

CHAPTER-III

ECONOMIC SECTOR (OTHER THAN STATE PUBLIC SECTOR UNDERTAKINGS)

3.1 Introduction

This Chapter of the Audit report for the year ended 31 March 2013 deals with the findings on audit of the State Government under Economic Sector (other than State Public Sector Undertakings).

The names of the State Government Departments and the total budget allocation and expenditure of the State Government under Economic Sector (other than State Public Sector Undertakings) during the year 2012-13 are given in the table below:

Table-3.1.1

(₹ in crore)

Sl. No.	Name of the Departments	Total Budget Allocation	Expenditures
1.	Planning & Programme Implementation	72.57	43.16
2.	Agriculture	255.81	241.11
3.	Horticulture	124.61	123.43
4.	Soil and Water Conservation	63.22	60.03
5.	Animal Husbandry and Veterinary	134.75	131.21
6.	Fisheries	35.36	35.07
7.	Co-operation	105.79	82.18
8.	Rural Development	13.90	12.13
9.	Industries	106.09	102.40
10.	Sericulture	26.27	25.95
11.	Tourism	7.64	6.16
12.	Trade and Commerce	5.29	5.06
13.	Public Works	671.37	359.48
14.	Minor Irrigation	147.40	9.52
15.	Information & Communication Technology	8.48	8.44
	Total	1778.55	1245.33

Source: Appropriation Accounts, Government of Mizoram, 2012-13

Besides the above, the Central Government has been transferring a sizeable amount of funds directly to the implementing agencies under the Economic Sector (other than State Public Sector Undertakings) to different Departments of the State Government. The major transfers for implementation of flagship programmes of the Central Government are detailed below:

Table-3.1.2

(₹ in crore)

Name of the Departments	Name of the Schemes/ Programmes	Implementing Agency(s)	Amount of funds transferred during the year
1	2	3	4
Rural Development (RD)	NREGS - 90:10 National Rural Employment Guaranteed Scheme	Rural Development (RD)	251.60
Rural Development (RD)	IAY - Indira Awaas Yojana	Rural Development (RD)	10.80

1	2	3	4
Rural Development (RD)	BRGF-Backward Region Grant Fund	Rural Development (RD)	19.42
Public Works	PMGSY-Pradhan Mantri Gram Sadak Yojana	Public Works Department	71.82
District Rural Development Agency	DRDA Administration	District Rural Development Agency	5.80
District Rural Development Agency	Integrated Watershed Management Programme	District Rural Development Agency	25.16
Rural Development (RD)	Aajeevika-Swaran Jayanti Gram Swarajgar Yojana	Rural Development (RD)	14.05
Agriculture	National Food Security Mission	Mameti (Agriculture)	6.04
Agriculture	Support to State Extension Programme for Extension	Mameti (Agriculture)	4.97
Fisheries	Infrastructure Development FPI	Mizofa Fish Seed farm	1.52
Fisheries	Development of Inland Fisheries and Aquaculture	Mizoram Government	5.14
Animal Husbandry and Veterinary	Feed and Fodder Development Scheme	Mizoram Government	2.78
Animal Husbandry and Veterinary	Livestock Health and Disease Control	Mizoram Government	2.33
Agriculture	Macro Management of Agriculture (MMA) Scheme	Mizoram Government	19.33
Fisheries	National Scheme for Welfare of Fishermen	Mizoram Government	1.86
Agriculture	Rashtriya Krishi Vikash Yojana (RKVY)	Mizoram Government	184.73
Public Works	Roads and Bridges	Mizoram Government	3.63
Urban Development and Poverty Alleviation	Externally Aided Projects- North Eastern Region UD Project	Mizoram Government	2.17
Animal Husbandry and Veterinary	National Project for Cattle and Buffalo Breeding	State Implementation Unit Mizoram of NPCBB	1.05
Total			634.20

Source: Finance Accounts, Government of Mizoram, 2012-13

3.2 Planning and conduct of Audit

Audit process starts with the assessment of risks faced by various Departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls *etc.*

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

The audits were conducted during 2012-13 involving expenditure of ₹ 239.33 crore out of the total expenditure of ₹ 1,245.33 crore of the State Government under Economic Sector (other than State Public Sector Undertakings). This chapter contains one Performance Audit on *viz.* 'Indira Awaas Yojana' (IAY) and compliance audit on 'Disbursement of Transport Subsidy'.

PERFORMANCE AUDIT

RURAL DEVELOPMENT DEPARTMENT

3.3 Indira Awaas Yojana

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 kutcha houses by providing financial assistance. A Performance Audit of the implementation of the scheme in Mizoram was carried out covering the period from 2008-09 to 2012-13 involving test check of records of four blocks in two Districts. The Performance Audit of the scheme brought out the following significant findings:

In case of 25 sample villages under four blocks in two Districts (Aizawl and Champhai), the selection of beneficiaries was not done maintaining the order of ranking/seniority in the Waitlist and even in some villages, beneficiaries were selected outside the Waitlist during 2008-13.

(Paragraph 3.3.9.1)

The State Government released State share of ₹ 63.71 lakh and ₹ 82.47 lakh to Aizawl and Champhai Districts respectively during 2008-13 with inordinate delays ranging between 11 days and 279 days.

(Paragraph 3.3.10.4)

Due to late receipt of proposals for the second instalment from six Districts, the Government of India deducted Central Assistance of ₹ 92.57 lakh from the allocated IAY resources during 2012-13.

(Paragraph 3.3.10.5)

The IAY beneficiaries under Aizawl and Champhai Districts failed to avail loan under DRI scheme with marginal interest due to lack of awareness.

(Paragraph 3.3.14)

In absence of convergence and dovetailing of central sector schemes with IAY, the beneficiaries of the two Districts (Aizawl and Champhai) were deprived of the intended benefits of these schemes.

(Paragraph 3.3.15)

3.3.1 Introduction

Indira Awaas Yojana (IAY), the flagship scheme of the Ministry of Rural Development, Government of India for fulfilment of housing needs of the rural poor population

was launched in May 1985 as a sub-scheme of Jawahar Rozgar Yojana. It is being implemented as an independent scheme since 1 January 1996. The IAY aims at helping rural people below the poverty line (BPL) belonging to SCs/STs, free bonded labourers and non-SC/ST categories in construction of dwelling units and up-gradation of existing unserviceable *kutch* houses by providing assistance in the form of full grant. From 1995-96, the IAY benefits have been extended to widows or next-of-kin of defence personnel killed in action. Benefits have also been extended to ex-servicemen and retired members of paramilitary forces as long as they fulfil the normal eligibility conditions of the IAY. Three *per cent* of funds are reserved for the disabled BPL persons in rural areas. Since 2006-07, IAY funds are also being earmarked for minorities.

3.3.2 Organisational structure

A. State Level

In Mizoram, the Rural Development (RD) Department headed by the Secretary is the Administrative Department responsible for implementation and monitoring of the Scheme in the State. He is assisted by the Director, Rural Development Department. Besides, a State Level Monitoring Cell and Internal Audit Cell (SLMC&IAC), under RD Department, headed by a Project Director is also responsible for monitoring of the scheme.

