2.2 REVIEW ON IMPLEMENTATION OF WELFARE SCHEMES FOR THE PLAINS TRIBES PEOPLE BY ASSAM PLAINS TRIBES DEVELOPMENT CORPORATION LIMITED

Highlights

Assam Plains Tribes Development Corporation Limited was incorporated in March 1975 with the main objective of extending financial assistance to the tribal (Plains) population of the State. The Company implemented Family Oriented Income Generating Scheme (FOIGS) out of Special Central Assistance (SCA) received from the State Government and Term Loan Scheme out of loan obtained from National Scheduled Tribes Finance and Development Corporation (NSTFDC). The Company had neither any database as to plains tribes people under the jurisdiction of its 28 branches nor had they finalised branch-wise, year-wise lists of beneficiaries assisted so far since inception. SCA funds meant for disbursement as subsidy were partly disbursed as loan in violation of Government of India guidelines and thus, the beneficiaries were deprived of the full benefit of the scheme. Besides, a substantial part of the SCA funds amounting to Rs.26.13 crore were diverted towards administrative and establishment expenses of the Company.

(Paragraphs 2.2.1, 2.2.7 and 2.2.9)

Audit also noticed:

- **Lack of co-ordination among implementing agencies in execution of SCA funded schemes as same/identical schemes were implemented by various authorities in the same area.**

(Paragraph 2.2.15)

- **Programmes taken up for implementation were formulated at Head office of the Company without associating the beneficiaries and field level functionaries and thus area/community specific needs/demands, problems were lost sight of.**

(Paragraph 2.2.12)

- **There is no mechanism in place to monitor proper distribution of assistance to the intended beneficiaries and evaluate from time to time, the impact of the schemes implemented by it.**

(Paragraph 2.2.25)

- **The Company failed to repay its dues to NSTFDC as substantial amount recovered from loanees was used by the Company to meet its overhead expenses. As a result, the Company is already saddled with a huge debt burden.**

(Paragraph 2.2.17)

Introduction

2.2.1 The Assam Plains Tribes Development Corporation Limited (Company) was incorporated as a wholly owned Government Company on 29 March 1975 with the main objective of extending financial assistance to the tribal (Plains) population of the State so as to bring about their economic upliftment.

As per Census Report (2001), the State had Scheduled Tribes (Plains) [ST (P)] population of 27,27,179. The Company, however, did not have any database as regards Scheduled Tribes (Plains) people/families residing in the jurisdiction of 28 branch offices of the Company, their occupational pattern, classifying them under 'Below Poverty Line' (BPL)[*], 'Double the Poverty Line' (DPL)[**], 'Creamy Layers' *etc*.

The Management of the Company is vested in a Board of Directors consisting of not more than 15 Directors including the Chairman and the Managing Director who are appointed by the State Government. Managing Director, the Chief Executive of the Company, is assisted in his day-to-day activities by a Financial Adviser and Branch Managers. As on 31 March 2004, there were 12 Directors on the Board.

The Company has 28 branch offices, headed by Branch Managers to oversee the implementation of various schemes sponsored by the State Government and National Scheduled Tribes Finance and Development Corporation Limited (NSTFDC).

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[*] BPL: Income limit upto Rs.7,000 *per annum.*

[**] DPL: Income limit upto Rs.31,952 *per annum* for rural areas and Rs.42,412 *per annum* for urban areas.

Scope of audit

2.2.2 The performance of the Company has not been appraised earlier. The present appraisal analyses the performance of the Company with regard to implementation of various welfare schemes for the plains tribes people of Assam during the five years ended 31 March 2004. The review conducted during November 2004 to December 2004 and March 2005 to April 2005 covers 26 schemes, out of 44 schemes (***Annexure*-11)**, implemented by the Company.

Scrutiny of records at corporate office, five out of 28 branch offices, were selected for field inspection; of which three branches had been operating in areas with maximum concentration of tribal (plains) people and two in other areas.

Audit objective

2.2.3 The audit objective extends to make an assessment as to how far the Company achieved the socio-economic goals and results set under various schemes and to examine whether the money spent on welfare schemes derived the intended benefits. Towards this goal, audit analysed the following:

- Follow up of Government of India guidelines.
- Adequate survey and planning before formulation and implementation of schemes.
- Co-ordination among implementing agencies in execution of Special Central Assistance funded schemes to avoid overlapping of the same schemes implemented by the different Government agencies in the same area or for the same beneficiaries.
- Utilisation of Special Central Assistance Funds.
- Disbursement and recovery of loan out of Special Central Assistance Schemes.
- Disbursement of loan to beneficiaries out of NSTFDC funds.
- Compliance of Government instructions for procurement of inputs for distribution amongst the beneficiaries.
- Evaluation of performance of the schemes in post implementation period.

