report. There were instances of non-BPL households being extended benefit as noticed during joint field verification.*

*(Para 1.2.7)*

*Due to short-release of State Share, the Government of India deducted Central Assistance of ₹40.98 lakh.*

*(Para 1.2.8.3)*

*An amount of ₹56.25 lakh received from the Central Government as natural calamity funds was neither allotted to the districts by the State Government nor utilization of the same shown at State level, but the fund balance was shown as 'Nil'. Thus, actual utilization of funds for the purpose for which it was allotted remained doubtful.*

*(Para 1.2.8.4)*

*Inadmissible payment of ₹113.50 lakh was made by DRDA, Anjaw District. Besides, an unauthorised expenditure of ₹5.52 lakh was incurred by DRDA, Papum Pare District.*

*(Para 1.2.8.6 and 1.2.8.7)*

*An excess amount of ₹14.11 crore was extended as assistance during the years 2009-10, 2011-12 and 2012-13, which was sufficient to cover 3,344 more beneficiaries.*

*(Para 1.2.9.2)*

*DRDA, West Siang District distributed lesser quantity of CGI sheets to beneficiaries for new construction valuing ₹1.63 crore, thereby, depriving 3032 beneficiaries of full benefit of the Scheme.*

*(Para 1.2.9.3)*

***DRDA, Lohit extended extra financial benefit of ₹328.65 lakh to the beneficiaries of new construction.***

*(Para 1.2.9.4)*

***The IAY beneficiaries failed to avail loan under DRI scheme with marginal interest due to lack of awareness.***

*(Para 1.2.10.5)*

***In absence of convergence and dovetailing of central sector schemes with IAY, the beneficiaries were deprived of the intended benefits of these schemes.***

*(Para 1.2.11)*

### **1.2.1 Introduction**

Indira Awaas Yojana (IAY), the flagship scheme of the Ministry of Rural Development for fulfilment of housing needs of the rural poor population, was launched in May 1985 as a sub-scheme of Jawahar Rozgar Yojana (JRY). It was implemented as an independent scheme since 1<sup>st</sup> January 1996. Indira Awaas Yojana aimed at helping rural people below the poverty line (BPL) belonging to SCs/STs, freed bonded labourers and non-SC/ST categories in construction of dwelling units and up-gradation of existing unserviceable *kutcha* houses by providing assistance in the form of full grant. From 1995-96, IAY benefits were extended to widows or next of kin of defence personnel killed in action. Benefits were also extended to ex-servicemen and retired members of the paramilitary forces as long as they fulfilled normal eligibility conditions of Indira Awaas Yojana. Three *percent* of the funds were reserved for disabled BPL persons in rural areas. Since 2006-07, IAY funds were also earmarked for minorities.

### **1.2.2 Organizational Set-up**

The Secretary, Rural Development (RD), Department of Rural Development, is the Nodal Officer responsible for implementation of IAY in the State. He is assisted by a Director. At the District level, the Project Director (PD) of the District Rural Development Agency (DRDA), under the chairmanship of the concerned district Deputy Commissioner, (DC) is responsible for actual implementation of IAY through 88 Blocks, headed by Block Development Officers (BDOs) and 32 Joint Block Development Officers.

### 1.2.3 Audit Objectives

The Performance Audit was conducted with a view to assess whether:

- the system and procedures in place for identification and selection of the target groups and the processes for allotment, construction and up-gradation of dwelling units were adequate and conformed to the scheme provisions;
- the physical performance under IAY in terms of number of units constructed and upgraded was as planned and targeted and the constructions corresponded to the quality and financial parameters set out in the scheme guidelines;
- the allocation and release of funds under IAY were made in an adequate and timely manner and that these were utilized economically and efficiently in accordance with the scheme provisions;
- the convergence of the IAY activities with other programmes as envisaged was effectively achieved and ensured availability of complete functional dwelling units; and
- the mechanism in place for monitoring and evaluation of the outcomes of the programme was adequate and effective.

### 1.2.4 Audit Criteria

The criteria used to assess performance were derived from the following sources:

- Scheme Guidelines issued by the Government of India, Ministry of Rural Development, Department of Rural Development;
- District Annual Action Plan;
- Detailed Audit Reports prepared by Districts; and
- Prescribed monitoring mechanism

### 1.2.5 Audit Approach

The Performance Audit commenced with an *Entry Conference* held on 9<sup>th</sup> May 2013 with the Secretary, Rural Development (RD) Department, wherein audit objectives, criteria, scope and methodology for detailed checking were explained. An *Exit Conference* was held on 5<sup>th</sup> December 2013 with the Department to discuss major audit findings and conclude the audit.

### **1.2.6 Audit Coverage**

Records for from 2008-09 to 2012-13 of the Director of Rural Development (RD), 6 out of 16 District Rural Development Agencies (DRDA) and 12 out of 88 Block Development Officers (BDO) were test-checked between May and November 2013. 37 percent (₹ 74.48 crore) of the total expenditure of ₹ 202.30 crore, was covered in the performance audit.

### **Acknowledgement**

**The Indian Audit and Accounts Department acknowledges and appreciates the cooperation rendered by the Administrative Department of the Rural Development Department, the Chairmen and Project Directors of the DRDAs, Block Development Officers including Field Level Functionaries of the selected Districts and Blocks during this Performance Audit.**

### **AUDIT FINDINGS**

The important points noticed during the Audit are discussed in the succeeding paragraphs:

**Audit Objective: To assess whether the system and procedures in place for identification and selection of the target groups and the processes for allotment, construction and up-gradation of dwelling units were adequate and conformed to the scheme provisions.**

### **1.2.7 Identification and selection of beneficiaries and preparation of Permanent Waitlist**

As per IAY Guidelines (Para 2.2), District Panchayats/Zila Parishads and DRDAs would decide on the number of units to be constructed/upgraded panchayat-wise during a particular financial year, on the basis of allocations made and targets fixed, which would be intimated to the concerned Gram Panchayats. Thereafter, beneficiaries, restricted to this number, would be selected from the permanent IAY Waitlist prepared on the basis of the BPL List, in order of seniority.

Para 2.2 of IAY Guidelines further provides that the permanent IAY Waitlists so prepared will be displayed at a prominent place either in the Gram Panchayat office or any other suitable place in the village. The lists will also be put on the website by the concerned DRDAs.

Scrutiny of records of selection of BPL families and preparation of the permanent Waitlist in the State revealed that BPL census was conducted in the State in 2002. In the Census Report, there were no district-wise names and addresses of BPL families in the

State. The IAY Waitlist was also prepared without detailed particulars and identities of persons concerned. The BPL List was also not updated in the last 11 years. Thus, identification of IAY beneficiaries in the State was not transparent or fair.

It was noticed in audit that barring few districts, the permanent IAY waitlists were not displayed at Gram Panchayat office or any other prominent places in the village. This fact was also confirmed during the field verification as evident from views expressed by the beneficiaries that they were unaware of the IAY waitlist and Gram Sabha deliberations.

The National Level Monitor's Report for 2012-13 (Phase-II), for implementation of IAY in Papumpare District buttresses the audit findings. The report also highlights that due to faulty waitlist many eligible beneficiaries were left out.

