CHAPTER – III

CIVIL DEPARTMENTS

SECTION – A - REVIEW

RURAL DEVELOPMENT DEPARTMENT

3.1 Swarnajayanti Gram Swarozgar Yojana (SGSY)

Highlights

The review highlights the failure of the Rural Development Department to identify families below the poverty line (BPL), under-utilisation and diversion of funds, locking up of funds with banks and non-release of subsidy by banks, all of which adversely affected the implementation of the scheme.

Under-utilisation of funds, to the extent of Rs.1.51 crore during 1999-2002 adversely affected generation of income through self employment programmes of the rural people.

(Paragraphs 3.1.7 and 3.1.8)

Unauthorised expenditure of Rs.1.54 crore reduced the availability of funds under the scheme affecting generation of self employment.

(Paragraphs 3.1.10 to 3.1.12)

Incorrect reporting of expenditure of Rs.1.52 crore and inflated reporting of excess receipt of Rs.0.83 crore to Government of India during 1999-2001 were noticed.

(Paragraphs 3.1.13 & 3.1.14)

Subsidy of Rs.1.19 crore was locked up with participating banks.

(Paragraphs 3.1.15 to 3.1.17)

Despite spending 84 *per cent* of available funds, the physical achievement was only 40.27 *per cent*.

(Paragraph 3.1.22)

Doubtful utilisation of Rs.0.43 crore in respect of infrastructure creation and under-utilisation of infrastructure funds of Rs.0.97 crore during 1999-2001 were noticed.

(Paragraphs 3.1.36 and 3.1.37)

Introduction

3.1.1 In April 1999, after restructuring all the self employment programmes like IRDP, TRYSEM, DWCRA, SITRA, GKY and MWS, Government of India launched a new programme "*Swarnajayanti Gram Swarojgar Yojana* (SGSY)" for the rural poor. The SGSY aims at alleviation of poverty at grass root level targeting population below the poverty line (BPL).

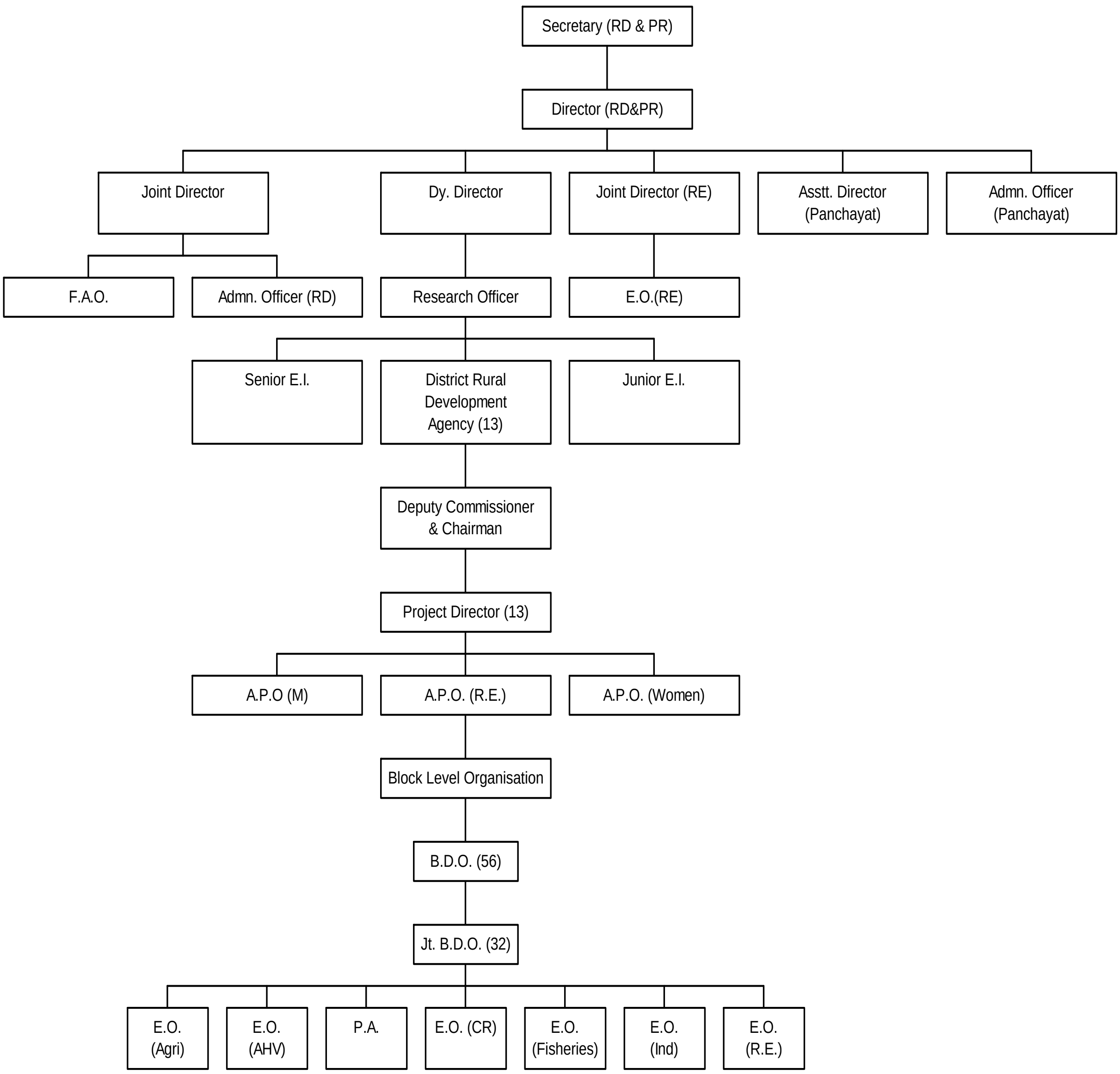
3.1.2 This programme covered all the aspects of self employment programmes, such as organisation of poor rural people into self help groups (SHG), training, credit, technology, infrastructure and marketing with the objective of bringing the assisted poor families (BPL) above the poverty line in three years by providing them income generating assets through a mix of bank credit and Government subsidy. SGSY seeks to ensure that the family has a monthly net income of at least Rs.2000 excluding repayment. Subject to the availability of funds, the scheme sought to cover 30 *per cent* of the poor families in each block during the next five years.

Organisational set up

3.1.3 Under SGSY scheme, the Secretary, Rural Development and *Panchayati Raj* Department (RD&PR) was incharge of the programme. The agencies responsible for implementation of the programme are depicted in the chart given below :

Chart 3.1

ORGANISATIONAL CHART OF RURAL DEVELOPMENT & PANCHAYATI RAJ DEPARTMENT, ARUNACHAL PRADESH



Audit coverage

3.1.4 The implementation of the programme during the period from 1999-2000 to 2001-2002 was reviewed in audit (April – May 2002) based on test check of records of the Directorate of RD&PR, four* District Rural Development Agencies (DRDAs) (31 *per cent*) out of 13 DRDAs and 7 blocks (28 *per cent*) out of 25 blocks covering 40 *per cent* of the total expenditure during the period. Important points noticed are discussed in succeeding paragraphs.

* Along , Pasighat , Ziro and Tezu

Finance

3.1.5 SGSY is being implemented on sharing basis by Centre and State in the ratio of 75:25. Out of the funds received by the DRDAs directly from the respective Governments, 10 *per cent* is for training of *Swarozgaris*, 25 *per cent* for infrastructure development, 10 *per cent* for revolving funds for self help groups (SHG) and 55 *per cent* for providing subsidy. With the introduction of new scheme "SGSY" from 1.4.1999 the erstwhile self employment programmes like IRDP, DWCRA etc., became defunct and unspent balances as on 31.3.1999 under those defunct programmes formed part of SGSY funds.

3.1.6 The year wise allocation of Central and State funds released and actual expenditure under the programme as furnished by the department during the period 1999-2000 to 2001-2002 are given in **Appendix - -XVI**.

Under-utilisation of fund

3.1.7 It would be seen from **Appendix - XVI** that unutilised funds under the SGSY at the end of 2001-2002 were Rs.1.51 crore against Rs.9.24[*] crore available under the scheme since April 1999. Reasons for under-utilisation of funds were not stated by the department. The reasons for which the funds remained largely unutilised are as follows :

3.1.8 Release of funds to the DRDAs was not based on progress of expenditure made and utilisation of funds. The unutilised funds pertaining to erstwhile programme to be merged with SGSY was Rs.5.13 crore (April 1999) and the expenditure incurred during 1999-2000 was Rs.3.94 crore leaving an unutilised balance of Rs.1.19 crore (Rs.5.13 crore – Rs.3.94 crore) under the scheme. It was seen that despite availability of sufficient funds at the beginning of the year, funds amounting to Rs.1.02 crore (Central - Rs.0.81 crore, State - Rs.0.21 crore) were released during 1999-2000. Thus, the release of funds of Rs.1.02 crore during 1999-2000 was injudicious. During 1999-2000 to 2001-2002 the reported expenditure ranged from 46 to 63 *per cent* of the available funds. The shortfall in utilisation of funds indicated poor performance of the implementing agencies which adversely affected generation of income through self employment.

3.1.9 Release of funds both by Government of India and the State without matching utilisation resulted in parking of funds outside Government accounts. The fiscal cost of such retention of funds outside Government accounts was Rs.0.50 crore; worked out by applying the average cost of

[*] **(Rupees in crore)**

Opening balance	Rs.5.13
Funds released during 1999-2002	Rs.3.89
Misc. receipt	Rs.0.22
Total	**Rs.9.24**

borrowing on the unutilised funds and interest earned on savings accounts. The details are given in **Appendix - XVII**.

Unauthorised expenditure

3.1.10 According to the guidelines, it is not permissible to incur expenditure on any programme or activity other than on specified components of SGSY like subsidy, infrastructure, etc., at prescribed percentage.

3.1.11 Scrutiny of records and information/materials furnished by the department showed that out of Rs.6.23 crore available under SGSY during 1999-2000, an amount of Rs.1.54 crore was incurred on two independent schemes (DRDA Administration – Rs.1.37 crore and Employment Assurance Scheme (EAS) – Rs.0.17 crore) which is against the norms of SGSY. Out of the expended amount, Rs.0.59 crore (DRDA Admn. – Rs.0.56 crore; EAS – Rs.0.03 crore) related to 4 test checked DRDAs.

3.1.12 Thus, the unauthorised expenditure of Rs.1.54 crore reduced the availability of funds under SGSY affecting generation of self employment.