Audit criteria

2.2.4 Audit criteria includes examination and analysis of the following systems and procedures designed for achievement of ultimate socio-economic objective of the schemes:

- Formulation of schemes,
- Selection of beneficiaries *vis-à-vis* directives of the State Government/funding agencies,
- Utilisation of funds received from the Government and other financial institutions for approved welfare schemes for the intended purpose,
- Correlation between physical and financial progress and achievement of targets *vis-à-vis* scheme objectives,
- System of monitoring and evaluation of schemes.

Audit methodology

2.2.5 The methodologies adopted for attaining audit objectives by comparing with reference to the audit criteria were:

- Analysis of procedures in respect of disbursement, utilisation and recovery of financial assistance provided by the Company to Scheduled Tribe (Plains) beneficiaries living below poverty line (BPL[*]) and double the poverty line (DPL[**]). For this, the audit scrutinised minutes/agenda notes of the meeting of Board of Directors, guidelines issued by Government of India/State Government, NSTFDC and loan agreements with beneficiaries, *etc.*
- Analysis of data in respect of disbursement, utilisation and recovery, available with the Company. For this purpose, the audit scrutinised the minutes of the Project Committee, loan registers, financial assistance files of the beneficiaries, circulars issued by the Head office, returns furnished from time to time by the Branch offices, orders placed for procurement of inputs, *etc*.
- A questionnaire seeking answers to various queries was given to the Company and the answers thereto were obtained from the Management.

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[*] BPL: Income limit upto Rs.7,000 *per annum*.
[**] DPL: Income limit upto Rs.31,952 *per annum* for rural areas and Rs.42,412 *per annum* for urban areas.

Audit findings

2.2.6 Audit findings, as a result of review on Implementation of Welfare Schemes for Plains Tribes People were reported to the Government/Management in June 2005 and discussed in the meeting of Audit Review Committee for State Public Sector Enterprises (ARCPSE) held on 25 July 2005, which was attended by the Secretary to the Government of Assam, Department of Welfare of Plains Tribes and Backward Classes, and Managing Director of the Company. The review could not be discussed in detail as the facts and figures as set out in the draft review were still under examination by the Management. While finalising the report, the replies of the Management were received (August 2005), which have been taken into consideration.

The accounts have been finalised only upto the year 1987-88. The Company has prepared provisional accounts upto the year 2001-02 only.

During the period covered by this review (1999-2004), the Company received funds amounting to Rs.21.76 crore under Special Central Assistance and Rs.16.33 crore from NSTFDC for disbursement amongst beneficiaries.

The audit findings on the receipts, utilization and disbursement of funds are discussed in succeeding paragraphs:

Implementation

2.2.7 The Company is implementing schemes under Special Central Assistance (SCA) provided by the Government of India and term loan schemes sanctioned by the National Scheduled Tribes Finance and Development Company (NSTFDC) Limited.

Special Central Assistance has been extended since 1977-78 by the Government of India in addition to the State Plan efforts to facilitate family based income generation activities so as to cover employment-cum-income generation activities and infrastructure development incidental thereto.

During the period 1999-2004, the Company received funds as grants-in-aid under Special Central Assistance Scheme from the State Government and implemented/formulated Family Oriented Income Generation Schemes (FOIGS) and Anti Poverty Simple Economic Assistance (APSEA) Scheme respectively.

The Company, though, has been implementing FOIGS, APSEA (out of SCA) since 1977-78 and term loan scheme (out of NSTFDC loan) since 1992-93, it is yet to finalise the scheme-wise/branch-wise/year-wise list of beneficiaries.

Special Central Assistance funded scheme

2.2.8 The Company received funds under Special Central Assistance (SCA) as grants-in-aid. The Company, however, during the five years ended March 2004, provided financial assistance by way of subsidy and loan to the scheduled tribes (plains) people living below poverty line (BPL). The assistance to the beneficiaries was by way of providing agricultural machinery and implements, looms with yarns, livestock, *etc*, procured by the Company out of SCA.

As per State Government instructions (1990) the Company was required to implement FOIGS as a bankable scheme, with an average cost of Rs.12,000 per scheme per beneficiary family.

FOIGS was to be implemented as a bankable scheme

The beneficiary was to be financed by way of subsidy of Rs.6,000 which was to be provided by the Company. The remaining Rs.6,000 was to be financed by the banks by way of a loan to the beneficiary. The subsidy was to be released by the Company to the bank for disbursement to the beneficiary along with the bank loan. The Company, in violation of State Government's instructions, was giving loans to the beneficiaries, out of the amount of subsidy (Rs.6,000 per beneficiary) received by it for disbursement as subsidy to the beneficiary.