Besides, it was noticed during joint field verification that non-BPL households being extended benefit. Some of the beneficiaries to whom the benefits of IAY were extended were government employees like teachers, peons etc. and others having annual incomes far above the BPL list.

During exit conference (05 December 2013), the Department stated that a fresh BPL list was under preparation and household surveys would also be conducted during the year and beneficiary list would be prepared accordingly.

**Audit Objective: To assess whether the allocation and release of funds under IAY were made in an adequate and timely manner and that these were utilised economically and efficiently in accordance with the scheme provisions.**

**1.2.8.1 Financial Pattern**

Indira Awaas Yojana is a Centrally Sponsored Scheme funded on cost-sharing basis between the Government of India and State Governments. In the North-Eastern States and Sikkim, funding is shared between Government of India and the States in the ratio are 90:10.

**1.2.8.2 Financial Position**

The financial outlay and expenditure for the period covered under audit are shown Table 1.2.1.

**Table 1.2.1**

(₹ in lakh)

Year	Opening Balance	Central Govt. Release	State Govt. Release	Total	Expenditure	Closing Balance	Unutilised Funds (%)
2008-09	1545.84	3357.87	937.00	5840.71	3786.36	2054.35	35.17
2009-10	2054.35	1655.86	0	3710.21	3650.67	59.54	1.60
2010-11	59.54	3918.80	43.59	4021.93	3821.75	200.18	4.98
2011-12	200.18	2857.69	1115.99	4173.86	4085.81	88.05	2.11
2012-13	88.05	4243.39	735.58	5067.02	4885.81	181.21	3.58
<b>TOTAL</b>		<b>16033.61</b>	<b>2832.16</b>		<b>20230.40</b>		

It can be seen from the above table that against available funds of ₹ 204.11 crore during 2008-13, ₹ 202.30 crore was utilised, leaving a balance of ₹ 1.81 crore at the end of March 2013. Year-wise unutilized funds against availability ranged from 1.60 to 35.17 per cent. It was also noticed that the partial utilization of funds resulted in parking of funds outside Government account at the DRDAs for the maximum period of four months.

#### **1.2.8.3 Deduction of Central Government Allotment**

During 2012-13, total allocation of Central Share to West Siang District was ₹ 350.27 lakh, out of which the first instalment of Central Share of ₹ 175.135 lakh was released by the GoI, Ministry of Rural Development. The balance of ₹ 175.135 lakh was to be released as second instalment. But GoI released only ₹ 143.55 lakh during 2013-14, being part of the second instalment of Central Share for 2012-13, after deduction of ₹ 31.58 lakh due to short-release of State Share by the State Government for the same amount.

Similarly, during 2012-13 in Anjaw District, out of the total allocation of ₹ 104.14 lakh, only ₹ 94.74 lakh was released by the GoI after deduction of ₹ 9.40 lakh, due to short-release of State Share by the State Government.

During exit conference (05 December 2013), the department stated that the situation of short-release of State share had improved.

#### **1.2.8.4 Allocation of Funds for Natural Calamities**

As per IAY Guidelines (Para 4.4.1), 5 percent of total allocated funds under IAY were to be kept apart to meet the exigencies arising out of natural calamities and other emergent situations like riots, arson, fire, rehabilitation under exceptional circumstances etc. with a State-wise ceiling of 10 percent of annual allocation (including State Share). Proposals for this purpose have to come from the State Government showing the extent of damage

and estimated funds requirement in respect of proposed IAY units, provided assistance for construction of the units was not obtained from other sources.

Scrutiny of the fund allocation and expenditure statement revealed that during 2008-09 and 2009-10, the State Government received ₹ 37.50 and ₹ 18.75 lakh respectively from the Central Government as natural calamity funds. Against the Central Government release, the State Government did not release 10 *per cent* of the total Central Government allocation.

It was also noticed that out of total available funds of ₹ 56.25 lakh, the State Government neither allotted the amount to districts nor showed utilization at State level, but the fund balance was shown as 'Nil'. Thus, actual utilization of funds for the purpose for which it was allotted remained doubtful.

#### **1.2.8.5 Transfer of fund to beneficiaries**

The ceiling on grant of assistance per unit cost under the Indira Awaas Yojana for construction of a new house and upgradation of an unserviceable *kutcha* house was (i) Construction of new house ₹ 45,000 in plain areas and ₹ 48,500 in hilly/difficult areas from 2010-11 to 2012-13 (During 2008-09 and 2009-10 assistance per unit cost for construction of new house was ₹ 35,000 in plain areas and ₹ 38,500 in hilly/difficult areas) (b) Upgradation of un-serviceable house ₹ 15,000 in both the areas for the entire period 2008-13.

Para 4.10 of the IAY Guidelines provide that payment should be made to the beneficiaries on a staggered basis depending on the progress of the work. The entire money should not be paid to them in lump sum. Instalments of payment to be linked to the progress of work can be decided by the State Government or at the District level. Ideally, the funds should be distributed to the beneficiaries in two instalments, first instalment with the sanction order and the second instalment when the construction reaches the lintel level.

Funds under IAY should be transferred directly into the beneficiaries' accounts in a bank or post office. For this purpose, as soon as the beneficiaries are selected, they should be asked to open a Bank/Post Office account, in case they do not already have an account in any Bank or Post Office, and to intimate the account number to the Gram Panchayat/BDO/DRDA, as the case may be.

As per IAY guidelines (Para 2.3) 'the beneficiaries should be involved in the construction of the house. To this end, the beneficiaries may make their own arrangements for procurement of construction material, engage skilled workmen and also contribute family labour. The beneficiaries will have complete freedom as to the

manner of construction of the house. Zilla Parishads/DRDAs can help the beneficiaries in acquiring raw material on control rates, if they so desire or request the Zilla Parishads/DRDAs in this regard. This will result in economy in cost, ensure quality of construction, lead to greater satisfaction and acceptance of the house by the beneficiary’.

*Under IAY scheme in the State, construction material like CGI sheets and sanitary fittings/items were purchased by DRDAs and issued to beneficiaries for construction of units. Beneficiaries were to construct units making their own arrangements by deploying skilled labour etc. The value of the material distributed was equivalent to the assistance eligible for the beneficiary under the scheme.*

This special dispensation was allowed under Government of Arunachal Pradesh, Department of Rural Development Order No: CD (PLG)108/07(IAY) dated 19<sup>th</sup> March 2009, circulated to Deputy Commissioners of all districts in the State, which stated that the Government of Arunachal Pradesh had approved for distribution of CGI Sheets to beneficiaries under IAY. In the Order, it was also mentioned that the Ministry of Rural Development, Government of India (GoI), had also approved distribution of CGI Sheets under IAY to beneficiaries of Arunachal Pradesh, Nagaland and some Blocks of Rajasthan. However, the GoI communication wherein approval for distribution of CGI sheets was authorised was not furnished to audit, despite request.

#### **1.2.8.6 Unauthorized Expenditure**

As per Annual Accounts of 2008-09, DRDA, Yupia, Papum Pare District, spent ₹ 5.52 lakh on miscellaneous payments and for expenditure on office stationery under IAY. Such payments were unauthorized and irregular. There is no provision for such expenditure in IAY Guidelines.