Inflated reporting of expenditure

3.1.13 The expenditure figures reported to Government of India by the 4 test checked DRDAs were at variance with those reflected in their accounts, prepared by Chartered Accountants, as shown in **Appendix - XVIII**. Against an actual expenditure of Rs.0.80 crore, as reflected in the accounts of 4 test checked DRDAs, during 1999-2000 to 2000-2001, the expenditure reported to Government of India was Rs.2.32 crore resulting in inflated reporting of expenditure of Rs.1.52 crore. The inflated reporting of expenditure was either a measure to tap more funds from the Government of India and State Government or was because of defective monitoring and control over expenditure on the part of the nodal department. The incorrect reporting was largely due to the fact that during 1999-2000, Rs.1.59 crore was spent on defunct programmes of IRDP, DWCRA, TRYCEM etc. Reasons for spending money on defunct programmes had not been stated.

3.1.14 Similarly, during 1999-2001 the total receipt of 4 test checked DRDAs under the scheme was Rs.3.66 crore whereas the total receipt reported to Government of India was shown as Rs.4.49 crore resulting in incorrect reporting of excess receipt of Rs.0.83 crore. The discrepancy has not yet been reconciled.

Locking up of funds with banks

3.1.15 The assistance to beneficiaries under SGSY comprised loan and subsidy. The major part of the investment in the form of loan come from institutional credit while part of the project cost is met by giving back end subsidy from Government accounts. The subsidy is to be released to the bank after ensuring sanction of loan by the banks to the *Swarozgaris* (beneficiaries).

3.1.16 During 1999-2000 to 2001-2002, the test checked DRDAs paid back end subsidy totalling Rs.1.19 crore to participating banks. This back end subsidy was deposited in Subsidy Reserve Fund (SRF) with the banks bearing no interest to enable the bank to disburse the loans to the selected *Swarozgaris*. The DRDAs did not ascertain whether the loans were disbursed to the *Swarozgaris* for whom the subsidy money was deposited into SRF. In the absence of confirmation about disbursement of loans against back end subsidy paid, possibility of unwanted locking up of funds with the banks and eventual loss of interest on subsidy money kept in SRF cannot be ruled out. During 2000-2001, the DRDA, Ziro showed coverage of 81 individuals and 1 SHG under SGSY. The back end subsidy required to be paid to banks to cover these beneficiaries should be Rs.9.35 lakh (81 x Rs.0.10 lakh + 1 x Rs.1.25 lakh) whereas Rs.22.80 lakh had been deposited into SRF.

3.1.17 The DRDAs stated that monthly returns from the participating banks indicating the amount of loan disbursed, amount of loan recovered and end subsidy ultimately adjusted against the amount disbursed to the *Swarozgaris* were not forthcoming. The extent of utilisation of subsidy of Rs.1.19 crore paid from Government Account could not be ascertained in audit and the impact of such investment towards subsidy for generation of self employment could not be assessed. On the issue of expenditure towards subsidy, the Chartered Accountant had observed that monitoring over subsidies and its end use needed updating by the DRDAs.

Maintenance of fund

3.1.18 Guidelines of the scheme envisaged that the funds received by the DRDAs should be kept in saving bank accounts separately for each component of SGSY. The DRDAs can open these accounts with principal bank branches in the field (blocks). But it was noticed in audit that the scheme funds were kept in savings bank accounts with SBI, Arunachal Pradesh Rural Bank (APRB) or Arunachal Pradesh State Co-operative Apex Bank (APSCAB) in lump sum and no separate account for each component was maintained.

3.1.19 The DRDA, Ziro had a bank account with SBI, Ziro to deal with SGSY funds comprising IRDP and DRDA Administration, and till March 2002 there was no separate bank account for SGSY. Thus, entire process of maintenance of SGSY funds was in contravention of provisions stipulated in the guidelines and the reason thereof was not on record.

Physical and Financial Performance

3.1.20 The resume of physical and financial performance are shown in **Appendix - XIX**.

The following points were noticed in audit :

3.1.21 The scheme intends to cover 30 *per cent* of the poor (BPL) families in each block within 5 years i.e. by March 2004. Accordingly, intended coverage per year comes to 6 *per cent* and coverage for preceding three years should be 18 *per cent*.

3.1.22 It was noticed in audit that total available funds of last three years for implementation of SGSY were Rs.9.24 crore and expenditure thereagainst was Rs.7.73 crore (84 *per cent*) leaving 16 *per cent* of total available funds unutilised. Further, out of 80,627 poor families in the State, 5844 (individual *Swarozgaris* – 4808 and members of SHG – 1036) families were covered in last three years as against 14,513 families (18% of 80,627) to be covered. Percentage of coverage being 40.27 *per cent*, there was shortfall of 59.73 *per cent* in terms of intended coverage even though 16 *per cent* of the available funds remained unutilised. Financial achievement was 84 *per cent* whereas physical achievement was 40.27 *per cent* only. Thus, physical achievement did not match or even come close to the financial achievement.

3.1.23 None of the test checked DRDAs had incurred any expenditure towards payment of subsidy during 1999-2000, but a physical achievement of bringing 1884 individual beneficiaries under the scheme was reported. Similarly, DRDA, Ziro had not incurred any expenditure towards subsidy during 2001-2002, but reported physical achievement of 203 individual and 59 SHG under the scheme (**Appendix - XIX**). Thus, the veracity of reported physical achievement was doubtful.

Planning

3.1.24 Apart from making adequate provision of funds and identification of *Swarozgaris*, the scheme envisaged detailed planning at DRDA level about selection of key activities compatible with *Swarozgaris* before providing assistance, market support, skill upgradation and technology transfer. Banks, line departments, NGOs and technical institutions in the district are also required to be involved in process of efficient and effective planning.

3.1.25 Test check of records of 4 districts revealed that no survey was conducted under the scheme to assess the viability of any key activity based on local resources, occupational skills of the people and availability of inputs, markets etc., before implementation of the scheme. No specific target was fixed at State level to extend benefit to the beneficiaries for proper implementation of the programme. The SGSY committees at blocks/district level were not formed or were not functioning in the districts test checked. As a result, the scheme could not gain momentum in the district/block level.

Identification of BPL families not done

3.1.26 Government of India in April 1997 instructed all the States to conduct BPL survey at the beginning of each five year plan to identify BPL families on the basis of household income through household consumer expenditure, employing trained staff for the purpose. No realistic BPL survey was conducted on list of BPL families prepared. In the absence of such a list of BPL families showing name, age, sex, etc., it could not be ascertained in audit that the *Swarozgaris*, to whom assistance have been provided, belonged to BPL families. Selection of *Swarozgaris* and rendering of assistance lacked transparency.

Key activities not identified

3.1.27 The success of SGSY depends on activities based on local resources and the products' ready market. As the *Panchayati Raj* was not in existence in the State of Arunachal Pradesh, selection of key activity remained with block SGSY committees who were to identify 8 – 10 activities which could derive net monthly income of at least Rs.2000. The district committee was to finally select 4 – 5 activities per block and circulate to BDOs, banks and all line departments.

3.1.28 It was noticed that none of the test checked DRDAs/BDOs had followed the selection procedure as enumerated above. Activities were taken up in accordance with the choice of *Swarozgaris*. During the period 2000-2002, 1010 beneficiaries, both individual and SHG were reported to have been covered under the 4 test checked districts. Out of 1010 beneficiaries, 447 were classified under "Other Farm Activities" and "Others" without specifying their actual activities in concrete terms (**Appendix – XX**). Non selection of block-wise key activities in specific terms was a weakness in the implementation of the scheme.

Shortfall in identification of Swarozgaris/formation of SHG

3.1.29 Under SGSY, beneficiaries are known as *Swarozgaris* who can either be individual or groups (SHG). SGSY lays importance on group approach under which rural poor organised into SHG. Each SHG consisting of 10 to 20 members, should devise a code of conduct.

3.1.30 SHG are entitled to receive assistance if the group qualifies through successive tests of (i) group formation, (ii) capital formation & skill development and (iii) taking up of economic activities. The DRDAs are required to identify suitable agency for the grading exercise. Although SGSY lays importance on SHG, only 100 SHG could be provided with assistance during the 3 years against a target of 302 and in respect of test checked 4 DRDAs, the physical coverage under SHG upto March 2001 was only 7 against a target of 115 (**Appendix - XIX**). Reason for shortfall in achievement had not been stated. This indicated that establishment of enterprise through SHG could not gather momentum in the State.

3.1.31 It was further noticed that neither was any external agency identified for gradation exercise nor was the gradation done otherwise. The records maintained by the DRDAs did not indicate anything about the existence, present status and income generated by the SHG out of the assistance provided to the group.

Programme implementation

Assets created not maintained by assisted Swarozgaris

3.1.32 The scheme guidelines envisaged that the procurement and maintenance of assets by *Swarozgaris* are to be monitored by the DRDAs and banks and in the event of information of procurement of assets by *Swarozgaris* not being received, the bank has the right to cancel the loan and recover the money.

3.1.33 It was revealed that the BDOs had no intimation from the *Swarozgaris* about procurement of assets. The DRDAs too had never monitored or checked assets created by *Swarozgaris*.

Unauthorised investment under revolving fund

3.1.34 The scheme guidelines envisaged that revolving fund be provided to a SHG only when it has passed on to second stage, i.e., capital formation stage. Further, guidelines issued to scheduled bank on 1.9.99 by the Reserve Bank of India showed that a SHG that was in existence in rural area at least for a period of six months and which had demonstrated potential of a viable group was entitled to receive a revolving fund of Rs.25,000 from bank as cash credit facility. Of this, a sum of Rs.10,000 would be given by DRDA.

3.1.35 Although, the DRDAs were not required to invest more than Rs.10,000 to revolving funds of a SHG, the 4 test checked DRDAs (**Appendix - XXI**) had invested an amount of Rs.8.59 lakh to revolving funds of 32 SHGs formed during last three years against required investment of Rs.3.20 lakh (Rs.10,000 x 32) which resulted in unauthorised investment of Rs.5.39 lakh and the reason thereof was not on record.

Doubtful expenditure in respect of infrastructure creation and under-utilisation of fund

3.1.36 Proper infrastructure is essential for the success of micro enterprises. The infrastructure may be either in the area of production, processing, quality testing, storage or marketing. Further, as per norms of the scheme, a DRDA is to incur 25 *per cent* of available funds on infrastructure development during a year.