Since 1995-96, the Company launched a new scheme under the name and style "Anti-poverty Simple Economic Assistance" (APSEA) and utilised fund received from Government in procurement of materials for distribution of the same to the beneficiaries and recovered 25 *per cent* of the cost of materials, terming and treating the same as loan, from the beneficiaries before delivery of material. This not only diluted the scheme but also enabled the Company to appropriate the scheme fund (SCA) to meet administrative and establishment expenses of the Company.

The Management in reply stated (August 2005) that though the scheme under SCA was to be implemented with 100 *per cent* subsidy, the Company with the approval of Board of Directors and with permission of the State Government implemented the scheme providing 75 *per cent* subsidy and 25 *per cent* loan. The 25 *per cent* loan was recovered at a time before delivery of the inputs and has entirely been utilised towards meeting administrative expenditure, as there was no other source of income.

Management's reply only corroborated the facts and observations made by audit.

Utilisation of Special Central Assistance Funds

2.2.9 Funds sanctioned and released to the Company out of SCA by the State Government and utilisation thereof by the Company during the period are tabulated below:

Year	Amount sanctioned	Amount received	Total fund available	Amount utilised towards disbursement as			Balance
				Subsidy	Loan	Total	
	(Rupees in lakh)						
1998-99	-	-	-	-	-	-	2,848.23
1999-2000	1,044.93	529.82	3,378.05	286.15	131.90	418.05	2,960.00
2000-01	915.77	396.72	3,356.72	447.42	97.54	544.96	2,811.76
2001-02	254.18	248.16	3,059.92	263.31	55.93	319.24	2,740.68
2002-03	499.48	605.04	3,345.72	409.12	48.18	457.30	2,888.42
2003-04	395.87	395.82	3,284.24	555.78	98.97	654.75	2,629.49
Total:	**3,110.23**	**2,175.56**		**1961.78**	**4,32.52**	**2,394.30**	

In this regard, following deserve mention:

- During the period prior to 1999-2000, the Company had not utilised the funds fully for the purpose it was intended.

Utilisation of grants as loan was irregular

- Audit observed that the terms of SCA scheme as laid down by Government of India did not stipulate utilisation of the grants for disbursement as loan. Therefore, utilisation of SCA grants partly as loan by the Company was highly irregular and defeated the intent and purpose of the assistance.

The Company utilised an amount of Rs.26.13 crore grants towards administrative expenses

- Against the unutilised balance of Rs.26.29 crore, the Company held the cash and bank balance of Rs.16.32 lakh as on 31 March 2004; Rs.26.13 crore having been unauthorisedly diverted towards disbursement of loan and administrative and establishment expenses of the Company.

The Management in reply stated (August 2005) that the audit has shown the unutilised SCA balance fund of Rs.26.29 crore as on 31 March 2004 but practically there is no such balance as on 31 March 2004.

The reply of the Management is not acceptable as the same is not in conformity with the records of the Company. As per records maintained by the

Company, it had an unutilised balance of Rs.26.29 crore of SCA fund as on 31 March 2004 and a cash and bank balance of Rs.16.32 lakh.

Targets and achievement

2.2.10 Targets fixed by the Company, in terms of number of beneficiaries and achievement thereagainst during the period 1999-2004 are tabulated below:

Year	Target (In numbers)	Achievement	
		In numbers	In *percentage*
1999-2000	10,000	6,925	69.25
2000-01	10,000	9,793	97.93
2001-02	10,000	5,634	56.34
2002-03	15,000	12,081	80.54
2003-04	20,000	6,972	34.86
Total	**65,000**	**41,405**	

It may be seen from the above that the Company could not achieve the targets in any of the five years.

The Management, in reply stated (August 2005) that due to non-receipt of funds from State Government, year-wise target could not be achieved.

Management's reply is not acceptable in view of the fact that funds received from State Government were either lying unutilised or diverted towards administrative and establishment expenses of the Company, as discussed in paragraph 2.2.9 *supra*..