On the basis of Annual Accounts of 2008-09, the Government of India did not release funds during 2010-11. Consequently, the State Government also did not release its matching share. As a result, the programme was not implemented in Districts and deserving BPL families were deprived of the benefit of the scheme during 2010-11.

During exit conference (05 December 2013), the Department accepted the fact and stated that the matter would be looked into. While admitting the fact, the Department also stated that due to unauthorised expenditure incurred by DRDA, Papum Pare District, there was no allotment during 2010-11 from Central and State Government. Thus, due to incurring of unauthorised expenditure by the implementing agencies, the people of the district were denied of the benefits of the Scheme.

### 1.2.8.7 Inadmissible payment of Entry Tax and VAT

Scrutiny of records of DRDA, Anjaw District revealed that payment of ₹ 851.84 lakh was made to a supplier by the DRDA, Anjaw District, between 2008-09 and 2010-11 for procurement of 1215.105 MT of CGI Sheets @ ₹ 70,104.40 per MT. (inclusive of VAT: 4 per cent, CST: 4 per cent and Entry Tax: 12 per cent).

However, Entry Tax was not applicable as per taxation norms and as such the supplier was not entitled for payment of Entry Tax amounting to ₹ 85.18 lakh. Further, 4 per cent VAT amounting to ₹ 28.40 was also to be deducted from the supplier bills by the DRDA, which DRDA failed to do. Thus, there was inadmissible payment of ₹ 113.50 lakh.

**Audit Objective: To assess whether the physical performance under IAY in terms of number of units constructed and upgraded was as planned and targeted and the constructions corresponded to the quality and financial parameters set out in the scheme guidelines.**

### 1.2.9.1 Targets and Achievements

The physical targets and achievements attained thereon in new construction and up-gradation of IAY houses in the State during 2008-13 are given in the following Table:

**Table 1.2.2**

Year	Targets		Achievements	
	New Construction	Upgradation	New Construction	Upgradation
2008-09	9658	3859	8807	3311
2009-10	8699	2174	6383	2517
2010-11	8079	2186	7705	2210
2011-12	7548	-	7444	0
2012-13	8339	-	9490	1089
<b>Total</b>	<b>42323</b>	<b>8219</b>	<b>39829</b>	<b>9127</b>

Sources: Departmental records

It could be seen from the table above that physical achievement during the period 2008-13 in respect of new construction was about 94 per cent and in respect of up-gradation of houses it exceeded the target. Against the target for construction of 42,323 new units and up-gradation of 8,219 existing units, the Department constructed 39,829 new units and upgraded 9,127 units as on March 2013.

### 1.2.9.2 Excess amount spent on construction and up-gradation of IAY Units

During 2009-10, 2011-12 and 2012-13, assistance was provided to 23,317 beneficiaries for new construction and 3,606 beneficiaries for up-gradation of existing houses. The total amount of assistance required to be extended to the beneficiaries in the form of material works out ₹ 112.11 lakh (₹ 106.70 lakh for new construction and ₹ 5.41 lakh for up-gradation).

Scrutiny of fund allocation and expenditure statements for the period covered under audit revealed that during 2009-10, 2011-12 and 2012-13, the Department incurred an expenditure of ₹ 126.24 crore on procurement and distribution of construction material for new constructions and up-gradation of *kutch* units, against the admissible assistance of ₹ 112.11 lakh as detailed below:

Table 1.2.3

(₹ in crore)

Year	No. of Beneficiaries		Actual Amount Required			Actual Amount Spent	Excess Amount
	New	Up-gradation	New	Up-gradation	Total		
2009-10	6383	2517	24.57	3.78	28.35	36.50	8.15
2011-12	7444	0	36.10	0	36.10	40.86	4.76
2012-13	9490	1089	46.03	1.63	47.66	48.86	1.20
	23317	3606	106.7	5.41	112.11	126.22	
<b>TOTAL</b>							<b>14.11</b>

As can be seen from the above table, an excess amount of ₹ 14.11 crore was spent on material distributed to beneficiaries during 2009-10, 2011-12 and 2012-13. The reasons as to why excess expenditure was incurred during these years were neither available on record nor stated to audit. Had the assistance extended in form of construction material been limited to admissible assistance as laid down in the IAY guidelines, at least 3,344 more beneficiaries could have been covered under the scheme.

During exit conference, the Department stated that the matter would be checked and intimated. However, no further intimation has been received till date (April 2014).

### 1.2.9.3 Short supply of CGI Sheets to New Construction Beneficiaries

In West Siang District, the quantity of CGI Sheets to be issued for new construction was fixed at 0.478 MT per beneficiary during 2008-09 and 0.6118 MT per beneficiary during 2010-11 to 2012-13. The cost of materials supplied to the beneficiary was equivalent to the unit assistance admissible for new construction as laid down under the IAY Guidelines.

Scrutiny of records of issue of CGI sheets to the beneficiaries for new construction revealed that the DRDA, West Siang District issued lesser quantity of CGI sheets to beneficiaries for new construction as per details given in the following table.

Table 1.2.4

Year	No. of Beneficiaries	Quantity fixed per beneficiary (in MT)	Total Requirement (in MT)	Actual quantity issued (in MT)	Quantity less issued (in MT)	Value of CGI sheets less issued (₹ in lakh)
2008-09	437	0.4781	208.9297	187.7615	21.1682	18.97
2009-10	862	0.4781	412.1222	386.4070	25.7152	22.08
2010-11	932	0.6118	570.1976	487.1230	82.0746	77.08
2011-12	801	0.6118	490.0518	484.3615	5.6903	4.56
<b>Total</b>	<b>3032</b>		<b>1681.3013</b>	<b>1546.253</b>	<b>135.0483</b>	<b>162.69</b>

As can be seen from the above table, during the period 2008-12, against 1681.30 MT of CGI sheets required to be issued to the beneficiaries as per scale fixed, only 1546.25 MT of CGI sheets was issued to the beneficiaries. Thus, 05 MT of CGI sheets valuing ₹ 1.63 crore was distributed less, thereby, depriving 3032 beneficiaries of full benefit of the scheme. The reason for short-issue of CGI sheets to beneficiaries was not on record.

During exit conference the Department while accepting the fact stated that short supply of CGI sheets to new construction beneficiaries in West Siang District was due to transportation problems.

#### 1.2.9.4 Excess assistance to the beneficiaries

During 2008-09 to 2012-13, grants to provide assistance for 2,934 new constructions and 2,191 up-gradation of *kutcha* units were sanctioned for Lohit District. It was noticed in audit that the entire assistance meant for new construction and up-gradation was extended only to new construction beneficiaries during 2008-09 to 2012-13. As a result, extra financial benefit of ₹ 328.65 lakh ( $2191 \times ₹ 15,000$ : assistance for up-gradation per unit) was provided to new construction beneficiaries. Thus, 2,191 beneficiaries for up-gradation of units were deprived of the benefits in the district during the year.