B. District Level

The Deputy Commissioners of the eight Districts of the State are designated as Chairmen of the District Rural Development Agencies (DRDAs) who are assisted by eight Project Directors of the concerned DRDAs for overall management of the scheme.

C. Block Level

In the 26 Rural Development Blocks in the State, Block Development Officers (BDOs) are responsible for implementation, monitoring and supervision of the scheme at village level under their respective RD Blocks.

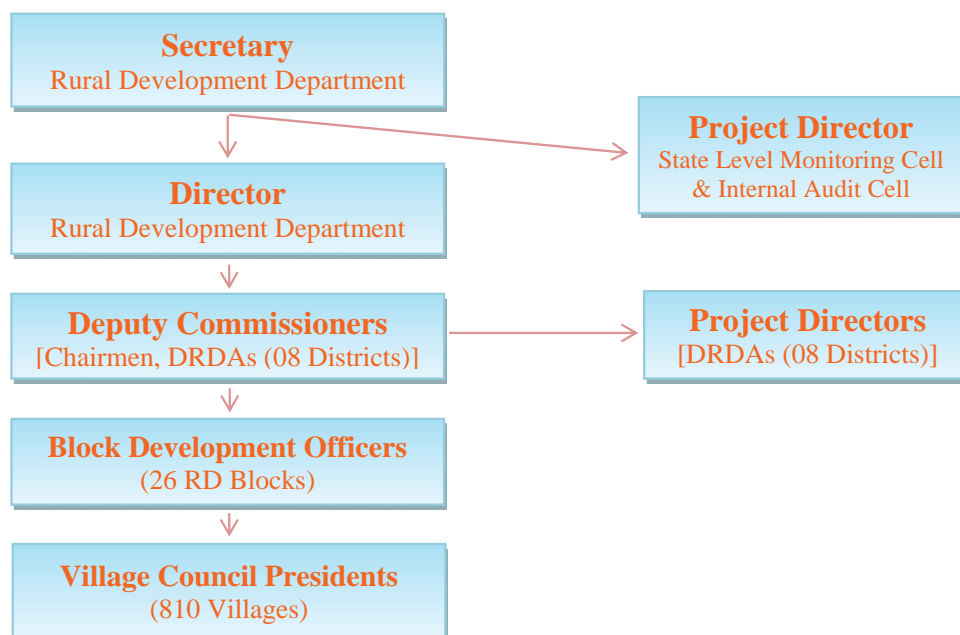
D. Village Level

The Gram Panchayat is the pivotal body for implementation of the Scheme at the village level. However, in the case of Mizoram, since the State is exempted under Article 243M of the Constitution of India from the application of the 73rd & 74th Amendment to the Constitution, the Panchayati Raj Institution (PRI) as embodied in the constitutional amendments are not in place in the State of Mizoram. Instead, the existing traditional Village Councils (VCs) have been mandated and invested with the corresponding responsibility to function as PRIs.

In Mizoram, there are 810 villages in the eight Districts. The 810 Village Councils headed by Village Councils Presidents (VCPs) are responsible for selection of beneficiaries for preparation of Permanent Waitlist under the IAY scheme.

A Chart showing organisational structure responsible for implementation of the scheme in the State is depicted below:

Chart-3.3.1



3.3.3 Audit Objectives

The Performance Audit was conducted with the audit objectives 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 utilised 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.

3.3.4 Audit Criteria

The audit criteria were derived from the following sources:

- The Guidelines of Indira Awaas Yojana issued by the Ministry of Rural Development (MoRD), Department of Rural Development;
- Periodical reports/returns prescribed by the State Government;
- Circulars/instructions issued by the Department of Rural Development, Government of India; and
- Reports of National Level Monitors.

3.3.5 Audit Scope

Performance Audit on the implementation of IAY Scheme in the State during 2008-13 was carried out through a test check (June to August 2013) of records at the following levels.

- State Government, Rural Development Department;
- District level DRDAs;
- RD Blocks including individual works; and
- Village Councils.

3.3.6 Audit Sampling

Out of eight Districts in the State, two Districts (25 per cent) viz. Aizawl and Champhai were selected. Out of nine blocks in the two Districts, four¹ blocks (44 per cent) were selected. Again, out of 80 Village Councils in the selected four blocks, 25 Village Councils (31 per cent) were selected for detailed scrutiny. Details of the selected Districts, blocks and villages are given in **Appendix-3.3.1**.

The sample Districts, Blocks and Villages were selected using Simple Random Sampling Without Replacement (SRSWOR).

3.3.7 Audit Methodology

- A. The Performance Audit commenced with an Entry Conference held on 8 May 2013 with the Secretary, Government of Mizoram, Rural Development Department and other officers from the RD Department, wherein the Audit Objectives, Scopes and Criteria were discussed. The Audit Methodology involved examination and analysis of the records/documents of the RD Department coupled with field visits by the

¹ 1) Aizawl District : Aibawk & Tlangnuam Blocks and
2) Champhai District : Champhai & Khawzawl Blocks

Audit team for scrutiny and analysis of the records of the selected two Districts and four Blocks during the period from 20 May 2013 to 09 August 2013. The audit findings were discussed in the Exit Conference held on 23 October 2013 with the Secretary, Rural Development Department and the replies of the Government are suitably incorporated in the review at appropriate places.

B. Impact Assessment

The following specific methodologies were adopted in audit for impact assessment of the Scheme:

- Household Beneficiary Survey.
- Physical Verification of works executed under the scheme.

3.3.8 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: 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?

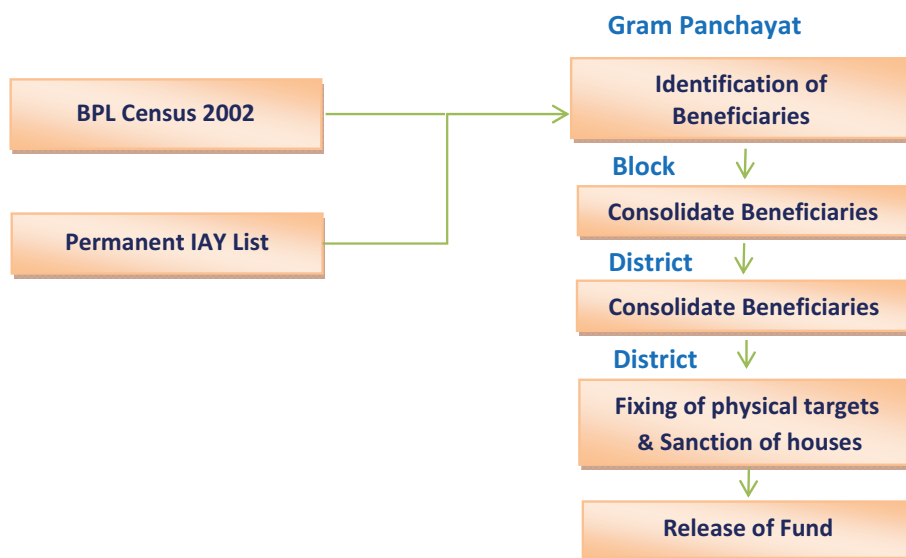
3.3.9 Identification and selection of beneficiaries