3.1.37 It was noticed in audit that none of the 4 test checked DRDAs made any effort to identify gaps in infrastructure through any survey/review as per aforementioned provision. An amount of Rs.0.43 crore was spent by 4 DRDAs during last three years towards creation of infrastructure like market sheds, transit godowns etc., without assessing actual requirement and gaps in infrastructure. Date of construction/completion, present status of utilisation of all those assets created under “infrastructure development” etc., were not on record. Utility of the entire expenditure of Rs.0.43 crore as mentioned above, was thus unascertainable. Further, out of the total available funds of Rs.5.62 crore during 1999-2002 as reported to Government of India, infrastructure funds actually available as per norm were Rs.1.40 crore. Thus, there was under-utilisation of funds of Rs.0.97 crore for infrastructure development, which indicates that proper importance was not given to this area despite availability of funds.

Monitoring and evaluation

3.1.38 In order to develop a consistent system of monitoring the implementation of SGSY at block/DRDA level through field visits and physical verification of assets, as well as the progress in the income of *Swarozgaris*, Government of India suggested a schedule of inspection at various levels right from Deputy Commissioner downwards, the number of visits varying between 10 to 20 per month. The State Government did not prescribe any schedule of inspection by the various levels of officers responsible for the implementation of the scheme.

3.1.39 None of the 4 DRDAs and 7 blocks whose records were test checked, could furnish any reports in support of inspection of assisted *Swarozgaris*, conducted during the years 1999-2002. No information about number of *Swarozgaris* brought above the poverty line, even after spending Rs.1.19 crore in form of subsidy could be furnished either. No market survey was conducted by any of the 4 test checked DRDAs for identification and development of market to the *Swarozgaris* in respect of their output.

3.1.40 The monitoring system for the programme thus remained ineffective and the overall impact of the implementation of the scheme remained unevaluated.

3.1.41 The matter was reported to Government (July 2002); reply has not been received (December 2002).

Recommendations

3.1.42 The State Government has to take immediate steps to identify BPL families in the State, impart quality training to the beneficiaries and should also ensure better co-ordination amongst the line departments, banks and beneficiaries so as to achieve the desired objectives of the scheme. It should also evaluate the effectiveness of the scheme in assisting the rural poor to rise above the poverty line.

3.2 Indira Awaas Yojana (IAY)

Highlights

In order to provide houses by Ninth Plan period (1997-2002) to rural people, assistance was provided for construction of dwelling units for SC/ST and freed bonded labourer families living below the poverty line (BPL) in rural areas. From the year 1993-94, the scope of the IAY was extended to cover members of rural non-SC/ST communities below the poverty line, and ex-service men and widows of Defence personnel killed in action. A review of the implementation of the scheme during the period 1997-98 to 2001-2002 revealed the following significant points :

Due to failure of the Director (RD&PR) to utilise funds, an amount of Rs.2.34 crore (new construction – Rs.2.04 crore, upgradation – Rs.0.30 crore) remained unutilised at the end of March 2002.

(Paragraph 3.2.6)

Excess expenditure of Rs.13.93 crore was incurred on account of rendering higher assistance to beneficiaries possessing shelter and inflated expenditure of Rs.2.26 crore was booked in accounts.

(Paragraphs 3.2.7 to 3.2.9)

Utilisation of CGI sheets valued at Rs.9.83 crore was doubtful due to inefficiency in monitoring the implementation of the scheme.

(Paragraph 3.2.16 to 3.2.20)

Funds of Rs.5.11 crore under *Gramin Awaas* were diverted to other unknown activities.

(Paragraphs 3.2.22 to 3.2.24)

As records of implementation of innovative scheme for rural housing at a cost of Rs.2.60 crore were not maintained, expenditure of Rs.2.60 crore could not be vouchsafed in audit.

(Paragraphs 3.2.27 & 3.2.28)

Extra expenditure of Rs.37.44 lakh was incurred due to procurement of CGI sheets at higher rate.

(Paragraphs 3.2.29 & 3.2.30)

Introduction

3.2.1 To provide housing to the members of Scheduled Castes (SC)/Scheduled Tribes (ST) and freed bonded labourers living below the poverty line (BPL), the *Indira Awaas Yojana* (IAY) was launched in 1985-86 by the Government of India (GOI), as a component of the Rural Landless Employment Guarantee Programme (RLEGP), a Centrally sponsored wage employment programme fully funded by the Centre. With the merger of RLEGP with *Jawahar Rozgar Yojana* (JRY) in April 1989, the IAY became a component of JRY. From the year 1993-94 the scope of IAY was extended to cover other than SC/ST BPL families in the rural areas and from 1995-96 to widows or next of kin of Defence personnel and para military forces killed in action. Benefits have also been extended to ex-servicemen and retired members of the para military forces. IAY has been delinked from JRY and made an independent scheme with effect from January 1996. Under the scheme, assistance was provided for construction of dwelling units for SC/ST and freed bonded labourers' families living below the poverty line in rural areas. For hilly areas the maximum assistance fixed under the scheme was Rs.22 thousand for construction of a house including low cost sanitary latrine, smokeless *chullas* and common facilities. From 1999-2000, 20 *per cent* of IAY fund has been earmarked for conversion of unserviceable katchha houses into *pucca* houses for which a maximum assistance of Rs.10 thousand is provided to BPL families of rural area. The aim of the IAY is to provide houses for BPL families by Ninth Plan period (1997-2002).

3.2.2 To supplement the efforts of IAY, 5 new schemes were launched by GOI in 1999-2000[*] and 2000-2001[**]. Of these two schemes, viz. (i) Innovative Stream for Rural and Habitat Development and (ii) Pradhan Mantri Gramodaya Yojana – Gramin Awaas (PMGY-GA) were being implemented in the State.

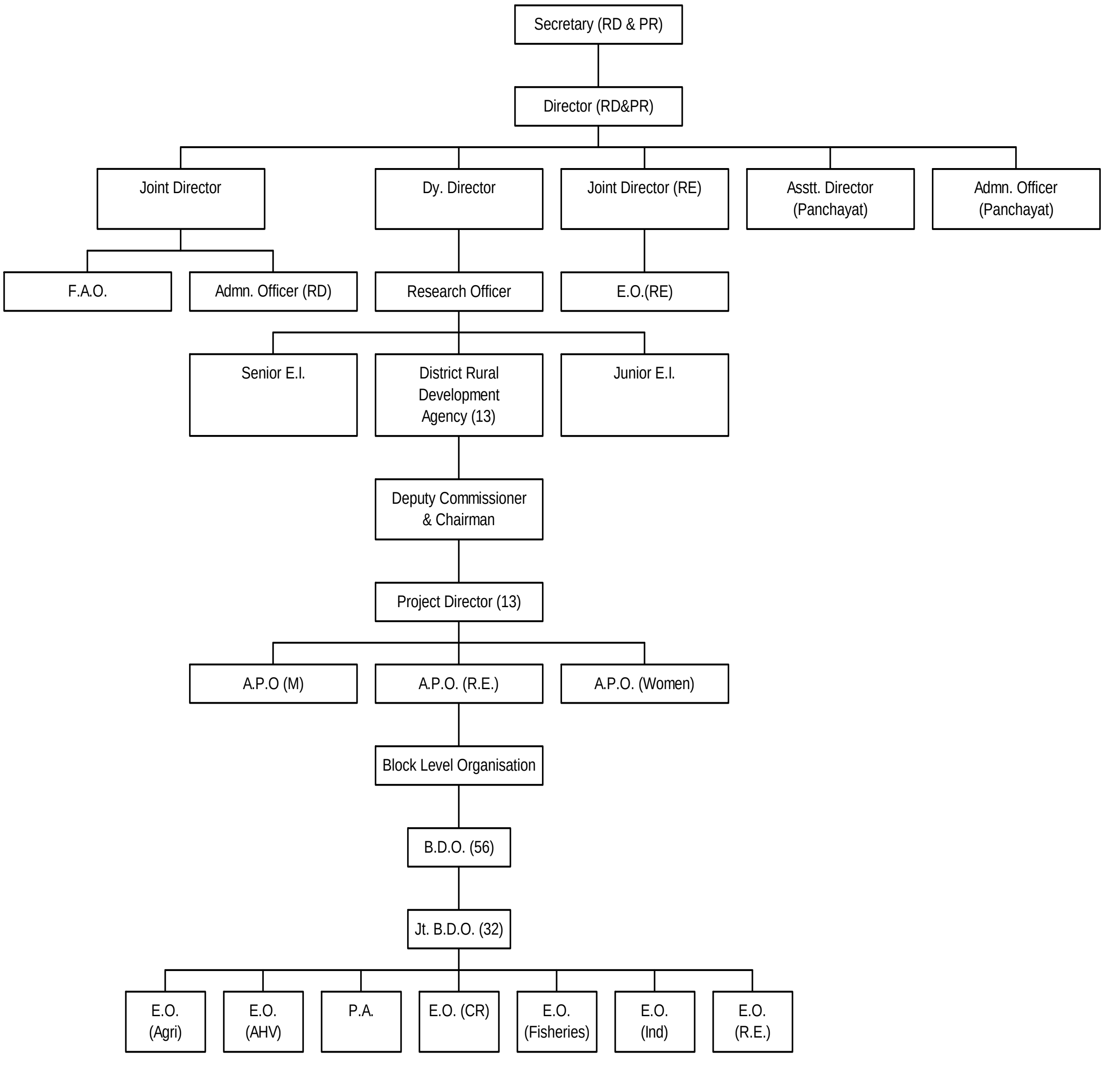
Organisational set up

3.2.3 Under IAY the Secretary Rural Development and *Panchayat Raj* Department (RD&PR) of the Government of Arunachal Pradesh was in overall charge of the programme. The agencies responsible for implementation of the programme are depicted in the chart given below:

[*] (i) Credit-cum-Subsidy scheme (ii) Samagra Awaas Yojana (iii) Rural Building Centres (iv) Innovative stream for Rural Habitat Development (ISRHD)

[**] Pradhan Mantri Gramodaya Yojana - Gramin Awaas (PMGY-GA)

Chart 3.2



Audit coverage

3.2.4 The implementation of IAY during the period from 1997-98 to 2001-2002 was reviewed in audit (April – May 2002) based on test check of records of the Directorate of Rural Development, 4 DRDAs (out of 13) and 7 blocks (out of 25 under 4 DRDAs selected) which accounted for an expenditure of Rs.9.83 crore (36 *per cent)* out of the total expenditure of Rs.27.62 crore. Important points noticed as a result of test check of the scheme are brought out in succeeding paragraphs.