Disbursement/Recovery of loan

2.2.11 Loan granted, out of SCA, to the beneficiaries in each year during the five years, recovery made and loan outstanding at the end are detailed below:

Year	Loan disbursed	Recovery made	Balance outstanding
	(Rupees in lakh)		
1998-99	-	-	1395.71
1999-2000	131.90	77.41	1,450.20
2000-01	97.54	92.54	1,455.20
2001-02	55.93	70.59	1,440.54
2002-03	48.18	95.00	1,393.72
2003-04	98.97	50.09	1,442.60
Total	**432.52**	**385.63**	

From the above table, it would be seen that out of the loan of Rs.432.52 lakh disbursed during the period 1999–2004, an amount of Rs.385.63 lakh has been recovered. Recovery during the period 2000-01, 2001-02 and 2002-03 improved because loan component of the assistance was realised from the recipients (beneficiaries) before delivery of inputs to them. The balance of Rs.1,442.60 lakh outstanding as at the end of 2003-04 mostly pertain to the loans disbursed prior to 1999-2000 which remained unrecovered as no concerted efforts were made by the Company towards its recovery.

The age-wise analysis of balance outstanding could not be done by Audit, as year-wise/scheme-wise ledgers were not maintained by the Company.

Audit observed that total loan recovered was utilised by the Company towards administrative and establishment expenses of the Company.

The Management, in reply, while accepting the audit observations stated (August 2005) that as the Company has no specific fund for meeting up the administrative expenditure, the 25 *per cent* loan component recovered from the beneficiaries was spent towards administrative expenditure.

Follow-up of Government of India guidelines

2.2.12 The Government of India had been issuing guidelines from time to time on implementation of SCA funded schemes. The latest guidelines (incorporating the earlier guidelines) issued in May 2003 envisaged:

- The need for formulation, on a priority basis, of innovative projects for creating employment-cum-income generation activities based on the felt needs of the local tribals;
- Prioritisation of most neglected tribals in the forest villages.
- Long-term area specific micro-planning by taking into consideration Integrated Tribal Development Project/Integrated Tribal Development Area and the blocks/clusters therein as geographical units;
- Gearing-up of ground level functionaries effectively so as to attract institutional finance;

Field level functionaries and the prospective beneficiaries were not associated in formulation of schemes

In line with the course of action suggested above, it was incumbent upon the Company's Management at different levels to interact on sustainable basis with different tribal communities, self-help groups; identify area/community specific development bottlenecks; area-specific potential for employment-cum-income generation and also ensure participation of prospective beneficiaries in formulation of schemes, monitoring closely the impact of the schemes, through establishment of a Management Information System (MIS), and by providing need-based back-up support and training, *etc*, wherever felt necessary.

Audit observed that the Management did not take any of the above exercises in the pre or post implementation period of different SCA funded schemes as would be evident from the following:

Beneficiary targets were arbitrarily fixed

- Year-wise target of beneficiaries was set without any field survey and without any perspective planning, short or long term, envisaging wider/maximum coverage of BPL section of tribal population over a certain period of time.

Economic viability of schemes were not judged before implementation

- Schemes taken up under FOIGS and APSEA were formulated at Head Office of the Company without judging their technical feasibility and economic viability. Neither the Branch Officers nor the beneficiaries had any role in formulation of the schemes.

As a matter of practice, schemes finalised at Head Office were circulated to the Branch Offices of the Company for inviting proposals from beneficiaries for sanction, *etc.*

The Management, in reply stated (August 2005) that though the prospective beneficiaries were not involved during preparation of the schemes, from the response of the prospective beneficiaries it appeared to the Management that the schemes were suitable for them.

Fact, however, remains that the beneficiaries had no option but to accept the schemes, which were subsidised to the extent of 75 *per cent.*

Procurement and distribution of power tillers and tractors

2.2.13 The Company spent Rs.15.23 crore on procurement and distribution of power tillers and tractors, out of total SCA fund utilised (Rs.23.94 crore) during 1999-2004.

The two schemes (Power tillers and Tractors), formulated by the Head office, were circulated to the branches for wide publicity. The Branch Managers were asked to sponsor applications from Farm Management Committees (FMC) to Head office for sanction and execution of the schemes, *etc.*

The power tillers and tractors were distributed to the FMCs comprising 87 and 23 member beneficiaries respectively; the beneficiaries were being mostly marginal farmers.

These schemes were undertaken without considering their employment-cum-income generating potential, need-based demand from beneficiaries.

In the absence of any records, Audit could not assess the impact of employment or income generation by the implementation of these schemes.

Implementation of Infrastructure Development Programme

2.2.14 The Government of Assam during 2002-03 sanctioned (December 2002) an amount of Rupees two crore as grants-in-aid towards implementation of the Infrastructure Development Programme for procurement of desk-benches to the Provincialised Educational Institutions within Integrated Tribal Development Project (ITDP) areas of Assam out of SCA funds released by Government of India.