3.3.9.1 Preparation of Permanent Waitlist

As provided in the IAY Guidelines, the targets fixed shall be intimated to the Gram Panchayat concerned. Thereafter, the beneficiaries, restricting to this number, will be selected from the permanent IAY waitlist prepared on the basis of BPL lists in order of seniority in the list. The Gram Panchayats may draw out the shelterless families from the BPL list strictly in the order of ranking. A separate list of SC/ST families in the order of their ranks may be derived from the IAY list so that the process of allotment of 60 *per cent* of houses under the scheme is facilitated. Thus, at any given time, there would be two IAY waitlists for reference, one for SC/ST families and the other for non-SC/ST families. Once the lists are prepared, these need to be approved by the Gram Sabha to be attended by a Government servant who would be a nominee of the Deputy Commissioner. Selection by the Gram Sabha is final.

No approval by a higher body is required. Zila Parishads/DRDAs and Block Development Offices should, however, be sent a list of selected beneficiaries for their information. The permanent IAY waitlist 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. The following flowchart depicts process of selection of beneficiaries:

Chart-3.3.2



In Mizoram, the Below Poverty Line (BPL) list was last prepared by the Rural Development Department in 2002. Thereafter, the list was neither revised nor updated as of 2013. The concerned Gram Sabhas/Village Councils recommended the names of beneficiaries for incorporation in the permanent IAY waitlist according to their own judgement in the absence of clear instructions of updating BPL list.

In both of the sample Districts, the concerned DRDAs had drawn out the permanent IAY waitlists on the basis of recommendations of the Gram Sabhas/Village Councils. The Gram Sabhas/Village Councils' meetings were not attended by a Government servant *i.e.* a nominee of the Deputy Commissioner. In Aizawl District, the waitlists were prepared in 2009 and updated during 2010 and 2012, while in respect of Champhai District, it was prepared in 2007 and subsequently updated in 2010. The waitlists in the order of the ranking in the list finally compiled by the DRDAs had been posted in the DRDA's website by Aizawl and Champhai Districts in 2007 and 2008 respectively.

During 2008-13, altogether 398 beneficiaries were selected in 25 villages under the two Districts.

Scrutiny of the sanctioned orders containing list of selected beneficiaries issued by the two DRDAs (Aizawl and Champhai) during 2008-13 in case of 25 sample villages under four sample blocks in two Districts revealed that the selection of beneficiaries was not done maintaining the order of ranking/seniority in the waitlists. 43 beneficiaries were selected whose names were not in any waitlist. Another eight beneficiaries were, however, selected from the natural calamities category though their names were not in any of the waitlist.

While accepting the facts, the State Government stated (October 2013) that there had been cases where genuine deserving citizens were found living under extremely pathetic shelter were left out in the list of the permanent waitlist prepared by the VCs due to the utilisation of BPL List of 2002.

3.3.9.2 Annual Plan

Though the salient features of the implementation of the Scheme remain the same all over the country, many States have local issues. Therefore, it has been decided that every State may prepare its own Annual Action Plan for the year 2012-13 in respect of IAY. In this regard, the Hon'ble Minister for Rural Development had also written to the Hon'ble Chief Minister in this regard. The Action Plan has to touch upon issues like budget, State Action Plan on removal of shelterlessness in a time-bound manner, access to appropriate technological solution and skills, convergence, monitoring of house constructed by the beneficiaries and complaints redressal.

It was, however, noticed that, the two sample Districts (Aizawl and Champhai) had not prepared their own Annual Plans for the year 2012-13 in respect of IAY incorporating the above mentioned issues in a time bound manner.

The State Government in its reply stated (October 2013) that the Annual Plan had been prepared by the Department and submitted to the Ministry in July 2012. As the Annual Plan was not prepared by the Districts, the same may not be available with the District offices. The facts remain that the two Districts had implemented the scheme during 2012-13 without any knowledge of the Annual Plan.

Audit Objective: 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?

3.3.10 Fund Management

IAY is a Centrally Sponsored Scheme funded on cost-sharing basis between the Government of India and the State Governments. In the case of Mizoram, the funding is shared between Central Government and the State Government in the ratio of 90:10.

3.3.10.1 Allocation of Resources

As provided in Para 4.1 of the IAY Guidelines, the Central Assistance under the IAY will be allocated among the States/UTs giving 75 per cent weightage to rural housing shortage as per Census data and 25 per cent weightage to poverty ratio. Similarly, inter-Districts' allocation within a State/UT will be made by giving 75 per cent weightage to housing shortage and 25 per cent weightage to rural SC/ST population of the concerned Districts.

It was, however, noticed that, the State Government, Rural Development Department including two sample Districts (Aizawl and Champhai) have no record of Rural Housing Shortage as per Census data including poverty ratio in respect of all the Districts in the State. Hence, the rationale of the allocation of Central Assistance of ₹ 5,662.16 lakh to the eight Districts in the State during 2008-13 was not clear.

The State Government simply stated (August 2013) that, the allocation was made by the Central Government. It further clarified (October 2013) that target of houses under IAY had always been allocated by the Ministry without any involvement of State Government and DRDAs.

3.3.10.2 Financial Position

The year-wise financial assistance provided by the GoI and State Government and expenditure incurred there against by the eight Districts in the State during 2008-13 is given in the following Table-3.3.1:

Table-3.3.1

(₹ in lakh)

Year	Opening balance	Allocation	Central Release	State Release	Misc. Receipts (Int. & Other)	Total Available (2+4+5+6)	Expenditure	Closing Balance
1	2	3	4	5	6	7	8	9
2008-09	10.00	917.38	1180.95	248.62	4.13	1443.71	1433.21	10.50
2009-10	10.50	1078.78	1219.33	135.00	7.92	1372.75	1369.25	3.50
2010-11	3.50	1207.36	1300.32	171.51	7.26	1482.60	1477.29	5.30
2011-12	5.30	1178.71	1108.69	146.63	10.40	1271.02	1261.53	9.50
2012-13	9.50	1279.94	1080.27	125.26	10.15	1225.17	1222.30	2.88
Total	10.00	5662.16	5889.57	827.02	39.86	6795.25	6763.57	2.88

Source: Departmental records

3.3.10.3 Excess release of State Share

For the eight Districts in the State, the State Government was required to release a State Share of ₹ 654.40 lakh against the Central Releases of ₹ 5,889.57 lakh during 2008-13, the State Government actually released an assistance of ₹ 827.02 lakh, which resulted in excess release of State Share of ₹ 172.62 lakh during the period 2008-13.