Financial outlay and expenditure

3.2.5 IAY was funded on cost sharing basis between Central and State Government in the ratio of 80 : 20 and 75 : 25 from April 1999 onwards. A maximum *40 per cent* of available funds during a financial year is earmarked for construction/upgradation of dwelling units for non-SC/ST BPL households from which priority is to be given to ex-servicemen etc. and remaining for SC/ST. Three *per cent* of available funds against the respective share is earmarked for physically handicapped and mentally retarded persons. IAY funds should be kept in an exclusive savings bank account.

Unutilised fund

3.2.6 It would be seen from the **Appendix - XXII**, that during 1997-98 to 2001-2002 against available funds of Rs.29.96 crore expenditure was Rs.27.62 crore leaving unutilised funds of Rs.2.34 crore (new construction – Rs.2.04 crore, upgradation of *katcha* house – Rs.0.30 crore) at the end of March 2002. The year-wise unutilised funds against availability ranged from 16 to 55 *per cent*. Reason for partial utilisation had not been stated but partial utilisation of funds resulted in parking of funds outside Government accounts in the hands of the DRDAs. The fiscal cost worked out to Rs.0.90 crore by applying the average cost of borrowing (12.5 *per cent*) on the unutilised funds reduced by interest (4 *per cent)* earned on keeping the money in savings bank accounts during 1999-2002.

Excess expenditure due to rendering higher assistance to beneficiaries possessing shelter

3.2.7 It would be seen from **Appendix - XXII** that during 1997-98 to 2001-2002, expenditure totalling Rs.27.62 crore was incurred in the State under IAY of which Rs.23.81 crore was for new construction and Rs.3.81 crore for upgradation of *katcha* houses. In compliance with the budget speech of the Union Finance Minister, Government of India issued instructions in April 1999 that 80 *per cent* of the IAY funds was to be targeted specifically to provide shelter for shelterless rural households. The Rural Development Department of the State Government had asserted (October 1999) that there was no family without a house, as by customary law, they construct houses collecting materials from forest. The census report 1991 also reflects that there are no shelterless households in the State. In this background the targeted rural families of the State are entitled to the assistance for upgradation of dwelling units only and not for constructing new dwelling units.

3.2.8 The department could not justify the action to render higher assistance for construction of new houses to families. The unjustified action resulted in excess expenditure of Rs.13.93 crore (**Appendix - XXIII**) assuming that beneficiaries to whom the higher assistance for construction of new dwelling unit had been given were entitled to lesser assistance for upgradation of their houses. The department could have covered additional 0.14 lakh beneficiaries for upgradation of their houses had such excess expenditure not been incurred.

Excess expenditure

3.2.9 The scheme envisaged granting maximum assistance of Rs.22 thousand for construction of new houses and Rs.10 thousand for upgradation of *katcha* houses, to BPL families residing in rural areas. The department incurred an expenditure of Rs.23.81 crore on 9888 beneficiaries towards construction of new houses and Rs.3.80 crore on 3602 beneficiaries for upgradation of *katcha* houses during the period from 1997-1998 to 2001-2002.

Thus the department incurred an excess expenditure of Rs.2.26* crore over norm (Rs.2.06 crore + Rs.0.20 crore) during the period from 1997-1998 to 2001-2002. The basis on which excess expenditure of Rs.2.26 crore was incurred by the department and booked in accounts was neither available on record nor stated. The matter was also not investigated by the department.

Diversion of funds

3.2.10 The scheme does not envisage diversion of resource from one district to another let alone to any activities other than those prescribed under the scheme. Scrutiny revealed that DRDA, Ziro (Lower Subansiri district) maintained a combined cash book and bank account to deal with funds under IAY, JRY, MWS and during 1998-99, Rs.6.33 lakh out of IAY was diverted to meet the deficit of JRY funds. The reason for such unauthorised diversion of funds has not been stated.

3.2.11 Similarly, in contravention of the scheme guideline, the DRDA, Pasighat transferred an amount of Rs.2.91 lakh from IAY funds to the DRDA, Yingkiong (Upper Siang) during the year 1997-98 and the reason thereof was also not on record.

Physical and Financial Progress

3.2.12 During the period from 1997-98 to 2001-2002, 9888 new dwelling units against the target of 13266 units, were constructed, while 3602 *katcha* houses against target of 4997 houses were upgraded during the last three years (1999-2002) as detailed in **Appendix – XXIV**.

3.2.13 From **Appendix – XXII**, it is seen that though the percentage of funds utilised on new construction and upgradation was 92 and 93 *per cent* respectively, the physical achievement under new construction and upgradation was 75 and 72 *per cent* respectively. Thus, the physical achievement did not even roughly correspond to the financial achievement.

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(Rupees in crore)

Construction of new houses				Upgradation of houses			
No.	**Amount spent**	**Amount required**	**Excess expenditure**	**No.**	**Amount spent**	**Amount required**	**Excess expenditure**
9888	23.81	21.75	2.06	3602	3.80	3.60	0.20

Unrealistic survey for beneficiary identification

3.2.14 The guidelines of the scheme envisaged that the BPL census would be completed in all respects by March 1998 and printed list of BPL families made available to all concerned. The scheme was implemented in the State with reference to a survey of 1991 indicating district-wise number of BPL families/households in the State. Names and categories of BPL households such as SC, ST, non-SC/ST etc., were not shown in the said survey report. The survey report is quite unrealistic/unreliable in as much as it referred to Arunachal Pradesh census report 1991. The reason for not conducting the survey as per scheme guideline had not been stated.

3.2.15 According to the scheme, the village panchayat is to select the beneficiaries within the targets for a district fixed by the DRDAs, on the basis of available funds. Priorities as prescribed in the guidelines viz. (i) freed bonded labour, (ii) SC/ST households, (iii) families of Defence personnel killed in action, (iv) Non-SC/ST households etc., should be applied while selecting the beneficiaries. There being no *Panchayat Raj* in the State, selection of beneficiaries was vested with BDOs. But none of the BDOs, test checked had even prepared a list of beneficiaries. The assistance was provided on the basis of applications received and availability of funds. For both construction of new houses and upgradation of houses all the beneficiaries reportedly belonged to ST categories but in the absence of any panel of beneficiaries it could not be ascertained in audit whether prioritisation in the extension of benefit has been followed or not. The process of identification of beneficiaries was not transparent.

Inefficiency in implementation of the scheme resulted in doubtful expenditure of Rs.9.83 crore

3.2.16 Under the scheme, a dwelling unit not less than 20 sq. metres is to be constructed by the beneficiary according to his choice keeping in view the climatic conditions.

3.2.17 Scrutiny of records of 4 selected DRDAs (**Appendices - XXV & XXVI**) revealed that on the basis of the target fixed, 5450 beneficiaries (new construction – 3653, upgradation of *katcha* house- 1797) out of 6144 targeted beneficiaries were supplied with corrugated galvanised iron (CGI) sheets valued at Rs.9.83 crore during the period from 1997-98 to 2001-2002 for construction of new dwelling unit (Rs.8.03 crore) and upgradation of *katcha* house (Rs.1.80 crore). The beneficiaries were provided with the full financial assistance of Rs.22 thousand and Rs.10 thousand each in the form of supplying the CGI sheets for construction of new dwelling units and upgradation of *katcha* house respectively. The CGI sheets were procured by the DRDAs and supplied to the beneficiaries through respective Block Development Officers. The reasons for not covering 694 beneficiaries as per target fixed (6144 – 5450) had not been furnished. During 1997-2002, 3411 beneficiaries had completed the new construction and 1267 beneficiaries had completed upgradation of their *katcha* house. The balance of 772 beneficiaries (new construction – 242, upgradation of *katcha* house – 530) had not yet completed the construction of their houses and the works were in progress. Reasons for providing CGI sheets without ascertaining the requirements for the construction of durable houses for the beneficiaries had not been stated.

3.2.18 The DRDAs had also not ascertained whether or not the dwelling unit was constructed out of the CGI sheet in proper structure and infrastructure had been developed. The cluster approach of IAY housing was defeated due to selection of beneficiaries in isolated manner, on the basis of their application only and not in a planned manner covering all the beneficiaries of a habitation at a time. Thus, the selection process was not only defective but also arbitrary at the level of BDOs.

3.2.19 The Rural Development Department asserted (October 1999) that with the amount of Rs.22 thousand durable house of size to which most families of the State are used to cannot be constructed. The DRDAs were, therefore asked to evolve prototype dwelling units within the ceiling limit of assistance with parameters likes CC pillars, timber post secured by iron clamps and wooden frame for roofing with CGI sheets besides low cost sanitary latrine. None of the test checked DRDAs developed any prototype design. Instead, the DRDAs supplied CGI sheets as full financial assistance for constructing the dwelling units without ascertaining whether or not the beneficiaries had the capability to afford to make suitable frames to fix the CGI sheet so supplied. The entire expenditure of Rs.9.83 crore, (**Appendix – XXV**) incurred by the 4 DRDAs during 1997-98 to 2001-2002 to cover 5450 beneficiaries (**Appendix – XXVI**) was towards procurement of CGI sheets. There was no monitoring to ascertain whether the beneficiaries had really built a durable dwelling unit using the CGI sheet so supplied. In fact, by providing CGI sheet worth the full financial assistance, the residual expenditure to construct a durable units had been passed on to the beneficiaries and if they had really incurred the residual expenditure it is difficult to comprehend how these beneficiaries could have been categorised as BPL.

3.2.20 Thus, inefficiency in monitoring of the programme by the respective DRDAs/BDOs is fraught with the risk of doubtful execution of the construction of dwelling/upgradation of houses valued Rs.9.83 crore.

Inventory register not maintained

3.2.21 The inventory register as required under the scheme guidelines had not been maintained. The physical achievement reported by the DRDAs to the Government was based on distribution of CGI sheets and not on the basis of inventory register.

Diversion of fund of Rs.5.11 crore under Gramin Awaas under PMGY

3.2.22 *Gramin Awaas*, a component of *Pradhan Mantri Gramodaya Yojana* (PMGY) was introduced from 1 April 2000 based on the pattern of IAY. Although the *Gramin Awaas* was to be implemented through the DRDAs, the funds were released to the State through the RBI unlike the IAY where funds were released to DRDAs directly by Government of India. Following the introduction of *Gramin Awaas*, the scheme of "shelter for poor" under basic minimum service which was implemented by the Rural Works Department of the State Government stands merged with the PMGY (*Gramin Awaas*).