In reply, the DRDA stated that due to huge difference in unit cost of new construction and up-gradation, beneficiaries were not interested to take the up-gradation based on waitlist. Hence, the assistance was provided under up-gradation to those beneficiaries assisted under new construction. The action of the DRDA was against provisions of the Guidelines.

During the exit conference the Department while admitting the fact stated that both benefits were given to the same beneficiaries so that new constructions would have better benefits.

## **1.2.10 Construction of houses and quality**

### **1.2.10.1 Cost Effectiveness and Quality of Material**

IAY Guidelines (Para 5.2) provides that effort should be made to utilise, to the maximum possible extent, local materials and cost effective disaster-resistant and environment-friendly technologies developed by various institutions. DRDAs should contact various organisations/institutions for seeking expert information on innovative technologies, materials, designs and methods to help beneficiaries in the construction/up-gradation of durable, cost effective houses and disaster-resistant houses. The State Governments may also arrange to make available information on cost effective environment-friendly technologies, materials, designs *etc.* at District/block level.

Also, efforts should be made to ensure that the house is a *pucca* one with permanent walls and permanent roofing. The permanent nature of the walls and roofing shall be determined in a manner such that the house is:

- (i) able to withstand the weather conditions of the place throughout the year;
- (ii) it should have minimum level of disaster-resistant technology to be able to withstand minor earthquakes, cyclone, floods etc.
- (iii) the walls are plastered at least externally.

Scrutiny of records at the State as well as at district level in test-checked districts revealed that no efforts were made by the DRDAs to contact various organisations/institutions for seeking expert information on innovative technologies, materials, designs and methods to help beneficiaries in the construction/up-gradation of durable, cost effective houses and disaster-resistant houses to utilise, to the maximum possible extent, local materials and cost effective disaster-resistant and environment-friendly technologies. Further, the State Government also did not have any arrangement to provide information on cost effective, environment-friendly technologies, materials, designs *etc.* at district/block level.

Scrutiny of records and joint physical inspection disclosed that the dwelling units were constructed with CGI sheets supplied in the form of assistance and other locally available material like wood, bamboo, cane etc. Though the materials were cost effective, they were not durable.

Scrutiny of records and physical verification of dwelling units constructed utilising the assistance provided under IAY, revealed that smokeless *chullhas* were not provided in most of the units constructed. In this regard, the Director (Rural Development) replied (October 2013), that the smokeless *chullhas* was not applicable in the State due to socio-cultural and domestic factors. The reply of Director is indicative of casual approach of the department as National Level Monitor's Report, 2013-14, Phase-I of Lohit District

states that houses constructed under IAY have smokeless *chullha*. Therefore, the department needs to make earnest efforts to popularise smokeless *chullhas* in newly constructed houses. During the exit conference the Department stated that due to design of traditional houses, smokeless *chullhas* were not required and added that the villagers preferred the traditional hearth for practical considerations.

In respect of sanitary latrines, it was noticed that some sanitary items were provided to beneficiaries only in West Siang District. But in other Districts, beneficiaries themselves managed latrine facilities at their own cost.

The above audit findings were confirmed by the picture that emerged during joint field verification.

### 1.2.10.2 Type Design

As per IAY Guidelines (Para 5.3), each State Government will finalise its type designs for IAY houses along with technical and material specifications. It is not necessary to have only one type of design and one state can adopt more than one type of designs depending upon local conditions. The houses should be designed keeping in view the climatic conditions and the need to provide ample space, kitchen, ventilation, sanitary facilities, smokeless *chullhas*, etc.

A scrutiny of records of IAY in the test-checked districts revealed that implementing authorities in the State as well as at district level have not prepared any type design along with technical and material specifications for IAY houses in the districts. However, the dwelling units constructed out of the assistance received under IAY were big and long and constructed with locally available materials.



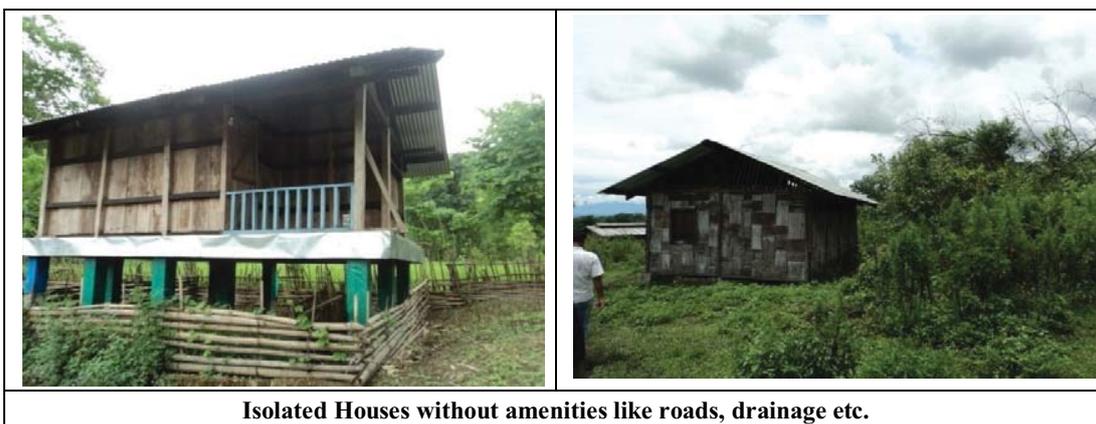
Local design house

Director (Rural Development) stated (October 2013) that the houses are constructed as per local tradition and these houses are built on stilted bamboo/wooden structure on hill slopes which are eco-friendly and earthquake resistance as per traditional design.

#### **1.2.10.3 Location**

As per IAY Guidelines (Para 3.5), IAY dwelling units should normally be built on individual plots in the main habitation of the village. Units could also be built in a cluster within a habitation, so as to facilitate development of infrastructure, such as internal roads, drainage, drinking water supply and common facilities etc.

It was noticed in audit that in Arunachal Pradesh no cluster approach was adopted and dwelling units were constructed on land owned by beneficiaries. As a result, development of infrastructure like internal roads, drainage etc. as envisaged under the Scheme could not be accomplished.



**Isolated Houses without amenities like roads, drainage etc.**

#### **1.2.10.4 Allotment of houses**

Para 2.4 of IAY Guidelines provides that the allotment of dwelling units should be in the name of female member of the beneficiary household. Alternatively, it can be allotted in the name of both husband and wife. However, if there is no eligible female member in the family available/alive, house can also be allotted to the male member of a deserving BPL family.

Scrutiny of records revealed that in 90 *per cent* cases, dwelling units were also allotted in the name of male members of the house, in contravention of IAY Guidelines.

#### **1.2.10.5 Loans under DRI Scheme**

Para 3.1.1 of the IAY Guidelines provide that in addition to the assistance provided under the IAY, an IAY beneficiary can avail a loan of upto ₹ 20,000/- per housing unit under Differential Rate of Interest (DRI) Scheme at an interest rate of 4 *per cent* per

annum. The DRDA shall facilitate availing of loan under DRI Scheme to the IAY beneficiary. The loan application may be obtained from the beneficiary while sanctioning an IAY house and may be submitted to the bank. The access to the DRI scheme should be appropriately reviewed in DLCCs and BLCCs.