3.3.10.4 Inordinate delay in release of State Share

As per Para 4.3 of the IAY Guidelines *vis-à-vis* the terms and conditions of the release of Central Share by the Ministry of Rural Development, the State Government must release its share to the Districts concerned within one month of the date of release of Central Assistance.

Scrutiny of the records pertaining to the release of State Share to two sample Districts (Aizawl and Champhai) during 2008-13 revealed that the State Government released its share of ₹ 63.71 lakh and ₹ 82.47 lakh to Aizawl and Champhai Districts respectively. However, there were inordinate delays, ranging from 11 days to 279 days. The details of releases and delay are shown in **Appendix-3.3.2 (A) & (B)**.

Inordinate delay in release of State Share is bound to have an impact on timely implementation of the scheme.

While accepting the facts, the State Government stated (October 2013) that the delay of release of State Share occurred due to the mandatory procedures that had to be followed *viz.* collection of proposals from the District level, proposals for sanction from the Administrative Department to Planning and Finance Department and drawal of fund from the treasury *etc.*

3.3.10.5 Deduction of Central Assistance

As per the terms and conditions laid down in IAY Guidelines (Para 4.2) of the release of Central Share by the Ministry of Rural Development, the first instalment amounting to 50 *per cent* of the total allocation for a particular District is released by the Centre in the beginning of the financial year. The proposal for release of second instalment by the DRDA complete in all respects should be submitted to the Centre by 31 December every year. The Second instalment for the District was to be released on receipt of request from the DRDA on fulfilment of certain conditions. One such condition was that 60 *per cent* of the total available funds should have been utilised at the time of submission of the proposal. Depending upon the receipt of complete proposal for second instalment, the quantum of release of second instalment will be governed as follows:

Proposal received in the month of:

December (concerned financial year)	:	50 per cent allocated funds
January (concerned financial year)	:	40 per cent allocated funds
February (concerned financial year)	:	30 per cent allocated funds
March, upto 15 th (concerned financial year)	:	20 per cent allocated funds

Proposals received after the 15 March are not to be entertained.

Scrutiny of the records of the SLMC & IAC revealed that out of allocated Central Assistance of ₹ 925.69 lakh for the year 2012-13 against the following six Districts, the Government of India released first instalment of ₹ 462.86 lakh (50 per cent) in time. But, against the second instalment due of ₹ 462.83 lakh the Government of India released an assistance of ₹ 370.26 lakh after deduction of an amount of ₹ 92.57 lakh (10 per cent) due to late receipt of proposals for the second instalments from these six Districts. The details of deductions are given in following Table:

Table-3.3.2

(₹ in lakh)

Year	Name of District	Central Allocation	1 st Instalment Released	2 nd Instalment Due	2 nd Instalment actually released	Amount Deducted
2012-13	Aizawl	121.61	60.81	60.80	48.64	12.16
	Kolasib	79.76	39.88	39.88	31.90	7.98
	Lunglei	240.60	120.30	120.30	96.24	24.06
	Mamit	145.81	72.91	72.90	58.32	14.58
	Serchhip	34.21	17.11	17.10	13.68	3.42
	Lawngtlai	303.70	151.85	151.85	121.48	30.37
Total		925.69	462.86	462.83	370.26	92.57

Source: Departmental records

In the remaining two Districts, there was no such deduction as the proposal for release of second instalment was submitted in time.

Had there been no deduction of ₹ 92.57 lakh, assistance could have been extended to another 190 beneficiaries for construction of new houses during that year.

While accepting the facts, the State Government stated (October 2013) that late submission of proposals for second instalment occurred due to late receipt of State matching share which has to be imbibed in the Certificate for claiming the second instalment apart from inability of MIS report to capture data accurately due to various constraints such as (i) uploading of MIS data offline, (ii) problem of MIS software and (iii) poor internet facility.

3.3.10.6 Non-receipt of interest

As provided in the IAY Guidelines (Para 4.7), the IAY funds (Central share as well as State share) shall be kept in a nationalised/scheduled/co-operative banks or a post office in an

exclusive and a separate Savings Bank Account. The interest accrued on the deposits of IAY funds shall be treated as part of the IAY resources.

Scrutiny of records relating to two sample blocks (Champhai and Khawzawl) under Champhai District revealed that the concerned Block Development Officers retained the IAY funds in Current Bank Account and as a result they did not earn any interest.

The interest receivable could have been utilised as an additional IAY resource to cover few more IAY beneficiaries.

While accepting the facts, the State Government stated (October 2013) that due to ignorance of the accounting procedures the concerned BDOs retained the fund in the Current Account. However, the Government confirmed that the concerned BDOs have been operating the fund in Savings Account on receipt of Audit observations.

3.3.10.7 Allocation of funds for Natural Calamities

As provided in Para 4.4 of the IAY Guidelines, 5 *per cent* of the total allocated funds under IAY was kept apart to meet the exigencies arising out of natural calamities and other emergent situations like riot, arson, fire, rehabilitation under exceptional circumstances *etc.* with a State-wise ceiling of 10 *per cent* of annual allocation (including State share). Proposals for this purpose were to be submitted by the State Governments showing the extent of damage and the estimated fund requirement in respect of the proposed IAY houses to have access this fund, provided assistance for construction of a house has not been obtained from any other source.

Scrutiny of the records of the Administrative Head of the Rural Development Department, Mizoram, revealed that during the Performance Audit covered under audit, no such proposal was forwarded to the Central Government for re-imbursement of any expenditure out of this earmarked fund for Natural Calamities. However, eight beneficiaries were provided with assistance under Natural Calamities category out of the normal allotment to the State as indicated in the Para 3.3.9.1 *supra*.

While accepting the facts, the State Government stated (October 2013) that for the year 2013-14, all the DRDAs had been instructed to submit proposal, if any, for availing special package under IAY within their Districts.

3.3.10.8 Transfer of fund to beneficiaries

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.

In case of the two sample Districts (Aizawl and Champhai) it was noticed that the scheme was directly implemented by the concerned Block Development Officers. The BDOs released the payment to the beneficiaries on a staggered basis depending on progress of the work. The sanctioned fund was released to beneficiaries in two instalments, the first instalment (50 per cent) with the sanction orders and the second instalment (50 per cent) when the construction reached the plinth level.

Further, it was noticed in audit that in the four test-checked blocks, the payment to all the beneficiaries had been released through the bank/post office accounts of the beneficiaries from the years indicated in the Table-3.3.3. Previous to that period beneficiaries were paid in cash due to poor banking facilities during that period.

Table-3.3.3

Name of District	Name of Block	Period from which payments were released through the beneficiaries' accounts
Aizawl	Tlangnuam	2012-13
	Aibawk	2012-13
Champhai	Champhai	2009-10
	Khawzawl	November 2010

Sources: Departmental records

Audit Objective: 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?