Procurement and distribution of plastic moulded desk-bench was not in conformity with or incidental to SCA scheme

The Company procured (2003-04) 3,486 plastic-moulded desk-benches at a cost of Rs. 1.94 crore for distribution to provincialised schools with 60 to 70 *per cent* tribal students on their roll. Utilisation of SCA fund for the aforesaid purpose, as observed in audit, was not in conformity with the intent and purpose of SCA as outlined in Government of India guidelines. Moreover, field surveys, if any, conducted for assessment of branch-wise/area-wise/school-wise demand, requirement of the item, *etc*, were not on record indicating lack of transparency in formulation of schemes.

Non-acceptance of lowest tendered rates resulted in loss of Rs.1.38 crore to the Company

Further, these desk-benches were procured at the rate of Rs.5,561.75 per pair, which was higher than the lowest tendered rate of Rs.1,600 per pair received by the Company. Acceptance of the higher rate without any valid ground resulted in loss of Rs.1.38 crore to the Company.

Co-ordination among implementing agencies in execution of SCA funded schemes

Three Government agencies were engaged in implementation of FOIGS without any co-ordination among them

2.2.15 Directorate of Welfare of Plains Tribes and Backward Classes, Government of Assam, Assam Tribal Development Authority (ATDA) and Assam Plains Tribes Development Corporation Limited (APTDC) were the three agencies entrusted with the implementation of Family Oriented Income Generating Schemes (FOIGS) and Infrastructural Development Programmes in Scheduled Tribes (ST) concentrated areas.

Overlapping of schemes implemented by different authorities

In order to avoid overlapping of assistance by the aforesaid agencies as also to ensure equitable distribution of benefits to the needy tribal people, the three authorities were required to act in co-ordination right from the stage of formulation of schemes upto their execution.

Scrutiny of records and discussion with the Management revealed that there was absence of co-ordination among these authorities even though same/identical schemes were implemented by all these authorities in the same area.

NSTFDC funded loan schemes

Terms and conditions of NSTFDC loans

2.2.16 As per terms and conditions of NSTFDC loan, NSTFDC was to provide term loan upto 90 *per cent* of the cost of the project, State-level channelising agencies were to contribute their share of assistance as per their schemes and to provide the required subsidy and promoter's share varying from zero to 10 *per cent* depending upon the cost of the project.

Loans granted by NSTFDC, Promoter's contribution and expenditure incurred out of the same by the Company during 1999-2004 are as follows:

Year	NSTFDC's share	Promoter's share	Total	Inputs procured	Cash loan	Total
	(Rupees in lakh)					
1999-2000	815.75	89.29	905.04	868.32	43.92	912.24
2000-01	451.77	49.75	501.52	437.79	85.12	522.91
2001-02	344.81	65.03	409.84	270.54	24.48	295.02
2002-03	20.47	11.88	32.35	82.50	-	82.50
2003-04		2.92	2.92	15.95	-	15.95
Total	**1,632.80**	**218.87**	**1,851.67**	**1675.10**	**153.52**	**1828.62**

The table indicates that during the five years 1999-2004, the Company arranged a total fund of Rs.18.52 crore (NSTFDC loan: Rs.16.33 crore, Promoter's share: Rs.2.19 crore) and utilised Rs.18.29 crore in procurement of inputs and granting cash loans, retaining the balance of Rs.23.05 lakh.

Further, it would be observed from above that, as per terms and conditions of NSTFDC, the Company did not contribute its due share towards the cost of the projects. Beneficiaries were thus, made to bear more than their due share. Moreover, funds acquired from NSTFDC and the beneficiaries were not utilised fully, a part of the fund having been retained by the Company.

Drawal and repayment of loan to NSTFDC

2.2.17 The Company obtained loans from National Scheduled Tribes Finance and Development Company (NSTFDC) at nominal rate of interest (four to six *per cent*).

The details of loan drawn by the Company, repayment made thereagainst, loan outstanding at the close of the year during the period 1999-2004 are as follows:

Year	Loan drawn	Repayment	Loan outstanding at the close of the financial year
	(Rupees in lakh)		
1998-1999	-	-	119.80
1999-2000	815.75	-	935.55
2000-01	451.77	-	1,387.32
2001-02	344.81	45.00	1,687.13
2002-03	20.47	80.00	1,627.60
2003-04	-	20.00	1,607.60
Total	**1,632.80**	**145.00**	

Interest due and payable on the loan every year was not accounted for on accrual basis. On the basis of demand notices received by the Company from time to time from NSTFDC, the following position of over dues emerged:

Year	Repayment over due at the beginning		Current dues		Repayment made		Balance over due at the close		Recoveries from beneficiaries	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	(Rupees in lakh)									
1999-2000	-	-	64.11	29.74	64.11	29.19	-	0.55	24.95	21.18
2000-01	-	0.55	151.84	49.40	103.31*	34.68*	48.53	15.27	133.15	37.26
2001-02	48.53	15.27	273.20	69.26	102.00*	31.37*	219.73	53.16	97.94	40.00
2002-03	219.73	53.16	353.72	77.95	52.48	27.52	520.97	103.59	100.76	40.89
2003-04	520.97	103.59	367.41	79.88	0.00	20.00	888.38	163.47	75.20	47.54
Total					**321.90**	**142.76**	**1051.85**		**432.00**	**186.87**

The Company's dues to NSTFDC increased from Rs.0.55 lakh in 1999-2000 to Rs.10.52 crore in 2003-04

The table above indicates that the Company's dues to NSTFDC increased from Rs.0.55 lakh in 1999-2000 to Rs.10.52 crore (principal *plus* interest) in 2003-04. Total repayment of Rs.4.65 crore (Principal *plus* Interest) includes Rs.2.71 crore which were adjusted by NSTFDC against the fresh sanction of loan.

The Company repaid only Rs.1.94 crore to NSTFDC out of the total recovery of Rs.6.19 crore from the beneficiaries.

The huge increase in dues was attributable to the Company's failure in timely recovery of dues from loanees (beneficiaries) and also appropriation of dues realised from loanees towards meeting out the administrative and establishment expenses of the Company. Audit also observed that out of total recovery of Rs.6.19 crore (principal *plus* interest) from beneficiaries during the five years ended 31 March 2004, the Company repaid Rs.1.94 crore only to NSTFDC.

* Repayment adjusted against fresh sanction of loan.

Disbursement of loan to beneficiaries

2.2.18 Loans drawn from NSTFDC were partly utilised by the Company in procurement of power tillers, vehicles (TATA Sumo, Auto-rickshaw, *etc*), for delivery of the same to the selected beneficiaries as loan bearing interest at the rate of seven to nine *per cent per annum* and partly in disbursement of loan in cash to the beneficiaries for undertaking schemes *viz.*, fisheries, electrical shops, groceries, *etc.*

Table below shows target set in terms of number of beneficiaries for each of the five years (1999-2004) and achievement thereagainst by the Company during the period:

Years	Target	Achievement
1999-2000	157	12
2000-01	496	374
2001-02	75	122
2002-03	6	75
2003-04	-	6
Total	**734**	**589**

Table indicates that the Company failed to achieve the targets during the above periods. Achievements in excess of targets as appearing against the two years (2001-02 and 2002-03) were due to spill-over of unachieved targets in earlier years.

Audit observed that shortfall in achieving targets was due to delay in selection of beneficiaries, procurement of materials, *etc.*

Economy in procurement of inputs

2.2.19 In order to procure Mahindra & Mahindra model tractors against NSTFDC funded term loan scheme, the Management collected (March 1999) price quotation from two firms *viz.*, Rajdhani Tractors & Agencies (L_1) and D&N Enterprise (L_2) (owned by Shri Pabitra Hira). The price of Rs.3.68 lakh per tractor (with accessories) quoted by L_1 was lower than the price of Rs.4.14 lakh per tractor quoted by L_2. The Company, however, placed orders for 10 tractors with L_1 and for 30 tractors with L_2 at the same price of Rs.4.14 lakh per tractor. Reasons for not accepting the lower rate, or for allowing the higher rate to both the firms were not on record.

Thus, procurement of 40 tractors with accessories at higher rates led to extra expenditure of Rs.18.40[*] lakh.

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[*] 40 x Rs.4.14 lakh – 40 x Rs.3.68 lakh.

Other loan schemes

2.2.20 The Company, in addition to the above schemes, also implemented three loan schemes *viz*. margin money loan, consumption loan, direct loan up to 1991-92. Rupees.13.87 crore (principal) were outstanding as at the beginning of 1999-2000. During the five years (1999-2004), the Company recovered only Rs.90 lakh against total outstanding indicating poor recovery performance.

The Management did not take any action to secure the interest of the Company resulting in huge magnitude of outstanding loan

As per terms and conditions of the loan schemes, in case of default in repayment of three consecutive loan instalments, the Management was empowered to take legal action against the defaulters or seize the assets acquired out of the loan. The Management did not take any such action to secure the interest of the Company. Moreover, the Company has not analysed the reasons behind defaults of such magnitude and has not drawn-up plans for recovery.

Audit also observed that the Company has not maintained year-wise/scheme-wise loan ledger/registers. Loanee's personal ledger accounts, wherever maintained, were neither updated nor maintained in the manner required.