3.2.23 Against an allocation of Rs.10.23 crore for the state under *Gramin Awaas* during 2000-2001, Government of India released (July 2002) the 1st instalment of Rs.5.11 crore of which Rs.0.51 crore was loan and Rs.4.60 crore was grant. The second instalment was not released as no utilisation certificate of expenditure against the first instalment was furnished to Government of India. Scrutiny of records of the Directorate of Rural Development revealed that on a move to make budget provision for Rs.5.11 crore during 2001-2002 for utilisation of the funds under *Gramin Awaas*, the Planning Secretary pointed out (December 2001) that there were no funds available as the funds released were presumably utilised under other heads, and advised the Directorate of Rural Development to request the Ministry of R&D, Government of India not to insist on utilisation certificate for the funds of Rs.5.11 crore. Although no such request as such to the Ministry appeared in the records of the R&D Department, the Government of India released Rs.3.02 crore as 1st instalment of the allocation (Rs.6.04 crore) for the year 2001-2002 against which Rs.2.76 crore was reported to have been spent up to 31 March 2002.

3.2.24 Thus, funds to the tune of Rs.5.11 crore meant for *Gramin Awaas* were diverted to unknown activities.

3.2.25 During 2001-2002, Rs.1.20 crore were spent by the test checked DRDAs to provide financial assistance in kind as that of IAY viz. supply of CGI sheet worth Rs.22 thousand for construction of dwelling units and Rs.10 thousand for upgradation as follows :

Table 3.1

DRDA	Financial (Rs. in lakh)		Physical (In numbers)			
	Funds	Expdn.	Target		Achievement	
2001-02	received		New Const.	Upgradation	New Const.	Upgradation
Along	23.85	23.02	NA	NA	82	58
Pasighat	14.20	14.19	NA	NA	NA	NA
Ziro	65.90	65.90	NA	NA	225	98
Tezu	21.00	16.72	NA	NA	NA	NA
Total	**124.95**	**119.83**	**--**	**--**	**307**	**156**

Source : DRDAs

3.2.26 Pasighat and Tezu reported an expenditure of Rs.30.91 lakh but the number of beneficiaries covered had not been furnished. Due to target not being fixed, achievements of all the 4 test checked districts regarding new construction and upgradation of houses could not be verified by audit. Reason for not fixing the target had not been furnished.

Implementation of Innovative Scheme for rural housing had not been given due importance

3.2.27 The Innovative Scheme for Rural Housing and Habitat Development is a project based scheme launched by the Government of India with effect from

01.04.1999 with a view to promote and propagate the innovative technologies, materials, methods etc., for cost effective and environment friendly rural housing and habitat development.

3.2.28 It was noticed that other than DRDAs, no education/technical institutions and non-governmental organisation had come up with any project proposal and the reason thereof was not on record. Out of Rs.1.84 crore sanctioned against 4 projects submitted by 4 DRDAs during 2000-2001, an amount of Rs.1.17 crore was released and disbursed to the concerned DRDAs. Similarly, Rs.1.43 crore against funds of Rs.2.86 crore sanctioned for 7 projects submitted by 7 DRDAs, was released and disbursed during the year 2001-2002. But physical and financial progress of those projects were not available with the department. In the absence of records, the utilisation of the funds of Rs.2.60 crore could not be vouchsafed in audit.

Other points of Interest

Excess expenditure due to procurement of CGI sheets at higher rate

3.2.29 In February 1999, the State Government approved rate for procurement of CGI sheet of 0.63 mm thickness required by DRDAs. The approved rate, inclusive of all charges, for supply to DRDA, Ziro and DRDA, Pasighat was Rs.34,542 and Rs.34,425 per MT respectively. During 1999-2000 and 2000-2001, the DRDA – Ziro purchased 503.95 MT of TATA brand CGI sheet of 0.63 mm thickness at the all inclusive rate of Rs.39,380 per MT from a local supplier. Similarly, during 2000-2001 and 2001-2002, DRDA – Pasighat purchased 103.87 MT and 217.47 MT of CGI sheets at an all inclusive rate of Rs.43,975 and Rs.35,868 per MT respectively. The rates at which these DRDAs purchased the CGI sheets were higher than the approved rate fixed by the Government for CGI sheet.

3.2.30 Procurement of CGI sheet at rates higher than the approved rate resulted in avoidable excess expenditure of Rs.37.44 lakh as detailed in **Appendix - XXVII**. The reasons for such procurement of CGI sheets were neither on record nor stated.

Monitoring

3.2.31 The programme of IAY is required to be monitored by the DRDAs and BDOs through field visits and physical verification of dwelling units for which funds are provided. The State Government is to monitor the implementation through State Level Co-ordination Committee (SLCC) for Rural Development and conduct periodical evaluation studies of its own or by external agency. None of the test checked DRDAs and blocks could furnish any report in support of field inspection/physical verification of dwelling units carried out during 1997-2002 even though each of the DRDAs had a monitoring cell supervised by an Assistant Project Officer. Though the IAY had been in operation for last 17 years, no evaluation study had been conducted by the State Government.

3.2.32 Thus the monitoring and evaluation system remained totally neglected.

3.2.33 The matter was reported to the Government (July 2002); reply had not been received (December 2002).

Recommendation

3.2.34 Funds may be released to the implementing authorities without delay and diversion of funds from one scheme to other may be avoided.

- There should be regular monitoring by the DRDAs and BDOs through field visits in order to ensure foolproof implementation of the programme.
- Construction of dwelling house and upgradation of *katcha* houses to be undertaken on the basis of prototype design as per recommendation of the Rural Development Department in order to avoid doubtful utilisation of CGI sheets.
- Awareness programme needs to be intensified through community participation in the implementation of the programme.
- Identification of beneficiaries may be made as per guidelines.

ANIMAL HUSBANDRY AND VETERINARY DEPARTMENT

3.3 Piggery Development Scheme

Highlights

A scheme for piggery development was launched in the state during 1974-78 for upgrading of local stock through cross-breeding with exotic breeds. The review highlights certain major short-comings in the implementation of the programme which inter alia includes shortfall in production of piglets, entertainment of excess additional boars in the farms, high mortality of piglets, lack of care in respect of animal health, unproductive expenditure and loss in running of the two pig farms.

4 pig breeding farms were not established despite availability of Central funds of Rs.40.00 lakh for the purpose for a period of over 4 years.

(Paragraphs 3.3.7 and 3.3.8)

Shortfall in production of piglets varied from 7 to 29 *per cent* in Central Pig Breeding Farm (CPBF), Karsingsa and 1 to 39 *per cent* in respect of the REPBF, Loiliang during the period from 1997-98 to 2001-2002.

(Paragraph 3.3.9)

Mortality in the Government farms in the State varied from 16 to 59 *per cent* during 1997-98 to 2000-2001. No investigation was carried out to ascertain the causes of high mortality.

(Paragraph 3.3.11 and 3.3.12)

Loss incurred by the two farms were Rs.0.75 crore (CPBF, Karsingsa) and Rs.0.71 crore (REPBF, Loiliang) during Ninth Plan period.

(Paragraph 3.3.19)

Entertainment of excess staff resulted in extra expenditure of Rs.17.89 lakh.

(Paragraph 3.3.22)

Base farm established at Namsai did not function during 1993 resulting in unproductive expenditure of Rs.25.18 lakh. Further, inaction on the part of the farm resulted in loss of Rs.2.50 lakh.

(Paragraphs 3.3.23 to 3.3.26)

Introduction

3.3.1 A scheme for Piggery Development was launched in the State during the Fifth Five Year Plan period (1974-78) for upgrading local stock through cross-breeding with exotic breeds. During the period from 1977-78 to 1993-94, the State had established six piggery farms.[1] The pig population in the State as per the last live stock census report 1997 was 2.75 lakh. After that, no census was conducted. The main objectives of these farms were (i) to produce improved variety of pigs which were appropriate and ideal to the local agro-climatic condition having better productivity rate, (ii) to distribute/sell quality boar to farmers for cross breeding, (iii) to train farmers in various aspects of pig husbandry and management practices including disease control and health care, (iv) to serve as a demonstration unit on pig rearing for the benefit of pig farmers of the State and (v) to supplement pork production through disposing of excess of culled stock.

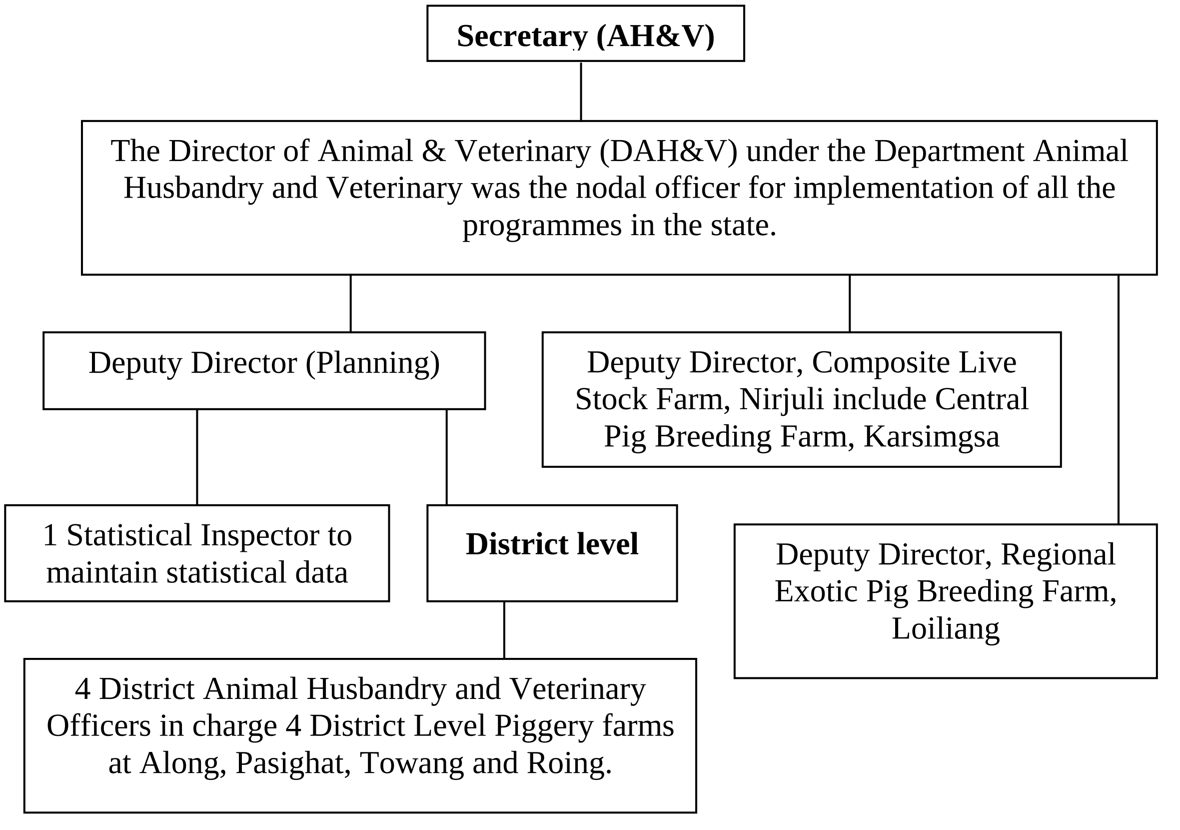
3.3.2 During the Ninth Plan period (1997-2002) emphasis was given to increasing pork production to provide additional income to the farmers. For this purpose, pig units each comprising one exotic cross-breed boar and four sows were to be distributed to selected beneficiaries at 50 *per cent* subsidised rates. Altogether 144 numbers of such unit were distributed to selected farmers during the plan period.