3.3.11 Physical Targets and Achievements

3.3.11.1 Physical performance on construction of IAY Houses

The physical targets and achievements attained thereon in new construction and up-gradation of IAY houses by the eight Districts in the State during 2008-13 are given in the following Table-3.3.4:

Table-3.3.4

(A) Physical Targets and Achievements : (New Construction)

Year	Targets			Achievements (Percentage)		
	SC/ ST	Physically or mentally challenged	Total	SC/ ST	Physically or mentally challenged	Total
2008-09	2024	63	2087	3106 (153)	45 (71)	3151
2009-10	2517	78	2595	2892 (115)	64 (82)	2956
2010-11	2157	67	2224	2584 (120)	45 (67)	2629
2011-12	2071	64	2135	2240 (108)	80 (125)	2320
2012-13	2606	81	2687	2362 (91)	34 (42)	2396
Total	11376	352	11728	13184 (116)	268 (76)	13452

(B) Physical Targets and Achievements : (Up-gradation)

Year	Targets			Achievements (Percentage)		
	SC/ ST	Physically or mentally challenged	Total	SC/ ST	Physically or mentally challenged	Total
2008-09	1117	35	1152	2011 (180)	17 (49)	2028
2009-10	889	27	916	1848 (208)	47 (174)	1895
2010-11	432	13	445	1444 (334)	18 (138)	1462
2011-12	191	6	197	899 (471)	8 (133)	907
2012-13	0	0	0	383 (100)	0	383
Total	2629	81	2710	6585 (250)	90 (111)	6675

Source: Departmental records

It could be seen from the Table-3.3.4 (A) and (B) above that physical achievement in respect of new construction and up-gradation of houses exceeded the targets in SC/ST category and in the case of physically or mentally challenged the achievement was less than the target fixed.

While admitting the facts, the State Government stated (October 2013) that the excess achievement was made from the accrued interest on savings bank accounts and due to excess release of State matching share for the outstanding fund released by the GoI for the previous years.

3.3.11.2 Non-coverage of up-gradation of houses

As provided in the IAY Guidelines (Para 4.1), upto 20 per cent of the total funds can be utilised for up-gradation of existing kutchha houses. It was also noticed that, while releasing the first instalment of allocated fund during 2012-13, the Ministry of Rural Development, Government of India clearly stated that the released fund should be utilised for the construction of new houses/up-gradation.

During 2012-13, an amount of ₹ 1,225.17 lakh was available with the eight DRDAs in the State. Thus, out of available fund of ₹ 1,225.17 lakh, an amount of ₹ 245.03 lakh

(20 *per cent*) could have been utilised for up-gradation of at least 1,633 existing kutcha houses @ ₹ 15,000/- each.

Against this, only 383 houses were upgraded in two Districts (Lawngtlai District - 203 houses; and Lunglei District - 180 houses). In the remaining six Districts (Aizawl, Champhai, Kolasib, Mamit, Saiha and Serchhip) in the State during 2012-13, no funds were utilised for up-gradation of kutcha houses despite there being beneficiaries seeking assistance for up-gradation of houses as evident from the permanent IAY list.

The State Government stated (October 2013) that in spite of the provision in the Guidelines that upto 20 *per cent* of the total funds can be utilised for up-gradation of houses, the IAY assistance was given for new construction of houses as the beneficiaries desired higher amount meant for new construction in order to have better houses and moreover providing IAY up-gradation is not mandatory. The reply, however, is not acceptable as there were beneficiaries seeking assistance as per permanent IAY list for up-gradation of houses. The State could have gone for a judicious mix of both the categories.

3.3.12 Construction of houses and quality

3.3.12.1 Cost Effectiveness and Quality of Material

Para 5.2 of the IAY Guidelines 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 expertise 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. Help of Building Centres may also be taken to get the information on cost effective technologies/materials and conducting training for rural artisans. The State Governments may also arrange to make available information on cost effective environment friendly technologies, materials, designs *etc.* at District/Block level. Any other suitable location specific technology can be adopted by the beneficiaries.

It was seen in both the sample Districts that there was nothing on record to indicate that they have constructed houses by utilising to the maximum possible extent local materials and cost effective disaster resistant and environment friendly technologies. The State Government had also not arranged to make available information on cost effective environment friendly technologies, materials, designs *etc.* at District/Block level.

While accepting the facts, the State Government stated (October 2013) that the Government now have been designing a type design, in which effort will be made to incorporate environment friendly technologies.

3.3.12.2 Type Design

As per IAY Guidelines, 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 chullha *etc.*

It was, however, noticed that, the State Government, Rural Development Department has so far not prepared any type design along with technical and material specifications for IAY houses in the Districts. In the absence of type design, it could not be ensured that dwelling units constructed had ample space, kitchen, ventilation, sanitary facilities, smokeless chullha, *etc.*

Household beneficiary survey covering 150 beneficiaries revealed that only 17 *per cent* of houses had smokeless chullha facilities in new constructed houses. While sanitation facilities were not available in eight *per cent* of houses, in three *per cent* of the houses, kitchen facilities were absent.

The State Government stated (August 2013) that they had prepared two type designs with disaster resistance but the plan and estimate exceeded the amount fixed for beneficiary. The State reported its inability to the Ministry on 27 January 2011. The State Government added (October 2013) that the Directorate of Rural Development with competent Engineers would be instructed to chalk out the Type Design of the IAY houses to be adopted for all the Districts in Mizoram.

3.3.13 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.

The position of allotment of IAY houses (both New Construction and Up-gradation) in the eight Districts of the State during 2008-13 is given in the following Table:

Table-3.3.5

(A) New Construction:

Year	Out of houses sanctioned during the year, houses allotted in the name of:				
	Women	Husband and wife jointly	Physically handicapped	Others	Total
2008-09	1855	775	45	476	3151
2009-10	1552	1340	64	Nil	2956
2010-11	1094	1161	45	329	2629
2011-12	1234	1006	80	Nil	2320
2012-13	1096	1247	34	19	2396
Total	6831	5529	268	824	13452

(B) Up-gradation:

Year	Out of houses sanctioned during the year, houses allotted in the name of:				
	Women	Husband and wife jointly	Physically handicapped	Others	Total
2008-09	1250	489	17	272	2028
2009-10	945	903	47	Nil	1895
2010-11	705	473	18	266	1462
2011-12	626	254	27	Nil	907
2012-13	233	150	Nil	Nil	383
Total	3759	2269	109	538	6675

Source: Departmental records

As can be seen from the above Tables, out of 13,452 newly constructed houses, 12,360 houses (92 per cent) were either allotted to female members or jointly in the name of both husband and wife. Another, 268 houses (2 per cent) were allotted to physically handicapped persons leaving a balance of 824 houses (6 per cent), which had been allotted to male members. Similarly, out of 6,675 upgraded houses, 6,028 houses (90 per cent) were either allotted to female members or jointly in the name of both husband and wife. Another, 109 houses (2 per cent) were allotted to physically handicapped persons leaving a balance of 538 houses (8 per cent), which had been allotted to other male members.

It was not on record to indicate that there was no eligible female member in case of 824 newly constructed houses and 538 upgraded houses that had been allotted to male members of the family.