Scrutiny of the records of test-checked DRDAs revealed that IAY beneficiaries did not avail such loans under the scheme for construction of units due to lack of awareness of availability of loans at minimal rate of interest. Thus, IAY beneficiaries were deprived of availing loans at minimal rate of interest for construction of units.

During the exit conference, the Department stated that loans under DRI scheme was not availed due to lack of awareness of the people about the benefit under the scheme.

#### **1.2.10.6 Training**

Para 5.7 of the IAY Guidelines provide that officers dealing with the IAY in the State, District and Block Levels must be trained in various disaster-resistant features to be adopted in the houses and they should ensure that this is complied with during their field visits. In addition, local carpenters and masons should be trained for skill up-gradation and use of low cost technology and local material under the SGSY. The awareness among the beneficiaries must be created about the disaster-resistant and environment-friendly technology through exhibitions of low cost technologies at the District and block level, seminars, workshops *etc.* The services of the State Institutes of Rural Developments (SIRDs) Extension Training Centres may be taken up for this purpose.

Scrutiny of records of the Directorate and Districts revealed that the State Government had not conducted any such training for the officers dealing with IAY at the State, District and Block Levels during the period covered under Performance Audit. Further, the local carpenters and masons had not been trained for their skill up-gradation. Also, no awareness program was conducted among the beneficiaries about the disaster-resistant and environment-friendly technology through exhibitions of low cost technologies at the District and block level, seminars, workshops *etc.*

As a result, ultimately the beneficiaries remained unaware about disaster-resistant technology that could withstand minor earthquakes, cyclone, floods *etc.* and also to improve the quality of the house constructed.

#### **1.2.10.7 Involvement of Non-Governmental Organisations**

Further, Para 5.8 of the Guidelines provides that suitable local Non-Governmental Organizations (NGOs) with a proven/good track record wherever available, may be associated for assistance in construction of dwelling units under IAY. Supervision, guidance and the monitoring of construction can be entrusted to the NGOs. In particular,

NGOs should be utilized to popularize the use of sanitary latrines, smokeless *chullhas*, innovative technologies, material designs, etc. for cost effective construction.

In Arunachal Pradesh, no NGOs were associated with the implementation of IAY in any District. As a result, the concept to popularise the use of sanitary latrines, smokeless *chullhas*, innovative technologies, material designs, etc. for cost effective construction could not be achieved to the fullest extent in the State.

#### **1.2.10.8 Preparation of Inventory**

As per Para 5.8 of the Guidelines, implementing agencies were required to maintain a complete inventory of houses constructed/upgraded under IAY, giving details of the date of commencement of construction/completion, name of Village/Block in which the house is located, occupation and category of beneficiaries etc.

Except in Lohit District, Inventory Registers were not found to be maintained in any of the other test-checked Districts. In the absence of these registers, physical performance as mentioned in Reports>Returns/Proformae could not be verified in Audit.

#### **1.2.10.9 Non-display of IAY Boards and Logo**

Para 5.10 of IAY Guidelines stipulates that the completion of dwelling units under IAY should in no case take more than 2 years. On completion of an IAY dwelling unit, the Zila Parishad/DRDA concerned should ensure that for each unit constructed, a display board should be fixed, indicating the Government of India Rural Housing Logo, year of construction, name of the beneficiary etc. Expenditure on this account could be met from funds available under the scheme accruing due to interest. The cost of each logo should not exceed ₹ 30/-.

It was noticed that out of the completed 39,829 units, there was not a single house with a Display Board and IAY logo.



**Audit Objective: To assess whether the convergence of the IAY activities with other programmes as envisaged was effectively achieved and ensured availability of complete functional dwelling units.**

### **1.2.11 Convergence of the IAY activities with other programmes**

Para 5.11 of the IAY Guidelines envisages that the DRDA will make concerted efforts to identify the programmes/schemes being implemented by various Ministries/Departments, which could be dovetailed with IAY so as to ensure that IAY beneficiaries also derive the benefits of these schemes intended for rural BPL households. To ensure IAY is converged with (i) Total Sanitation Campaign (TSC), so that all IAY beneficiaries who are sanctioned a house will be sanctioned one toilet each under TSC if eligible, simultaneously and admissible incentives may be provided to the beneficiary from TSC for construction of same; (ii) Rajiv Gandhi Gramin Vidhyutikaran Yojana (RGGVY) so that each IAY beneficiary could get a free electricity connection to the house and (iii) National Rural Water Supply Programme (NRWSP) to provide adequate water for drinking, cooking and other domestic basic needs on sustainable basis.

It was noticed that the concerned DRDAs had not made any concerted efforts to identify the programmes/schemes being implemented by various Ministries/ Departments, which could be dovetailed with IAY during the period covered under Performance Audit.

Thus, in absence of these convergence activities, the IAY beneficiaries could not derive the benefits of these schemes intended for rural BPL households.

**Audit Objective: To assess whether the mechanism in place for monitoring and evaluation of the outcomes of the programme was adequate and effective.**

### **1.2.12 Monitoring and Evaluation**

#### **1.2.12.1 Monitoring and Evaluation Framework**

Para 6.1 of the IAY Guidelines envisage that the officers dealing with the IAY at the State headquarters are required to visit Districts regularly and ascertain through field visits whether the programme is being implemented satisfactorily and whether construction of houses is in accordance with the prescribed procedure. Likewise, officers at the District, sub-division and block levels must closely monitor all aspects of the IAY through visits to work sites. A schedule of inspection which prescribes a minimum number of field visits for each supervisory level functionary from the State level to the Block level should be drawn up and strictly adhered to. The monitoring of the programme at the state level will be the responsibility of State Level Vigilance and Monitoring Committee for Rural Development Programmes. A representative or

nominee of the Ministry of Rural Development, Government of India should invariably be invited to participate in the meetings of the Committee.

The Directorate of RD at the State level, DRDAs at District level and BDOs at Block level are responsible for effective implementation of IAY through adequate and effective monitoring. Besides, Extension Officers at GP level were required to monitor the progress of construction of units and submit timely and accurate reports to BDOs, who in turn were to send a report to the DRDAs. Project Directors of DRDAs were responsible for overall supervision and monitoring of IAY projects.

It was noticed during the audit scrutiny that only four meetings of State Level Vigilance and Monitoring Committee were held between 2008-09 and 2012-13. Not even on a single occasion representative from the Ministry of Rural Development, Government of India was present.

Likewise, periodical review meetings of the District Level Vigilance and Monitoring Committees (DLVMC) were not held regularly.

Further, it was noticed in audit that field visits by the supervisory authorities were negligible and impact assessment was absent. Thus, IAY units were constructed without verification by DRDA/Block officials.

#### **1.2.12.2 Status of uploading data on IAY Website**

A web-based MIS Programme Software 'AWAASsoft' to capture beneficiary-wise data to monitor the IAY Scheme was launched on 16.7.2010. AWAASsoft is local language enabled workflow based transaction level Management Information System to facilitate e-governance in the system. This is a tool for management and to generate all reports, funds released, progress in construction of houses and tracks convergence of all benefits. The MIS was accessible not only to all the stakeholders including beneficiaries but also citizens at large.