Organisational set up

3.3.3 The organisational structure for implementation of the programme is detailed below :

[1] (i) Central Pig Breeding Farm (CPBF) at Karsingsa with 40 sow capacity 1977-78 (ii) Regional Exotic Pig Breeding Farm (REPBF) at Loiliang with 100 sow capacity 1978-79 (iii) District Pig Breeding Farm (PBF) at Along with 20 sow capacity 1990-91 (iv) District Pig Breeding Farm (PBF) at Lamberdung, Towang with 12 sows capacity 1990-91 (v) District Pig Breeding Farm (PBF) at Berung, Pasighat with 4 sow capacity 1993-94 and (vi) District Pig Breeding Farm (PBF) at Roing with 6 sow capacity 1993-94.

Chart No. 3.3



Audit coverage

3.3.4 The records of the statistical wing of the Directorate of the Animal Husbandry and Veterinary, two pig breeding farms at Karsingsa and Loilang, the District offices in Lower Subansiri, Papumpare and Lohit districts for the period from 1997-98 to 2001-2002 were test checked and expenditure of Rs.2.14 crore (89 *per cent*) of the total expenditure of Rs.2.41 crore was covered during the period May and June 2002. Important points noticed in test check are brought out in the succeeding paragraphs.

Finance

3.3.5 The year-wise budget provision and expenditure in respect of the schemes during the financial years 1997-98 to 2001-02 were as follows :

(a) State fund

Table 3.2

(Rupees in lakh)

Year	Budget provision		Expenditure		Excess (+) Savings (-)	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
1997-1998	29.89	21.64	29.91	21.61	(+) 0.02	(-) 0.03
1998-1999	24.36	25.30	24.36	25.30	Nil	Nil
1999-2000	20.00	23.62	20.12	23.62	(+) 0.12	Nil
2000-2001	20.92	24.87	28.10	26.58	(+) 7.18	(+) 1.71
2001-2002	16.44	25.31	16.44	25.31	Nil	Nil
Total	**111.61**	**120.74**	**118.93**	**122.42**	**(+) 7.32**	**(+) 1.68**

Source : Department

3.3.6 Reasons for overall excess of Rs.9.00 lakh in respect of State funds could not be explained by the department (December 2002).

(b) Central fund

Table 3.3

(Rupees in lakh)

Year	Funds received by State	Funds released by State	Funds utilised	Closing balance of unspent balance
1998-1999	40.00	Nil	Nil	40.00
1999-2000	Nil	Nil	Nil	40.00
2000-2001	Nil	Nil	Nil	40.00
2001-2002	Nil	Nil	Nil	40.00

Source : Department

Pig breeding farms were not established

3.3.7 For establishment of 4 pig breeding farms at Changlang, Ziro, Seppa and Daporijo, the Government of India, Ministry of Agriculture, Department of Animal Husbandry and Dairying sanctioned Rs.40.00 lakh in February 1998 under Integrated Piggery Development Scheme. As the amount could not be spent by the State Government, the Government of India in October 2001 issued final sanction of Rs.40.00 lakh after due revalidation (with a deviation of one place from Daporijo to Koloriang) with the instruction that no further revalidation of the funds would be made and to surrender the funds in case the State Government was unable to spent the amount at the end of the current financial year.

3.3.8 It was noticed (June 2002) that neither was the amount utilised by the State Government nor was it surrendered. Thus, the purpose for which the grant was sanctioned remained unfulfilled and the amount was unnecessarily blocked for a period of over 4 years. Circumstances under which the amount could not be utilised by the State Government had not been explained (December 2002).

Implementation

Pigs breeding farms – Targets and achievements

3.3.9 The CPBF, Karsingsa and REPBF, Loiliang were established with the objective of producing improved variety of breeding stock to meet the increased demand of the local farmers and also those of the other North Eastern States. On the basis of norms fixed by the two farms one sow can farrow twice in a year with an average litter of 8 (in case of REPBF, Loiliang) and 9.2 (in case of CPBF, Karsingsa). The working results of the two farms showing number of boars and sows reared, piglets produced and sold during 1997-98 to 2001-2002 are indicated in **Appendix - XXVIII**. On the basis of the norm fixed by the two farms, it was noticed that shortfall in production of piglets during the period from 1997-1998 to 2001-2002 was 1243 (CPBF – 710 and REPBF – 533) and in terms of percentage, the shortfall in respect of CPBF, Karsingsa varied from 7 to 29 and in respect of REPBF, Loiliang varied from 1 to 39 during the period from 1997-98 to 2001-2002. Reasons for shortfall were neither available on record nor stated.

Loss due to maintenance of additional boar

3.3.10 According to the prescribed norm, one boar is required to serve ten sows for breeding purposes. On the basis of the 1:10 ratio, the two farms were required to maintain 43 boars against 426 sows. During the five years period, the two farms maintained 71 boars (CPBF – 38 boars, REPBF – 33 boars). Thus, 28 boars were maintained in excess (71 – 43) of the requirement. The feeding cost for the additional boars was Rs.2.26 lakh which could have been avoided had the norms been observed. The department had not investigated the reasons for maintenance of excess boars (December 2002).

Mortality

3.3.11 No norm regarding accepted rate of mortality of pigs in the State was prescribed by the department. According to the Institute of Applied Statistics and Development Studies, Lucknow which carried out evaluation of REPBF, Loiliang in 1988, the overall rate of mortality in respect of young stock should be below 10 *per cent* and in respect of adult stock below 2 *per cent.* Test check of records of the Directorate revealed that mortality rates were much higher than the norms in certain farms. The details are indicated in **Appendix - XXIX**.

3.3.12 Reasons for such high rates of mortality ranging from 16 to 59 *per cent* were neither investigated nor any remedial action, to keep the mortality rates within the norm, was taken (December 2002).

Culling of animals

3.3.13 236 animals were culled at the two farms (CPBF, Karsingsa – 85, REPBF, Loiliang – 151) during 1997-2002. Norms for culling of animals were not fixed by the department and the reason thereof was not on record (December 2002).

Training of Farmers

3.3.14 For giving an impetus to pig farming, imparting practical training to the farmers and field staff on improved pig husbandry practices was envisaged by the department. During the period from 1997-98 to 2001-2002, not a single farmer was trained in any of the farms. The department stated that due to paucity of funds training could not be imparted.

Animal Health

3.3.15 According to the Health Code prescribed (January 1989) by the Government of India, Ministry of Agriculture, the routine screening of pigs for infectious diseases, like tuberculosis and brucellosis, should be undertaken regularly. But it was seen that no diagnostic tests for infectious diseases were carried out in the CPBF, Karsingsa or REPBF, Loiliang during the period from 1997-98 to 2001-2002 though the State has 93 veterinary dispensaries, and 13 diagnostic laboratories spread over all the districts besides three disease investigation laboratories at Nirjuli, Loiliang and Kamki. Reasons for not carrying out such tests were not on record (December 2002).

3.3.16 In the absence of preventive measures and screening of pigs for infectious diseases it was not possible in audit to ascertain on what basis disease free stock of pigs and piglets were distributed to the people inside and outside the State.

Supply/Distribution of Piglets

3.3.17 The main aim of the scheme was to introduce improved exotic breeds of pigs by producing pedigree breeding stock in Government pig breeding farms for supply to the interested breeders within and outside the State for improving their local stock. The 6 Government farms of the State sold 5053 pigs during the years 1997-98 to 2000-2001 and the CPBF and REPBF sold a further number of 799 during the year 2001-2002 (figures of other farms not available), but there was no follow up action after sale. The extent of qualitative improvement of the local stock had also not been assessed by the department. The department did not offer any comments in this regard (December 2002).

3.3.18 No ration scales for boars, pregnant, nursing sows and for the young stock was prescribed by the department to obtain optimum physical and genetic potential of the herd (December 2002).

Loss in running of farms

3.3.19 Test check of income and expenditure records for the years 1997-1998 to 2001-2002 in respect of the CPBF and REPBF revealed that both the farms were running at a loss and the cumulative losses were Rs.0.75 crore and Rs.0.71 crore respectively. The details are indicated in **Appendix - XXX**.

3.3.20 Reasons for such loss were neither investigated by the department nor any remedial action taken. The loss was attributable to (i) boars and sows losing fertility not being replaced, (ii) inability to dispose of animals in time, (iii) lack of marketing facilities and (iv) sale of animals at subsidised rates.

Co-operative marketing not formed

3.3.21 The National Commission on Agriculture, in its report of 1976, had stated that, due to lack of any organised channels for marketing, the pig farms did not generally obtain reasonable price for their pigs and they had to dispose of their animals at distress prices. It had suggested that the pig breeders be helped to organise themselves into cooperatives. But it was noticed (June 2002) that the department did not organise any pig producers-cum-marketing cooperative society in the State in the absence of any interested breeders. No record showing any initiative towards formation of cooperative marketing societies was made available to audit.

Entertainment of excess staff resulting in higher maintenance expenditure

3.3.22 The REPBF, Loiliang was entertaining staff on the basis of 100 sow capacity prior to the 9^{th} Five Year Plan period. But on an average only 37 sows existed in the farm during 1997-2002. Against the requirement of 12 pig attendants for 100 sows, the farm had employed 11 number of attendants for 37 sows. Thus (six) pig attendants (11 – 5) were employed in excess resulting in extra avoidable expenditure of Rs.17.89 lakh during 1997-98 to 2001-2002.

Unproductive expenditure

3.3.23 The Regional Pig Breeding Farm (REPBF), Loiliang remains cut off from the rest of the country for a considerable period of the year during monsoon due to lack of communication facilities. Considering the disruption in communications and inadequate marketing facilities, a base farm, the extension unit of Loiliang, was set up at Namsai during December, 1993 at a cost of Rs.25.18 lakh. The farm could not function due to lack of water supply and electricity and unhygienic condition of grower shed. As such the farm was closed down by the Dy. Director, Loiliang in December 1996.