While accepting the facts, the State Government clarified (October 2013) that Mizoram is a patrilineal society and so, all plots of land on which the dwelling units are to be built are always in the name of male member of the families. As such, permanent waitlist is always prepared in the names of the head of the families which are always male members of the families. Due to this reason, assistance under the Scheme had always been given in the names of male member due to ignorance of instruction/guidelines in this regard.

3.3.14 Loan 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 four *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.

It was noted in audit that none of the beneficiaries under two test checked Districts (Aizawl and Champhai) had availed the DRI scheme during the period covered under Performance Audit.

Further, in course of household beneficiary survey all the 150 beneficiaries interacted with expressed that they were not aware of the DRI loan facility which had indicated that the concerned DRDAs had not initiated any awareness programme to facilitate availing of loan under DRI scheme to the beneficiaries.

While admitting the facts, the State Government stated (October 2013) that all the DRDAs/ BDOs have been instructed to disseminate information of DRI Scheme to the beneficiaries from the current year.

Audit Objective: Whether the convergence of the IAY activities with other programmes as envisaged was effectively achieved and ensured availability of complete functional dwelling units?

3.3.15 Convergence with other schemes

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) 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 will be provided to the beneficiary from TSC for construction of same; (ii) RGGVY so that each IAY beneficiary could get a free electricity connection to the house and (iii) NRWSP to provide adequate water for drinking, cooking and other domestic basic needs on sustainable basis.

Scrutiny of the records of the two sample Districts (Aizawl and Champhai) revealed 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 in these two Districts could not derive the benefits of these schemes intended for rural BPL households.

This is evident from the fact that none of the 150 beneficiaries covered in household survey received any support from the convergence of Government schemes like TSC, RGGVY, NRWSP *etc.*, which implied that the concerned DRDAs did not make concerted efforts to identify the programmes/schemes for dovetailing with IAY so as to ensure that the IAY beneficiaries could derive the benefits of these schemes intended for rural BPL households.

In its reply (October 2013), the State Government accepted the facts that no specific efforts in regard to convergence of IAY with RGGVY and TSC has been taken up by the DRDAs. However, the Government has initiated convergence processes with the respective Nodal Departments from the year 2013-14.

Audit Objective: Whether the mechanism in place for monitoring and evaluation of the outcomes of the programme was adequate and effective?

3.3.16 Monitoring and evaluation

3.3.16.1 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.

Further, Para 6.1 of the IAY Guidelines envisage that the States may conduct evaluation studies on their own regarding the implementation and impact of the programme in their State. Copies of the reports of the evaluation studies conducted by the State should be furnished to the Government of India. Remedial action should be taken by the State 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.

3.3.16.2 State Level Monitoring and Evaluation

(A) Monitoring

It was noticed that the State Government, Rural Development Department has so far not drawn up 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. Also, during the period covered under Performance Audit, no field visit was taken up by the any of the supervisory level functionary from the State level to oversee whether the programme is being implemented satisfactorily and whether construction of houses is in accordance with the prescribed procedure.

In its reply (October 2013) the State Government expressed regret for not being able to conduct field visit in the implementation of IAY by the official functionaries at State Level due to heavy workload in the daily routine works in the office.

(B) Evaluation

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

In its reply (October 2013), the State Government has admitted the fact and did not elaborate further.

3.3.16.3 Vigilance and Monitoring Committee

Para 6.1 of the IAY Guidelines envisages that 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.

It was noticed that during the period covered under Performance Audit the following numbers of meetings of the State/District Level Vigilance and Monitoring Committee were held in the State level and test checked District levels:

Year	State Level	District Level	
		Aizawl	Champhai
2008-09	Nil	02	02
2009-10	01	01	02
2010-11	01	03	03
2011-12	01	02	03
2012-13	01	03	03
Total	04	11	13

It was noticed during the audit scrutiny that in the meeting of State Level Vigilance and Monitoring Committee, representative from the Ministry of Rural Development, Government of India attended only once in 2010-11 during five years period covered under the performance audit.

3.3.17 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.

It was noticed that, the State Government as well as two sample Districts (Aizawl and Champhai) 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. 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.

While accepting the facts, the State Government stated (October 2013) that conducting training as a routine was difficult at the State, District and Block Level due to financial constraint.

3.3.18 Quality Inspection

Para 5.7.1 of the IAY Guidelines provides that technical supervision should be provided for construction of an IAY house. Foundation laying and lintel level are critical stages for maintaining the quality of the house. Therefore, technical supervision should be provided at least at these two stages.

It was seen that the implementing officers (BDOs) had periodically provided technical supervision for the construction of IAY houses by the beneficiaries through the technical staff attached to their respective blocks. The interaction with the beneficiaries also confirmed this fact to very great extent.

3.3.19 Household beneficiary survey

In course of this Performance Audit, a Household Beneficiary Survey was conducted by audit jointly with the representatives of the implementing blocks to assess the impact of IAY at the grass root level. The beneficiary survey primarily involved direct interaction with

the IAY beneficiary households to ascertain their satisfaction level on the implementation of the IAY Scheme in the presence of Departmental officials.

The household beneficiary survey was conducted in Aizawl and Champhai Districts covering 150 beneficiary households in 25 villages under four sample blocks (Aizawl District - Aibawk and Tlangnuam Blocks; Champhai District - Champhai and Khawzawl Blocks).

Summary of the analysis out of responses gathered from 150 beneficiaries is given in the **Appendix-3.3.3**.

From the responses to the questionnaires as indicated in the **Appendix-3.3.3**, the following observations are made:

- ⇒ Out of 150 beneficiaries only 118 beneficiaries had annual income in the range of ₹ 15,000 to ₹ 30,000 and annual income of the remaining 32 beneficiaries was in the range of ₹ 30,001 to ₹ 75,000. Further, out of 150 beneficiaries, only 89 beneficiaries (representing 59 *per cent*) have BPL ration cards and the remaining 61 beneficiaries have either APL or other type (AAY) ration cards. This implied that all the beneficiaries were not under BPL category.
- ⇒ All the 150 beneficiaries accepted that they were residing in *kutcha* houses before the construction of IAY dwelling units, which had a significant impact in uplifting their lifestyle.
- ⇒ All the 150 beneficiaries have constructed IAY dwelling units on the plot of land owned by themselves, which signifies that none of these rural BPL households require allotment of homestead sites from the VC and/or Government.
- ⇒ Out of 150 houses, 69 houses (representing 46 *per cent*) were allotted to male member of the households, although female members in the families were available/alive, which implied that the allotment of IAY houses were not done as per Para 2.4 of the IAY Guidelines.
- ⇒ Out of 150 houses sanctioned, 136 beneficiaries (representing 91 *per cent*) have completed construction of houses and out of the remaining 14 houses, 13 houses were in progress and one house was abandoned. In Ngur Village Council under Champhai Block (Champhai District), one beneficiary *viz.* Lalrinawma did not start the construction of IAY new house although an amount of ₹ 48,500 was disbursed to him during 2011-12.
- ⇒ Out of 150 beneficiaries, only four beneficiaries (representing three *per cent*) informed that no departmental technical inspection was carried out at the stage of construction of IAY houses. It showed that the implementing agencies at Block level carried out