As per IAY guidelines (Para 6.1) the complete and comprehensive data ranging from physical and financial targets/achievements, details of beneficiaries, progress of units sanctioned, funds released, convergence with other schemes, etc, at all levels of implementation should be uploaded only through the Indira Awaas Yojana - Management Information System (IAY-MIS).

However, it was noticed in audit that in the State, the process of posting and updating of data on IAY website not yet completed and as a result the information through MIS was not accessible. Therefore, there was no mechanism at the State or District level to verify the authenticity of data received. Thus, monitoring of implementation of the scheme through MIS was not achieved in the State.

Director, Rural Development stated (October 2013), that few DRDAs have completed the uploading so far.

### **1.2.12.3 Evaluation**

As per IAY Guidelines (Para 6.2), the Central Government may conduct periodic evaluation studies on the implementation of the IAY. These Evaluation studies may be got conducted by institutions and organizations of repute on the implementation as well as the issues thrown up by the Concurrent Evaluation, conducted by the Government of India. The States/UTs may also conduct Evaluation Studies on their own regarding the implementation and impact of the programme in their State. Copies of the reports of these evaluation studies conducted by the States/UTs should be furnished to the Government of India. Remedial action should be taken by the States/UTs on the basis of the observations made in these evaluation studies and also in the Concurrent Evaluation conducted by or on behalf of Government of India.

During the period covered under Performance Audit it was noticed that no evaluation studies were carried out by the State Government on the implementation of the IAY scheme and impact of the programme in the State.

However, in two Districts – Papum Pare and Lohit - two National Level Monitors inspected IAY schemes, along with other rural development schemes being implemented in the State during the period covered under Performance Audit.

As per the National Level Monitor's Report for 2012-13 (Phase-II), for implementation of IAY in Papum Pare District:

- the permanent wait list of IAY beneficiaries was not circulated in the District. It was neither available in Gram Panchayats nor displayed in other locations.
- IAY beneficiaries were provided assistance not in cash but in kind.
- New construction beneficiaries were provided 35 CGI Sheets for construction of one unit. This was not sufficient, so beneficiaries had to procure additional CGI Sheets for construction.
- Almost all units in the District had no sanitary toilet facilities. Units had traditional latrines, which were not hygienic.

It was also pointed out that in the Mengio Block of Papum Pare District, in the last six years (2007-08 to 2012-13), only one beneficiary under IAY was selected for new construction. After that allotment, no beneficiary under IAY was selected from the said Block till 2012-13. As per the Census Report, 2001, there were 651 households with a

population of 3845 in the Block. Thus, the entire population of the Block were deprived of IAY benefits.

As per the National Level Monitor's Report, 2013-14, Phase-I of Lohit District:

- the financial assistance was insufficient and needed to be revised to ₹ 0.60 lakh for new constructions.
- the waiting list of IAY, especially in the general category, was quite long. So, targets for districts should be increased.
- there was no association with Non-Governmental Organizations (NGOs) in promoting the scheme and its usefulness.
- The type and design of units needed to be prepared.
- Sign Boards should be displayed in IAY units.
- Up-gradation works needed to be taken up in a phased manner, depending on availability of funds.

It was noticed that no remedial action on the issues that were within control of the State Government, on the basis of the observations made in these studies, was taken so far.

#### **1.2.12.5 Social Audit**

Social Audit is a continuous and ongoing process, involving public vigilance and verification of implementation of the scheme. As per Guidelines, Social Audit was to be conducted in every Gram Panchayat at least once in a year, involving mandatory review of all aspects of IAY.

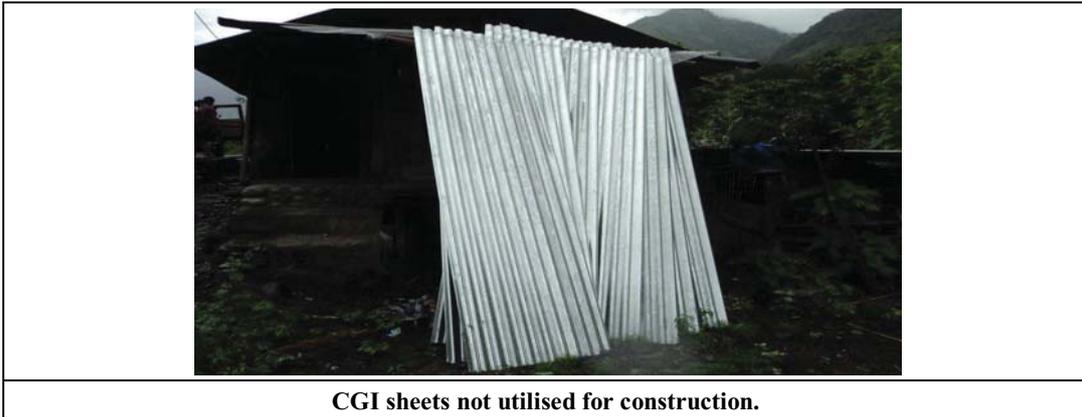
The scrutiny of records in the test-check Districts, revealed that Social Audit was not conducted in any District till the date of audit. Director, Rural Development stated (October 2013) that Social Auditing is being introduced from the month of October 2013.

#### **1.2.13 Findings of joint field verification**

During field verification, interaction with 667 beneficiaries in six test-checked districts was carried out. The following observations are made based on the responses received from the beneficiaries during interaction:

- Almost all beneficiaries were unaware of the IAY waitlist, the method of preparation and Gram Sabha deliberations. It was apparent that neither the DRDAs nor BDOs made any effort to make them aware of such a process.

- Some beneficiaries were found to be Government employees like teachers, peons, etc. while others had annual incomes far above the BPL limit, implying that the BPL list was not realistic.
- Some beneficiaries received CGI sheets as assistance under IAY one or two years back, but did not utilize the sheets till the date of verification. On enquiry, it was stated that it would be used later.



- Uniform quality and quantity of CGI Sheets were not distributed in test-checked districts. In Lohit District, local brand CGI Sheets were distributed to beneficiaries instead of approved/superior brand. Further, all beneficiaries did not receive an equal number of CGI sheets.
- Although the limit of assistance under IAY was enhanced from ₹ 38,500/- to ₹ 48,500/- from 2010-11 onwards, the number of CGI Sheets received by beneficiaries remained the same.
- No IAY logo or sign board was displayed in houses constructed under IAY as per requirement.
- Duties of BDOs/Officials were limited only to distribution of CGI Sheets to beneficiaries.
- No expert/information were provided by the Government/Non-Government Organizations in respect of use of innovative material, procurement of low cost material, construction/design of units, cost effectiveness, disaster-resistant technology, etc.
- Beneficiaries did not get any benefit of convergence of IAY with other schemes like Total Sanitation Campaign (TSC), National Rural Water Supply Programme (NRWSP), Rajiv Gandhi Gramin Vidhyutikaran Yojana (RGGVY) and LIC - Janshree Bima, Aam Aadmi Bima etc.

- One of the positive aspect noticed was that the beneficiaries did not face any problem in getting assistance under the scheme and had full freedom in construction of units.