Poor recovery performances of field offices

Recovery made by branches did not even meet their wage bill

2.2.21 Twenty-eight branches of the Company, which should have engaged themselves in developmental work, were in fact, primarily engaged in recovery of loans only. Recovery performance of the branches during the last 5 years ended 31 March 2004 revealed that total recovery of Rs. 6.19 crore by the branch offices did not even meet their total wage bill of Rs. 7.27 crore for the same period.

It was further revealed that out of above 28 branches, loan recovery in respect of five branches was only 34 per cent of their total wage bill, which put a question mark on the justification of continuance of these branches.

Non-compliance of Government instructions

Government instructions to procure agricultural equipments from AAIDC Limited were not followed by the Company

2.2.22 The Government of Assam issued instructions in 1985 to procure all agricultural equipments & machinery from Assam Agro-Industries Development Company Limited (AAIDC), a State Sector Undertaking. In contravention of the said instructions, the Company has been procuring the machinery from open market at the approved sales prices of AAIDC for their own products. As the sale price approved by AAIDC for the Company's (AAIDC) sale points included an element of profit, the Company, by procuring the machinery from private dealers, passed on the benefit to the private dealers instead of to the sick Government Company (AAIDC); against

15 orders placed for procurement of agricultural machinery and equipments from private dealers during the last five years, the sick Government Company (AAIDC) was deprived of profit margin of Rs.51.21 lakh. Further, before procurement from private dealers, submission of manufacturer's price list was not insisted upon in any case, on any occasion.

Procurement from private dealers resulted in extra expenditure of Rs.1.01 crore

Scrutiny further revealed that the Company, during the period October 2002 to September 2003, procured 113 tractors from private dealers at Rs.5.21 lakh per tractor with accessories against the prevailing AAIDC's sale price of Rs.4.32 lakh for the same brand, which resulted in extra expenditure of Rs.1.01[*] crore to the Company.

Management in reply stated (August 2005) that the Company would look into the matter in future as regard to placement of supply orders with AAIDC.

Delay in implementation/delivery of inputs

2.2.23 As per purchase orders placed for procurement of power tillers and tractors (inputs), the suppliers were required to deliver the inputs to the beneficiaries within a period of 45/60 days from the date of issue of purchase order. Audit observed that there was abnormal delay ranging from six months to one year in delivery of inputs to the beneficiaries by four firms (owned by the same owner) on whom 12 orders valuing Rs.12.93 crore were placed.

Implementation of the schemes was delayed due to delay in delivery of inputs

The agreements entered into with these firms did not provide for payment of advances. The Company, however, paid advances, ranging from 80 to 90 *per cent* of the value of the purchase orders, to these firms. The agreements also did not provide for penalty in the event of non-supply, short supply or delay in delivery of inputs to the beneficiaries. As a result, implementation of the schemes was delayed. Moreover, in case of NSTFDC funded term loan schemes, such delay in delivery of inputs also resulted in increased interest burden on the Company.

Management stated (August 2005) that these firms were the only institutional dealers authorised to quote the price of and supply MF tractors to the State Government institutions.

Management's contention is not tenable in view of the fact that the State Government had approved seven different brand of tractors for procurement by Government departments, agencies, *etc.* Management's reply was silent on the delay in delivery of inputs and its effect on increased interest burden on the Company

[*] Rs.5.21 x 113 – Rs.4.32 x 113.

Cash management

2.2.24 The Company has not prepared bank reconciliation statement since 1997-98 either at Head office or at field offices.

- There is no system in place to reconcile remittances from field/branch offices with headquarters' bank account.

- Minus balance of Rs.28.76 crore against eight bank accounts appearing in accounts since 1997-98 remained unreconciled.

The Company stated (August 2005) that the matter has been noted for future guidance.

- In order to monitor and ensure timely encashment of fixed deposits, the Company was required to maintain a Fixed deposit register with full particulars of date of deposit, period of deposit, date of maturity, interest receivable, *etc.* The Company, though, had a good number of deposits with different banks but had not maintained a fixed deposit register till the year 2003.

It was noticed in Audit that a fixed deposit receipt of Rs.10 lakh was encashed after 102 months of the date of its maturity (12 July 1994).

- During inspection of branch offices by headquarters officials, eight cases of misappropriation of cash amounting to Rs.15.98 lakh were detected. In one case, a police case has been registered. Out of the remaining seven cases involving a total misappropriation of Rs.10.88 lakh, in four cases, the Company could recover (August 2005) an amount of Rs.1.29 lakh only. The Management has not initiated any step for recovery of the balance amount though period allowed for recovery had already expired indicating failure of the Company in enforcing financial discipline and accountability of its employees.

The Company stated (August 2005) that stern action was being taken against the employees concerned.