- nearly 100 *per cent* technical inspection at the construction stages of IAY houses as envisaged in the IAY Guidelines.
- ⇒ Against 150 houses, only 68 houses (representing 45 *per cent*) displayed IAY logo which implied that concerned DRDAs did not ensure the display of the Government of India Rural Housing logo in these houses although sufficient IAY resources available under the scheme from the accrued interest.
 - ⇒ It can be concluded that the level of beneficiary satisfaction has been very high as all the 150 beneficiaries affirmed that they did not face any problem in receiving the IAY funds from the implementing agencies.
 - ⇒ Out of 150 beneficiaries, only 68 beneficiaries (representing 45 *per cent*) received the IAY funds through their respective bank accounts and the remaining 82 beneficiaries (representing 55 *per cent*) received the fund in cash which implied that the implementing agencies had not introduced the system of disbursement of fund through bank account in all the cases.
 - ⇒ Out of 150 beneficiaries, almost major portion of the beneficiaries (144) constituting 96 *per cent* have received the IAY funds in full except six beneficiaries who received 50 *per cent* advances. This indicates that the implementing agencies had taken efforts for timely disbursement of funds.
 - ⇒ Despite available provisions for construction of smokeless chulhas and sanitary latrines under the scheme, only 25 beneficiaries and 138 beneficiaries had constructed smokeless chulhas and sanitary latrines respectively in their houses which indicates that the concerned implementing agencies did not ensure the compliance of these provisions of the IAY Guidelines.
 - ⇒ All the 150 beneficiaries expressed that they did not receive any support from the convergence of Government schemes like TSC, RGGVY, NRWSP and Assistance under LIC - Jan Shree Bima or Aam Admi Bima which implied that the concerned DRDAs did not make concerted efforts to identify the programmes/schemes for dovetailing with IAY so as to ensure that the IAY beneficiaries could derive the benefits of these schemes intended for rural BPL households.
 - ⇒ All the 150 beneficiaries expressed that they did not receive any type design of the houses they constructed including expertise/information on use of innovative material, procurement of low cost material, cost effective technology and disaster resistant technology. This implied that both the State Government and the concerned DRDAs had not taken any efforts in these areas.

3.3.20 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 all the eight Districts in the State could achieve the target of construction of new houses and up-gradation of existing *kutchra* houses during 2008-13. That the overall performance of the program in the state has been satisfactory is amply reflected in the beneficiary survey, wherein it can be concluded that the level of beneficiary satisfaction was very high, as they responded with satisfaction over the timely receipt of instalments due to them and that the program had indeed uplifted their lifestyle by transiting into a new and improved dwelling units from their existing *kuthca* houses.

There were a few negative features which need to be addressed, which could have facilitated in much better implementation of the Scheme in the State. Implementation of the scheme without formulating Annual Plans have raised doubts on whether the scheme was implemented with specific goals and targets of addressing shelterlessness in a time bound manner. 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 of its benefit of loan facility with marginal interest rate under the DRI scheme. There were instances of selection of beneficiaries without maintaining the order of ranking/ seniority in the waitlist as well as selection of beneficiaries outside the waitlist. 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.

3.3.21 Recommendations

The following recommendations are made for improvement in future implementation of the Scheme.

- The State Government should scrupulously take necessary steps for implementation the 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.
- The State Government should develop the implementation strategy for IAY by balancing the needs and advantages of habitation or cluster approach and individual household approach. 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.
 - State Government should ensure release of its share within the prescribed time limit for timely implementation of the scheme.
 - The State Government should make efforts to converge the programmes/schemes being implemented by various Ministries/ Departments and 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.
 - States 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.

COMPLIANCE AUDIT PARAGRAPHS

INDUSTRIES DEPARTMENT

3.4 Disbursement of Transport Subsidy

3.4.1 Introduction

The Government of India (GoI) introduced the Transport Subsidy Scheme in July 1971, with a view to promoting industrialisation of hilly, remote and inaccessible areas. Under the scheme, transport subsidy is allowed to industrial units in selected areas, on movement of raw materials and finished goods to and from the designated railheads.

The scheme is applicable to all industrial units (excluding plantations, refineries and power generating units) located in the North Eastern Region (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura and Sikkim), Jammu & Kashmir, Himachal Pradesh eight hilly Districts of Uttarakhand, one District of West Bengal, Andaman and Nicobar Islands and Lakshadweep.

In respect of Mizoram State, the Transport subsidy is payable at 90 *per cent* of the expenditure incurred on transportation of raw materials and finished goods from the designated railhead (Siliguri) to the industrial units and *vice-versa*.

The subsidy is payable for a period of five years from the date of commencement of commercial production. Subsidy is also available for transportation cost of additional

raw materials and finished goods as a result of substantial expansion or diversification of existing industrial units, but is restricted to 50 per cent of the additional transport cost.

The scheme is administered by the Department of Industrial Policy Promotion (DIPP), Ministry of Commerce & Industry. Each State Government/UT Administration is required to set up a State Level Committee (SLC), to scrutinize and settle all claims of transport subsidy arising within the State/UT. The SLC consists of representatives of the State Industries and Finance Departments, as well as a nominee of the DIPP.

With a view to providing a single window for all fiscal incentives in the North East, the system of disbursement of subsidy was introduced (May 2000) through the North Eastern Development Finance Corporation (NEDFi)² which is a Special Purpose Vehicle for the North East. As the NEDFi is carrying out scrutiny and disbursement on behalf of the Department of Industrial Policy and Promotion (DIPP), the State Level Committee (SLC) is required to forward the SLC minutes along with original claim papers and supporting documents of the units concern to the NEDFi, who will determine the eligibility and ensure that all procedural and documentation formalities have been complied with.

3.4.2 Scope & Objectives of Audit

The audit of disbursement of Subsidy under the Transport Subsidy Scheme covering the period from 2010-11 to 2012-13 was undertaken during June-August 2013 to assess whether the eligibility of the industrial units was properly determined and ensured the compliance of procedural and documentation formalities.

Audit was carried out through test check of the records of the State Level Committee, Directorate of Industries, Mizoram, and three District Industries Centres (DICs) Aizawl, Lunglei and Saiha out of eight DICs in the State beside records of the NEDFi, Aizawl Branch.

AUDIT FINDINGS

Significant audit findings noticed in course of audit are discussed in the succeeding paragraphs.

3.4.3 Claim and disbursement of Transport Subsidy

During 2010-13 a total claim of ₹ 1,203.26 lakh in respect of 467 industrial units was approved by the State Level Committee (on 22 April 2008, 17 June 2009 and 08 April 2011) and forwarded to the NEDFi for disbursement. Out of which the NEDFi disbursed an amount of ₹ 864.91 lakh to 392 industrial units between June 2010 and

² NEDFi is a public limited company registered under the Companies Act, 1956 on 9 August 1995. With the formation of Ministry of Development of North Eastern Region (DoNER), Government of India in 2004, the Corporation has been placed under the Ministry of DoNER for administrative purpose.