#### **1.2.14 Conclusion**

The primary objective of the IAY Scheme is to help the rural BPL SC/ST, free bonded labourers and non-SC/ST categories in construction of dwelling units and up-gradation of existing unserviceable *kuthca* houses by providing lump sum financial assistance.

It was encouraging to note that the State could achieve the target of construction of new houses and upto 94 per cent as regards up-gradation of existing *kutchra* houses during 2008-13. There were lapses in the implementation of the Scheme that need to be addressed, which could have facilitated in much better implementation of the Scheme in the State. The scheme was not implemented in a time-bound manner due to delay in release of State share. Due to lack of awareness, the IAY beneficiaries failed to avail the benefit of loan facility with marginal interest rate under the DRI scheme. There were instances of selection of non-BPL beneficiaries. Most of the officers dealing with the IAY and the IAY beneficiaries remained unaware of various disaster-resistant features which ought to have been adopted in the construction of IAY houses. There was no effort made at dovetailing and convergence of other central sector schemes with IAY with a view to deriving the benefits of the schemes intended for rural BPL households.

#### **1.2.15 Recommendations**

The following recommendations are made for improvement in future implementation of the Scheme. While making recommendation the revised guidelines issued by Ministry of Rural Development, GoI in June 2013 have been taken into consideration,

- The State Government should scrupulously take necessary steps for implementation of various aspects as envisaged in the revised guidelines issued by Ministry of Rural Development, GoI in June 2013 for more effective implementation of the Scheme
- Socio-Economic Caste Census (SECC) 2011 data should be used to identify the landless households and also to revise the existing priority list for IAY. The State Government should prioritise the habitations on the basis of transparent criteria with a five year and annual priority list.
- The State Government should conduct a detailed survey with the involvement of the Panchayats to collect details of houses as well as other facilities in the habitations like physical connectivity, power connectivity, water supply,

environmental sanitation and social infrastructure and list out all eligible beneficiaries from the selected habitation.

- The State Government should ensure release of its share within the prescribed time limit for timely implementation of the scheme.
- The DRDAs should to contact various organisations/ institutions to seek expert information on innovative technologies, materials, designs and methods to help beneficiaries in the construction/up-gradation of durable, cost effective houses and disaster-resistant houses.
- The State Governments should make available information on cost effective environment-friendly technologies, materials, designs *etc.* at District/block level.
- The State Government should make efforts to converge the programmes/schemes being implemented by various Ministries/ Departments so as to put in place an appropriate system which facilitates (i) construction of toilets, (ii) provision of portable drinking water and (iii) provide electrification to all IAY households
- The State should prepare a capacity building plan to strengthen the quality of implementation. Training of District level officials and other functionaries involved in the implementation of the Scheme should also be undertaken.

## COMPLIANCE AUDIT PARAGRAPH

### Food & Civil Supplies Department

#### 1.3 Suspected fraud in Land Transport Subsidy for transportation of Iodized Salt

***Payment of ₹4.45 crore as Land Transport Subsidy for transportation of the iodized salt for PDS beneficiaries of interior/remote areas of the Upper Siang District was highly questionable as the quantity of iodised salt stated to have been distributed was sufficient to meet the requirement of the entire population of the district for more than 18 years, pointing towards fraud.***

Consequent upon discontinuation of transport subsidy on salt, superior kerosene oil and levy sugar by Food Corporation of India (FCI), the Government of Arunachal Pradesh decided (May 1997) to allow Land Transport Subsidy (LTS) for transportation of Public Distribution System (PDS) items by head load operations to interior/remote areas of the State. Deputy Commissioners of the concerned districts are to submit LTS Bills at approved rates for quantity of items actually transported and sold to consumers and actual distance. As per norms prescribed by the Government of India, 500 grams of iodized salt was to be issued to each beneficiary per month.

Scrutiny (February 2014) of the records of the Director of Food & Civil Supplies (DF&CS), Naharlagun, revealed that the Government of Arunachal Pradesh accorded (September 2013) administrative approval and expenditure sanction of ₹ 4.57 crore for making payment of LTS bills for transportation of iodized salt in respect of M/s Reekam Trading Agency, Koloriang, to various Fair Price Shops (FPSs) located in Upper Siang District through land route and head load operation between January 2005 and March 2006. It was stipulated that the Department should ensure that there should not be any lapses/lacunae/suppression/fraud, etc. in the bills at a later date.

It was noticed in Audit that the LTS bills of the firm were finalized by the District Administration and paid by the Directorate of Food and Civil Supplies in September 2013 after lapse of more than seven years of actual transportation. As per the bills submitted, iodised salt was lifted from the FCI Depot, North Lakhimpur, Assam and transported to the various centres at nine different locations viz., Yingkiong, Tuting, Pugging, Palling, Pungoo, Ngaming, Sille, Mosing and Angachi. Of these, Pugging, Ngaming and Angachi involved carriage by head load. The rates fixed by the District Administration were ₹ 2.95 for LTS and ₹ 125 for head load per quintal per kilometre.

According to the data/information furnished by the Department, the total population of the three head load centres was 1319 (Palling: 803; Ngaming: 494 and Angachi: 22). As

per the Government of India norms, the total requirement of salt to cover the entire population of the three centres for 15 months (from January 2005 to March 2006) would be 98.96 quintals (Palling: 60.26 quintals, Ngaming: 37.05 quintals and Angachi: 1.65 quintals). However, the District Administration allotted a total of 4008 quintals of iodized salt (Palling: 990 quintals; Ngaming: 1038 quintals and Angachi: 1980 quintals) during the period for carriage to these three centres. As such, 3909 quintals of iodised salt in excess of entitlement was claimed to have been transported and distributed among the population of these three centres.

For transportation of the iodized salt in excess of entitlement/requirement, payment to the tune of ₹ 4.45 crore was made as LTS, as shown below:

Location and Period	Excess Quantity	Motorable Distance	Rate (in ₹)	Amount (₹ in lakh)	H/load Distance	Rate (in ₹)	Amount (₹ in lakh)	Total (₹ in lakh)
<b>Palling</b>								
Jan. 2005 to Mar. 2006	930	405	2.95	11.11	30	125	34.88	45.99
<b>Ngaming</b>								
Jan. 2005 to Mar. 2006	993	508	2.95	14.88	32	125	39.72	54.60
<b>Angachi</b>								
Jan. 2005	269	322.41	2.95	2.56	130	125	43.71	46.27
Feb. 2005	269	103	2.95	0.82	130	125	43.71	44.53
Mar. 2005 to Mar. 2006	1427	508	2.95	21.38	130	125	231.89	253.27
<b>TOTAL</b>				<b>50.75</b>			<b>393.91</b>	<b>444.64</b>

Further, the certificate furnished by District authorities for the quantity transported by the firm was not supported by documentary evidence of actual receipt and issue to beneficiaries by the FPSs.

Further, the Screening Committee constituted by the Department in February 2012 opined that the allotment against head load locations admitted by the District authorities in the bills, as claimed by M/s Reekam Trading Agency, the authorized wholesale nominee-cum-carriage contractor was abnormally high and it was not as per actual requirement and not in conformity with the population. In spite of this, the LTS bill was paid to the firm on the basis of administrative approval and expenditure sanction.