3.3.24 In addition to the above expenditure, a further amount of Rs.2.50 lakh was released by the Government for lifting water supply in the base farm against sanction (March 1995) of Rs.8.00 lakh. The entire amount (Rs.2.50 lakh) was drawn and paid to a local contractor in the same month for supply of materials. The materials were not supplied by the said contractor and no work was done by the PHED for water supply. No action was also taken by the farm against the contractor for not supplying the materials although 7 years had lapsed from the date of payment to the contractor. Inaction on the part of the farm resulted in a loss of Rs.2.50 lakh. The matter was neither investigated nor any disciplinary action taken.

3.3.25 Thus, the entire expenditure of Rs.25.18 lakh on the construction of the base farm remained unproductive for a period of over 7 years as the base farm at Namsai did not function.

3.3.26 In reply, the department stated that efforts were being made to reopen the base farm as early as possible. Further development is awaited.

Monitoring and Evaluation

3.3.27 A comprehensive monitoring system is essential for effective control over expenditure and also to ensure smooth functioning of the piggery farms in the State. No such monitoring system had been evolved in the department and as a result, performance of the piggery farms remained unassessed.

3.3.28 The matter was reported to Government (July 2002); reply had not been received (December 2002).

Recommendations

3.3.28 Two farms test checked were running at a loss. Effective steps may be taken to run the farms smoothly without any loss.

- Base farm constructed at Namsai may be made operational as early as possible.

- Effective monitoring of the execution of works needs to be done to avoid locking up of funds and unproductive expenditure.

SECTION – B – PARAGRAPHS

SOCIAL WELFARE, WOMEN & CHILD DEVELOPMENT DEPARTMENT

3.4 Diversion of PMGY fund by the Director, Social Welfare Women and Child Development Department, Naharlagun

Funds of Rs.9.28 crore, provided specifically to eradicate malnutrition in children below 3 years, was diverted for clearing outstanding air lift charges and carriage charges of Public Distribution System items and procurement of Supplementary Nutrition Programme food items for all groups which were not covered under PMGY scheme

3.4.1 *Pradhan Mantri*'s *Gramodaya Yojana* (PMGY) was introduced during July 2000 to eradicate malnutrition amongst children below 3 years by increased nutritional coverage of supplementary feeding of these children through the Integrated Child Development Services (ICDS) schemes. The PMGY, *inter alia* envisaged that (i) the additional Central Assistance (ACA) allocated to States/UTs for nutrition component of PMGY be specifically utilised for nutritional supplementation/supplementary feeding cost to children of the age group of 0 to 3 years and (ii) that the funds earmarked for nutrition component be utilised only for the same purpose.

3.4.2 Scrutiny (December 2001) of records of the Director, Social Welfare Women and Child Development (DSWW&CD) Department revealed that the State Government during 2000-01, made a budget provision of Rs.2.38 crore (Plan – Rs.2.28 crore, non-Plan – Rs.10.00 lakh) for the special nutrition programme. During July 2000, the Government of India allocated an amount of Rs.10.23 crore to the Government of Arunachal Pradesh, under PMGY, for nutrition component aimed at combating malnutrition among children of the age group of 0 to 3 years. On receipt of ACA from Government of India under the nutrition component of PMGY, supplementary provision for a further amount of Rs.7.00 crore was made under the head thereby raising the total provision of Rs.9.28 crore under PMGY and Rs.10.00 lakh under SNP (non-Plan) for 2000-2001. The balance of Rs.0.95 crore (Rs.10.23 crore – Rs.9.28 crore) was to be adjusted against ACA for 2001-2002 under PMGY.

3.4.3 While making the supplementary provision of Rs.7.00 crore to the SWW&CD under nutrition component of ICDS, the State Planning Department instructed (March 2001) the SWW&CD Department that the same may be sub-allotted to Director, Supply and Transport (DST) and Rs.2.28 crore was to be adjusted under PMGY allocation of funds against the cost of reaching nutrition to children in the 0-6 age group for dropping zone areas. The department failed to produce any record to justify whether the

Government of India has accorded approval for deviation in implementation of PMGY scheme. The DST incurred an expenditure of Rs.7.00 crore during March 2001 out of the funds sub-allotted (March 2001) to them by the DSWW&CD. The expenditure was incurred for clearing outstanding air lift charges amounting to Rs.6.20 crore and carriage charges for PDS items Rs.37.29 lakh. The purpose for which the balance amount of Rs.42.69 lakh was spent was neither stated nor on record. Regarding utilisation of Rs.2.28 crore it was seen that the same was incurred by the Social Welfare Department during 2000-01 for procurement of ground nut, green *moong*, gram, rice, *dal* and fruits for consumption of all groups of children (0-6 years), pregnant women and lactating mothers for Supplementary Nutrition Programme under ICDS scheme. The procurement of SNP food items during 2000-01 for all groups of children (0-6 years), pregnant women and lactating mothers indicated that the funds of Rs.2.28 crore allocated for PMGY was diverted for implementation of Supplementary Nutrition Programme under ICDS scheme as no provision for plan funds was kept either in the budget or in the Annual Operating Plan (AOP) for 2000-01 for SNP under ICDS scheme.

3.4.4 Thus, the basic objective of the scheme to provide increased nutritional support to children of 0 – 3 years remained unachieved and unauthorised diversion of PMGY funds without the approval of Government of India for clearing past liabilities and procurement of SNP food items under ICDS resulted in misutilisation of funds of Rs.9.28 crore.

3.4.5 The matter was reported to Government/department in April 2002; reply has not been received (December 2002).

3.5 Extra avoidable expenditure on procurement of food stuff at higher rate by the Director, Social Welfare, Women and Child Development Department, Naharlagun

The Department incurred an avoidable extra expenditure of Rs.9.91 lakh due to procurement of foodstuff at higher rate

3.5.1 Government of Arunachal Pradesh, Department of Social Welfare, Women & Child Development (SWW&CD) sanctioned (August 2001) Rs.1.00 crore for procurement of Farex Rice (Baby Rice Cereal) for combating under-nutrition among the children between 0 to 3 years. The sanction was from the Additional Central Assistance received from the Government of India during 2000-2001 under *Pradhan Mantri Gramodaya Yojana* (PMGY).

3.5.2 Test check of records (December 2001) of the Director, SWW&CD, Naharlagun revealed that during the period from October 2001 to December 2001, the Directorate procured 57,142 kgs of Farex rice at a cost of

Rs.99,99,850.00 i.e. @ Rs.70.00 per 400 gms carton or Rs.175.00 per kg from the authorised dealer of the manufacturer*. But from the price list of the manufacturer, it was seen that there existed two different selling rates of Farex rice, *viz.* Rs.63.06 per 400 gms carton (price to retailer) and Rs.70.00 per 400 gms carton (price to consumer). The cheapest rate of Rs.63.06 per 400 gms carton (price to the retailer) was not brought to the notice of the Government by the Social Welfare Department at the time of finalisation of the rate (August 2001) by the Government though the purchase was made for bulk quantities and the reason thereof was not on record. Thus the procurement of food stuff at higher rate without availing the lowest rate of the manufacturer resulted in avoidable extra expenditure of Rs.9.91 lakh**

3.5.3 In reply, the Secretary, Social Welfare, Women and Child Development stated (May 2002) that the Government could go for procurement @ Rs.63.06 paise per 400 gm carton pack at retailer price but additional expenditure of Rs.6.94 per packet had to be met separately for transportation/insurance/packing, etc., as per authorised dealer of the firm letter dated 20.08.2001. Reply is not tenable since as per manufacturer's letter dated 15.07.2002 the price list in respect of its products (including Farex) was inclusive of all delivery cost including packing, forwarding, transportation and standard margin of 5.5 *per cent* to its redistribution stockists. Moreover, the price list also mentioned that both the prices were inclusive of all taxes and the prices set out in the list were the maximum prices and it was open to sell the products at prices lower than the relevant prices shown in the relevant column of price list.

TOURISM DEPARTMENT

3.6 Infructuous expenditure on office building of Director of Tourism, Itanagar, subsequently abandoned

Execution of work without proper survey and investigation led to infructuous expenditure of Rs.11.55 lakh for a period of over 4 years

3.6.1 The Deputy Commissioner (DC), Papumpare, in January 1995 allotted a plot of land measuring 4000 sqm at Naharlagun to the Department of Tourism for construction of an office building for the Director of Tourism including staff quarters, guest house etc., as the department had no office complex for the Director after the bifurcation of the Tourism Department from Information and Public Relations Department.

* M/s Heinz India Ltd., Mumbai

** Rs.70.00 per 400 gms or Rs.175.00 per kg x 57142 kgs	=	Rs.99,99,850
Rs.63.06 per 400 gms or Rs.157.65 per kg x 57142 kgs	=	Rs.90,08,436
Difference	=	Rs. 9,91,414

3.6.2 Scrutiny (September 2001) of records revealed that for site development and construction of retaining wall on the said plot of land, the Department of Tourism in March 1996 accorded administrative and expenditure sanction for Rs.11.55 lakh. The funds for the same was allotted to the Chief Engineer, PWD during March 1996 (Rs.10.00 lakh) and July 1996 (Rs.1.55 lakh). The Sr. Architect (PWD) in May 1995 intimated the Director of Tourism that because of not receiving the details of the building design from the Department of Tourism, he could not decide on the specific area and the extent of excavation required and advised the department that the existing land feature of the allotted land should not be disturbed by earth cutting etc. The division started the work in March 1996 and completed the same in March 1997 at a cost of Rs.11.55 lakh. The site was handed over to the Director of Tourism by the division in September 1997. The reason for delay in handing over the site to Tourism Department has not been stated (May 2002). Further, the Sr. Architect during his visit to the site on 20.09.96 observed that the site was basically unsuitable for the purpose of construction of the building due to unstable soil condition. Finally in October 1998, the Sr. Architect completely rejected the site and advised for an alternative site for construction of the building on the basis of which the department requested (March 1999) the Deputy Commissioner, Papumpare for allotment of an alternate plot of land for the said purpose at Itanagar. The land was not yet allotted by the DC, Papumpare (September 2001). The basis on which the work was executed by the department by ignoring the Sr. Architect's advice was neither available on records nor stated.

3.6.3 Thus, irregular execution of the work by the PWD without proper survey and investigation of the plot of land and also without obtaining Architect's clearance regarding stability of the soil for construction of the building led to an infructuous expenditure of Rs.11.55 lakh, and defeated the very objective of the work. No responsibility for the failure in executing the work had been fixed as of September 2002.