December 2012. Disbursement of Transport Subsidy to the remaining 75 industrial units was pending. The summary of claims is given below:

Sl. No.	SLC date	Approved Claims	Claims disbursed	Amount disbursed (₹ in lakh)	Pending for disbursement
1.	22.04.2008	206	173	227.06	33
2.	17.06.2009	258	217	539.82	41
3.	08.04.2011	3	2	98.03	01
Total		467	392	864.91	75

Source: NEDFi records

The claims that were pending for disbursement are due to following reasons:

- (i) 25 claims were placed under objection by the pre-audit team of DIPP;
- (ii) 47 claims could not be released as the documents submitted in the claim files did not conform to the check-list, issued by DIPP;
- (iii) 02 claims were kept pending as the units did not submit required documents; and
- (iv) 01 claim was kept pending as no mention of the case was found either in the recommended list or under objection in the pre-audit report.

3.4.3.1 Disbursement of subsidy without scrutinising the claims as per check-list

The Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Government of India decided (10 September 2009) to adopt a uniform and comprehensive format of check-list for scrutiny of claims under Transport Subsidy Scheme. Accordingly, the Ministry of Commerce and Industry instructed that the State Government/Nodal Agencies should scrutinise all the claims pending for release under Transport Subsidy Scheme in accordance with the prescribed check-list with immediate effect. The Government of India also emphasised that the release of funds is made to only those units whose cases have been scrutinised as per the prescribed check list. The scrutiny of claims under Transport Subsidy Scheme would be applicable for all future releases of fund under the Scheme.

Scrutiny of records of NEDFi disclosed that the two claims approved by SLC (on 22 April 2008 and 17 June 2009) for ₹ 964.06 lakh in respect of 464 units was not finalised by the NEDFi till the end of financial year 2009-10. As such, the claims approved by SLC on 22 April 2008 and 17 June 2009 in respect of 464 industrial units which were pending release, were required to be re-scrutinised for their eligibility by ensuring that all procedural and documentation formalities have been complied with in terms of prescribed check-list.

Audit scrutiny, revealed that as the SLC/Director of Industries, Mizoram did not initiate any action to re-scrutinise for their eligibility as per prescribed uniform and comprehensive format of check-list in respect of pending claim of the 464 industrial units. However, the NEDFi unilaterally approved the claims of 390 industrial units and disbursed Transport Subsidy of ₹ 766.87 lakh between June 2010 and December 2012.

Further, it was noticed that based on approval (8 April 2011) received from the SLC, the Director of Industries, forwarded (on 20 April 2011) three claims amounting to ₹ 239.20 lakh to the NEDFi for disbursement of Transport Subsidy without conducting any scrutiny as per the prescribed uniform and comprehensive check list. Out of the three claims, the NEDFi accepted and disbursed two claims amounting to ₹ 98.03 lakh though it was not sanctioned as per the prescribed checklist by the SLC. The State Government has accepted (November 2013) the irregularities.

It was also noticed in the audit that all the claims accepted by the NEDFi for payment of Transport Subsidy were not supported by attested copies of Registration Certificate (RC) of vehicles transporting the raw materials and finished goods to and from the factory and road permits issued by the Road Transport Department or Authentic Government documents incorporating the truck number and Bank Statement for payment made to transporters as required under the prescribed uniform and comprehensive format of check-list.

The Director of Industries stated (June 2013) that all the claims in respect of 464 industrial units were approved (22 April 2008 and 16 June 2009) by the SLC prior to introduction (10 September 2009) of uniform and comprehensive format of check-list and as such the check list issued by the Government of India does not bar the above mentioned cases.

The reply is not acceptable as all the claims in respect of 464 industrial units were pending for release under Transport Subsidy Scheme till the end of 2009-10. The claims were required to be scrutinised again in terms of prescribed check list issued by the GoI to ascertain the admissibility or otherwise, which was not done.

3.4.4 Delay in payment of claims

According to the Scheme guidelines of 1971, the Directorate of Industries of the State and Union Territory concerned are required to draw up procedures and arrangements not only for scrutinising the claims but also arrange for prompt payment of the claims.

Audit scrutiny revealed that, despite the claims submitted on time by the claimants, there were delays in submission of claims to the NEDFi for payment ranging from one year to six years for all the 392 claimants for whom payments were made during the period from 2010-11 to 2012-13.

While accepting the facts, the State Government (November 2013) stated that upto date processing will be done in future.

3.4.5 Monitoring and Inspection

According to the Scheme guidelines of 1971, the Directorate of Industries were to lay down procedures to ensure regular inflow of information regarding movement of raw materials and finished goods to and from the industrial units. They should also lay down that statistics of productions and utilisation of materials should be maintained and kept open for inspection on request by the Directorate of Industries.

Further, in order to check any misuse of transport subsidy, the Directorate would carry out periodical checks to ensure that the raw materials and finished goods in respect of which transport subsidy had been given were actually used for the purpose by a system of scrutinising the raw materials and the output of the finished goods.

Audit scrutiny revealed that for ensuring regular inflow of information regarding movement of raw materials and finished goods, the Directorate of Industries prepared checklists and issued to the District Industries Centres (DICs), directing the DICs to ensure that industrial units maintain registers showing the actual quantity of raw material procured during the claim period and also showing the actual quantity of finished products manufactured by the units and their disposal in the market during the claim period. However, in all the three districts test checked by audit the DICs have not taken any step for ensuring the regular inflow of information.

Also, the Directorate of Industries did not carry out any periodical check to ensure that the raw materials and the finished goods in respect of which transport subsidy has been given were actually used for the purpose by a system of scrutinising consumption of raw materials and the output of the finished goods.

While accepting the facts, the State Government (November 2013) stated that the periodical checks could not be carried out due to lack of manpower.

3.4.6 Impact Analysis

To assess the impact of disbursement of transport subsidy to the industrial units in promoting industrialisation of hilly areas, audit conducted a study by selecting 93 industrial units that has received transport subsidy during 2010-12 in three districts (Aizawl, Lunglei and Saiha) for direct interactions with the beneficiaries in the presence of departmental officials.

The impact assessment study revealed that out of 93 industrial units in three districts, 39 units, which had received transport subsidy totaling ₹ 100.54 lakh during 2010-12 have

wound up their activities just after receiving the subsidy and were no longer in existence as indicated in the following Table-3.4.1:

Table-3.4.1

Name of District selected	No of industrial units, which received transport subsidy during 2010-13	Number of units selected for verification	Result of verification:		
			No. of Units existing	No. of units no longer existing	Amount of subsidy disbursed to non-existed units (₹ in lakh)
Aizawl	163	42	28	14	62.55
Lunglei	144	38	17	21	27.76
Saiha	15	13	9	4	10.22
Total	322	93	54	39	100.54

Source: Departmental records

Thus, the objective of promoting industrialisation in the State through transport subsidy scheme has been achieved only with limited success.