*The quantity of iodised salt claimed to have been distributed would have been sufficient to meet the requirement of the population of Palling and Ngaming for 16 and 28 years respectively, and in case of Angachi for an astronomical 1200 years. It may not be out of place to mention that the quantity of iodised salt stated to have been allotted and distributed for which LTS was allowed was sufficient to meet the requirement of the entire population of the Upper Siang district for more than 18 years, which as per 2011 census was 36,320. Thus, the claim of the department that 4008 quintals of iodised*

salt was allotted and distributed between January 2005 and March 2006 at three centres of the district appears to be “highly questionable” and strongly points towards fraud. The entire exercise involved in the payment of LTS needs thorough investigation to punish the officials involved in such irregular practices.

Thus, the entire exercise of allotment of iodized salt far in excess of actual requirement/entitlement and transportation to the remote locations by head load in Upper Siang by District authorities, could have resulted in fraudulent payment of ₹ 4.45 crore.

The matter was reported to the Government in December 2013; reply is still awaited.

## Public Health Engineering & Water Supply Department

### 1.4 Undue Benefit to Contractor

*Payment of labour escalation over and above the higher labour rate applied during analysis of tender by the Department and non-compliance of statutory provision of deduction of VAT by PHE & WS Division, Itanagar, resulted in extension of undue benefit of ₹1.55 crore to a private contractor.*

Administrative approval was accorded by the State Government in August 2007 for the work ‘Augmentation of Water Supply for Itanagar Township – Phase II – 11 MLD’ at an estimated cost of ₹ 14.47 crore. In response to the NIT (February 2008 - Estimated Value: ₹ 14.47 crore), two firms (M/s Tamchi Kusuk of Chandannagar and Naharlagun) participated in competitive bidding. The offer of the Naharlagun firm was rejected (March 2008) by the Tender Evaluation Committee on grounds of its inability to satisfy some bidding conditions required by the Department. The offer of M/s Tamchi Kusuk (hereafter the firm) for ₹ 18.27 crore (26 percent over the estimated cost of ₹ 14.47 crore) was analysed (August 2008) based on market rates, and its offer (inclusive of taxes, levies, transportation, etc;.) was found justified. An agreement was executed and the work was allotted to the firm in November 2008. The EE, PHE & WS Division, was responsible for execution of the work

Scrutiny (August – September 2013) of the records of EE, PHE & WS Division revealed that the Department, during analysis of the tender in August 2008, daily labour wage rates of ₹ 140 for belder, unskilled labour and coolie; ₹ 170/- for mistry and semi-skilled labours and ₹ 210 for mason were applied against the then prevailing minimum wage rates of ₹ 80, ₹ 90 and ₹ 100 for the respective categories, as notified by the State Government in February 2009.

Till March 2013, the EE, PHE & WS Division made payments totalling to ₹ 19.36 crore till twelfth Running Account Bill (₹ 18.27 crore for work done, ₹ 0.32 crore for

substituting higher capacity overhead tank and ₹ 0.78 crore as labour escalation). The labour escalation of ₹ 0.78 crore was arrived at by calculating the differential rate between the minimum wage rates notified in 2009 and the rate applied during tender evaluation. The payment on account of the labour escalation was not admissible as the escalated labour rate was already included in the contract value.

In addition, the Division did not deduct VAT of ₹ 0.77 crore at source (at the rate of 4 percent of the value of work) in terms of Rule 11 of the ‘Simplified Accounting Method for Works Contract’ of Arunachal Pradesh Goods Tax Rules (APGTR), 2005 (as notified in August 2009), which was to be deposited to the tax authorities by way of prescribed Form FF-08.

Thus, the Departmental action resulted in giving undue benefit of ₹ 1.55 crore to the contractor on account of inadmissible labour escalation costs (₹ 0.78 crore) and non-deduction of VAT (₹ 0.77 crore).

The matter was reported to the Government in January 2014; reply is still awaited.

## Education Department

### 1.5 Short-realization of value of Text Books

***Absence of monitoring and adequate checks/ controls over realization of value of Text Books issued to APST and non-APST students led to short-realization of revenue of ₹1.26 crore.***

According to the Policy of the State Government, 25 percent of the cost of textbooks supplied to the Arunachal Pradesh Scheduled Tribe (APST) boy students and full cost of textbooks supplied to the non-APST students is to be realized by the school authorities. The revenue realized is deposited annually in the Treasury by school authorities and a copy of the Treasury Challan is forwarded to the DSE and concerned DDSE.

In Arunachal Pradesh, the requirement of textbooks for Secondary and Higher Secondary Students (Classes IX to XII) is centrally assessed and Supply Orders are issued by the Director of School Education (DSE) based on the estimated requirement of schools for different classes submitted by Deputy Directors of School Education (DDSEs) of Districts. Books are received by DDSEs against Purchase Orders of the DSE and issued to school authorities for distribution to students.

Registers/records of DSE pertaining to procurement of textbooks and those issued to the students during the academic year 2010-11 were scrutinised in Audit. As per information collated from the records, a total revenue of ₹ 134.54 lakh was required to be realised

(APST boy students: ₹ 36.71 lakh and non-APST students: ₹ 97.83 lakh) for the issue of textbooks as detailed below:

Class	Cost of one set of Textbooks (in ₹)	Number of APST Boy Students	Amount Realisable (in ₹)	Number of non-APST Students	Amount Realisable (in ₹)
IX	558	7596	10,59,642	5495	30,66,210
X	680	6632	11,27,440	4414	30,01,520
XI (Science)	560	1048	1,46,720	751	4,20,560
XI (Humanities)	515	3278	4,22,042	1935	9,96,525
XI (Commerce)	340	290	24,650	356	1,21,040
XII (Science)	695	939	1,63,151	699	4,85,805
XII (Humanities)	850	3308	7,02,950	1816	15,43,600
XII (Commerce)	410	240	24,600	361	1,48,010
<b>TOTAL</b>			<b>36,71,195</b>		<b>97,83,270</b>

However, against the total revenue of ₹ 134.54 lakh required to be realised for issue of books, it was noticed that an amount of ₹ 8.63 lakh was only realised during this academic year. Further, there was no system in place at the DSE level to monitor the amount to be realised from textbooks supplied to APST boy students and non-APST students of Classes IX to XII.

Thus, due to the absence of proper mechanism in DSE to keep a watch over the realisation of cost of textbooks supplied by the Department to APST boy students and non-APST students of Classes IX to XII, there was a short-realisation of ₹ 125.91 lakh (₹ 134.54 - ₹ 8.63 lakh). Further, the possibility of embezzlement of the amount realised through distribution of textbooks at various levels (viz., School, Block and District) cannot be ruled out.

In reply, the DSE (January 2013) stated that due to communication bottlenecks, copies of Treasury Challans/ Sale Proceeds of some districts/schools may not have reached in time while tabulating the statement. It was also stated that due to poor economic condition, many APST boy students may not have paid the amount in time, leading to delay in depositing the money into Government account. The reply of DSE is an admission of the fact that there were lapses in the realisation of the cost of textbooks supplied by the department.