3.6.4 The matter was reported to the Government/department in December 2001; reply has not been received (December 2002).

HEALTH AND FAMILY WELFARE DEPARTMENT

3.7 Avoidable extra expenditure on payment of land compensation for construction of 500 bed referral hospital at Naharlagun

Avoidable extra expenditure of Rs.46.26 lakh was incurred due to failure on the part of the DC, Papumpare to allot a land free from all encumbrances to the Health & Family Welfare Department

3.7.1 For construction of 500 bed referral hospital at Naharlagun, the Deputy Commissioner (DC), Papumpare (April 1999) with Government's approval offered allotment of 810000 m^2 of land to the Department of Health & Family Welfare (DH &FW) at Panchin Colony, Naharlagun. The land was offered to the department after DC, Papumpare inspected (February 1998) the site and found it to be free from all encumbrances.

3.7.2 The full value of the land amounting to Rs.40.50 lakh was paid (February 1998 – Rs.36.42 lakh and May 1999 – Rs.4.08 lakh) by the department. The DC issued formal order of allotment in June 1999 with request to DH&FW to take over the possession of the land. The land allotted was 600 m^2 less than the offered area of land and the reason thereof was not on record.

3.7.3 In November, 1999 after five months of issue of allotment order, the DC forwarded an additional claim for Rs.45.97 lakh to the department for payment to local people who allegedly developed some parts of the land allotted to the department as horticulture garden, wet rice cultivation (WRC) fields and fish ponds, etc. The period during which encroachment came up was neither available on record nor stated. The issue was discussed by the Empowered Project Management Board in November 1999, which recommended payment of compensation of around Rs.46.26 lakh to the affected people.

3.7.4 Accordingly, the sanction for Rs.46.26 lakh was issued (March 2000) and payment made to the DC (April 2000) for disbursement amongst the affected people. Dates on which the amount was disbursed to the affected people and reasons for making excess payment of Rs.0.29 lakh (Rs.46.26 lakh – Rs.45.97 lakh) as compensation claim were neither available on record nor stated.

3.7.5 It was noticed that despite receipt of payment of compensation of Rs.46.26 lakh, because of not completing the ground marking and configuration of actual boundary of the said plot of land, the DC, Papumpare was not able to hand over the land to the DH &FW Department (June 2002).

3.7.6 Thus, failure on the part of the DC, Papumpare to allot a land free from all encumbrances resulted in extra avoidable expenditure of Rs.46.26 lakh and the purpose for which the land was allotted remained unachieved even after a period of over 3 years (June 2002) due to delay in handing over the land to the concerned department. The land has not been handed over to department as on date.

3.7.7 The matter was reported to the Government/department in April 2002; reply has not been received (December 2002).

EDUCATION, HEALTH AND FAMILY WELFARE AND PUBLIC HEALTH ENGINEERING DEPARTMENTS

3.8 Failure to respond to audit objections and compliance thereof

697 paragraphs pertaining to 167 Inspection Reports involving Rs.56.30 crore concerning Education, Health and Family Welfare and Public Health Engineering Departments were outstanding as on June 2002. Of these first replies for 2 Inspection Reports containing 26 paragraphs had not been received

3.8.1 Principal Accountant General (Audit) conducts periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs).When important irregularities etc. detected during inspection, are not settled on the spot, these are included in the IRs and the IRs are issued to the Heads of offices inspected with a copy to the next higher authorities. Rules/orders of Government provide for prompt response by the executive to the IRs issued by the Principal Accountant General to ensure rectificatory action in compliance of the prescribed rules and procedures and accountability for the deficiencies, lapses, etc. noticed during the inspection. The Heads of offices and next higher authorities are required to attend to the observations contained in the IRs and rectify the defects and omissions promptly and report compliance to the Principal Accountant General. Serious irregularities are also brought to the notice of the Head of the department by the office of the Principal Accountant General (Audit). A half-yearly report of pending inspection reports is sent to the Secretary of the department (in respect of pending IRs) to facilitate monitoring of the audit observations in the pending IRs.

3.8.2 Inspection Reports issued from 1984 upto March 2002 pertaining to 91 offices of 3 departments disclosed that 697 paragraphs relating to 167 IRs involving an amount of Rs.56.30 crore remained outstanding at the end of

June 2002. Of these, 50 IRs containing 155 paragraphs had not been replied to/settled for more than 10 years. Even the initial replies, which were required to be received from the Heads of offices within six weeks from the date of issue of IR were not received in respect of 26 paras for 2 IRs pertaining to 2 offices issued between 1995-96 and 1996-97.

3.8.3 As a result, some of the important irregularities pertaining to 238 paragraphs (113 paragraphs + 53 paragraphs + 72 paragraphs) involving an amount of Rs.31.71 crore (Rs.20.84 crore + Rs.4.24 crore + Rs.6.63 crore) commented upon in the outstanding Inspection Reports of the three departments have not been settled as of June 2002 as indicated below :

Table – 3.4

Sl. No.	Nature of Irregularities	Education Department		Health and Family Welfare Department		Public Health Engineering Department	
		No of paras	Amount (Rs. in lakh)	No of paras	Amount (Rs. in lakh)	No of paras	Amount (Rs. in lakh)
1.	Local purchase of stationery in excess of authorised limits and expenditure incurred without sanction	5	5.27	19	35.38	-	-
2.	Non-observance of rules relating to custody and handling of cash, position and maintenance of Cash Book and Muster Roll	17	2.81	-	-	-	-
3.	Delay in recovery or non-recovery of department receipts, advances and other recoverable charges	19	9.90	2	1.24	-	-
4.	Drawal of funds in advance of requirements resulting in retention of money in hand for long periods	12	3.71	1	166.83	-	-
5.	For want of D C C bills	41	1927.65	5	10.58	-	-
6.	For want of APRs	9	63.90	-	-	-	-
7.	Non-maintenance of proper stores accounts and non-conducting of physical verification of stores	4	0.92	-	-	-	-
8.	For want of sanctions	2	0.19	6	9.30	-	-
9.	Over payment or inadmissible payments noticed in audit not recovered	4	70.19	17	182.44	-	-
10.	Payment of grants in excess of requirement	-	-	1	13.83	-	-
11.	Payees receipts not received	-	-	2	4.39	-	-
12.	Extra avoidable expenditure	-	-	-	-	5	8.87
13.	Irregular and unauthorised expenditure	-	-	-	-	20	221.13
14.	Excess/Extra expenditure	-	-	-	-	14	32.29
15.	Locking up of Government funds/Idle Outlay	-	-	-	-	19	158.10
16.	Wasteful expenditure	-	-	-	-	4	38.42
17.	Expenditure in excess over sanction amount	-	-	-	-	9	81.29
18.	Injudicious expenditure	-	-	-	-	1	122.74
	Total	**113**	**2084.54**	**53**	**423.99**	**72**	**662.84**

Source: Department

3.8.4 A review of the IRs which were pending due to non receipt of replies, in respect of the departments revealed that the Heads of the offices, whose records were inspected by Principal Accountant General, and the Heads of the departments, failed to discharge due responsibility as they did not send any reply to a large number of IRs/Paragraphs and thereby indicated their failure to initiate action in regard to the defects, omissions and irregularities pointed out in the IRs of the Principal Accountant General. The Secretaries of the concerned departments, who were informed of the position through half-yearly reports, also failed to ensure that the concerned officers of the departments took prompt and timely action.

3.8.5 The above also indicated that no action was taken against the defaulting officers.

3.8.6 It is recommended that the Government should look into this matter and ensure that (a) action is taken against the officials who fail to send replies to IRs/Paras as per the prescribed time schedule, (b) action is initiated to recover loss/outstanding advances/overpayments in a time bound manner and (c) there is a proper system of expeditious compliance to audit observations in the department.

3.8.7 The matter was reported to the Government in August 2002; reply has not been received (December 2002).

FINANCE DEPARTMENT

3.9 Misappropriation, losses etc.

Delay in settlement of 31 cases of losses, misappropriation (loss – Rs.8.41 crore and misappropriation – Rs.0.34 lakh) etc., by 8 departments resulted in outstanding balance of Rs.8.42 crore for periods ranging from 1 year to 42 years

3.9.1 Thirty one cases of misappropriation, losses etc. of Government money aggregating Rs.8.42 crore reported to audit were pending settlement for periods ranging from 1 year to 42 years at the end of June 2002.

3.9.2 Department-wise and case-wise analysis of outstanding cases in which final action was pending as of 30 June 2002 is given in **Appendix - XXXI.**

3.9.3 The year-wise and department-wise, position of misappropriation, losses etc., along with period of pending as of 30 June 2002 is given in table 3.5 and 3.6 below:

Table – 3.5

(Rupees in lakh)

Year	Cases of loss		Cases of misappropriation		Total No. of cases	
	No.	Amount	No.	Amount	No.	Amount
1	2	3	4	5	6	7
Upto 1990	16	10.12	1	0.34	17	10.46
1991-1992	1	0.65	-	-	1	0.65
1992-1993	2	0.18	-	-	2	0.18
1993-1994	1	0.15	-	-	1	0.15
1994-1995	1	Amount not intimated	-	-	1	-
1995-1996	1	0.48	-	-	1	0.48
1996-1997	1	Amount not intimated	-	-	1	-
1997-1998	1	1.08	-	-	1	1.08
1998-1999	2	8.52	-	-	2	8.52
1999-2000	1	4.44	-	-	1	4.44
2000-2001	3	815.55	-	-	3	815.55
2001-2002	-	-	-	-	-	-
Total:	**30**	**841.17**	**1**	**0.34**	**31**	**841.51***

Source: Departments

Table – 3.6

(Rupees in lakh)

Sl. No.	Department	Number of cases	Period of pendency (In years)	Amount
1.	Education	4	4 to 7	3.37
2.	Forest*	11	1 to 15	830.12
3.	General Administration	1	23	0.03
4.	Public Works	6	9 to 15	2.93
5.	Supply and Transport	6	15 to 42	1.33
6.	Information and Public Relation	1	13	2.65
7.	CWC*	1	7	Amount not intimated
8.	Public Health Engineering	1	5	1.08
	Total:	**31**		**841.51**

Source: Departments

* No of cases in which amount not intimated – 2 (Forest – 1, CWC – 1)

3.9.4 Out of 31 numbers of unsettled cases, departmental/police action was awaited in 10 cases, 8 cases were pending in the court of law and 13 cases were awaiting recovery/write off order from Government.

3.9.5 The matter was referred to Government (August 2002); their reply has not yet been received (December 2002).