Internal Control

2.2.25 The following internal control weaknesses were noticed in the system:

Monitoring and evaluation of schemes

Management did not evaluate the impact of the schemes on the economic upliftment of the targeted beneficiaries

There was no control-mechanism in place to monitor the performance and efficacy of the implemented schemes especially with regard to their impact on the economic upliftment of the tribal people. Feed-backs, wherever received, from field offices were primarily related to date of delivery of equipments, working condition of the asset, *etc.*

Management is yet to ascertain the number of actual beneficiaries under FOIGS bankable scheme

As regards FOIGS (bankable schemes), funded out of SCA, implemented through banks upto 2000-01, the Management was yet (August 2005) to ascertain the number of cases where banks had released full amount (50 *per cent* subsidy released to the banks by APTDC and 50 *per cent* by banks as loan) of cost of the project to the approved beneficiaries. The Company also failed to furnish to Audit the number of beneficiaries in respect of whom subsidy components were released to banks for implementation of the schemes.

Management in reply stated (August 2005) that the monitoring and evaluation mechanism has not functioned due to funds crunch.

Monitoring and control over delivery of inputs

There was no system in place at Head office to monitor, through regular returns from field offices, actual/timely delivery of inputs to the selected beneficiaries.

A test check of records relating to the implementation of the programmes for distribution of spray machines, power tillers and tractors under SCA and NSTFDC term loan schemes, revealed the following irregularities/discrepancies:

Management did not monitor delivery of inputs to the intended beneficiaries

- The Company procured (July 2000 to July 2001) 6,912 spray machines at a total cost of Rs.1.14 crore for distribution to the beneficiaries. Actual Payees Receipt (APR) furnished by field offices revealed that out of the above, 5,397 machines were distributed to the beneficiaries. The status (August 2005) of remaining 1,515 machines (value: Rs.25 lakh) has neither been enquired into by the Head office nor could be provided to Audit.
- Against four orders for procurement of power tillers and tractors, two tractors (value: Rs.10.27 lakh) and six compulsory attachments (value: Rs.5.65 lakh) were not delivered, five tillers (value: Rs.5.43 lakh) with same engine number and chassis number were shown to have been delivered at two destinations, though payment was made in full in all the above cases.

In reply Management (August 2005) stated that:

- ➢ Monitoring and evaluation process would be started.
- ➢ As regards the status of 1,515 spray machines, the Company was yet to collect the Actual Payees Receipts from some branch offices.

- In the case of two tractors, the supplier had assured (November 2001) the Management to submit delivery challans and the Company would take action for collecting the same.

- The Company has already taken action for obtaining accurate information on missing items from the concerned branch offices as well as from the suppliers.

Management's reply, corroborated audit observation that the Company had no system of regularly monitoring actual delivery of inputs to the beneficiaries.

The above matters were reported to Government in June 2005; their reply had not been received (September 2005).

Conclusion

The Company did not have control mechanism in place to monitor the performance and efficacy of the implemented schemes especially, with regard to their impact on the economic upliftment of the tribal people. The Company did not maintain even the database as regards tribal population of the State in terms of occupational pattern and poverty status. Government of India guidelines for formulation as well as prioritisation of most neglected tribals were not followed. The funds required to be given as grants under Special Central Assistance for disbursement amongst the beneficiaries were partly given as loan. The funds were diverted to a large extent towards administrative and establishment expenses of the Company; even the recoveries against the loans given to the beneficiaries were utilised towards administrative and establishment expenses. The Company failed to monitor and evaluate the impact of the schemes; there was also lack of co-ordination among implementing agencies in execution of SCA funded schemes. Recovery performance of the field offices was too dismal as compared to their wage bill.

Recommendations

- **The Company needs to finalise branch-wise/scheme-wise list of beneficiaries assisted under different schemes implemented since inception, immediately.**

- **Management should ensure participation of prospective beneficiaries as well as grass root level functionaries in formulation of schemes/programmes in order to ensure public awareness and maximum economic benefits.**

- **The Company should adopt a pragmatic system of formulation of schemes (need-based area-wise).**

- **Government of India guidelines need to be followed strictly for utilisation and disbursement of grants to the beneficiaries.**

- **Efforts need to be made to gear-up recovery performance for enhancing the revenue generation capacity of the Company and the issue of diversion of funds meant for disbursement amongst the beneficiaries towards administrative and establishment expenses of the Company needs to be addressed by the Company/State Government.**

- **Monitoring and study of the performance of the schemes and their impact on the socio-economic status of the tribal population is required.**

- **In order to avoid duplication of efforts, the Government should ensure close co-ordination among different implementing agencies or consider merging the organisations engaged in functions, which are overlapping, so as to cut down excessive administrative expenses.**