

CHAPTER – III

CIVIL DEPARTMENTS

SECTION – A – REVIEWS

SERICULTURE DEPARTMENT

3.1 Development of Sericulture

Highlights

The department had no proper plan for identification of beneficiaries and implementation of schemes in the State. The physical achievements under various schemes were not compiled and the schemes were not monitored at any level.

Lack of control over expenditure led to excess expenditure of Rs.1.34 crore during 1995-1996 to 2001-2002.

(Paragraph 3.1.6)

The department incurred avoidable expenditure of Rs.35.94 lakh towards procurement of mulberry cuttings during 1995-1996 to 2001-2002 instead of obtaining them from the Central Silk Board free of cost.

(Paragraph 3.1.21)

Expenditure of Rs.24.67 lakh incurred by the department on mulberry cuttings became wasteful as the production of disease free layings was not commensurate with the area covered under mulberry plantation.

(Paragraph 3.1.24)

Failure to provide kits to 1000 trained new sericulturists rendered the expenditure of Rs.14.16 lakh incurred on their training under Catalytic Development Project, wasteful.

(Paragraph 3.1.31)

Disfunctional seed grainage centres for Muga and Eri led to idle investment of Rs.0.60 crore.

(Paragraph 3.1.33)

There was non-accountal/short receipt of materials worth Rs.46.55 lakh under Low Cost Rearing House Scheme.

(Paragraphs 3.1.41, 3.1.43 & 3.1.45)

No monitoring and evaluation system existed in the department to oversee the performance of the district level officers as well as the activities of the beneficiaries in the State.

(Paragraph 3.1.53)

Introductory

3.1.1 Sericulture in Mizoram was identified as being a highly labour intensive, family oriented agro-based industry and suitable to the Mizo people because of its short gestation period, easy adaptability with nominal skill and investment. It was also considered the most effective tool to support rural population for effective utilisation of family manpower to generate gainful income.

3.1.2 The aims and objectives for development of sericulture in Mizoram were to:

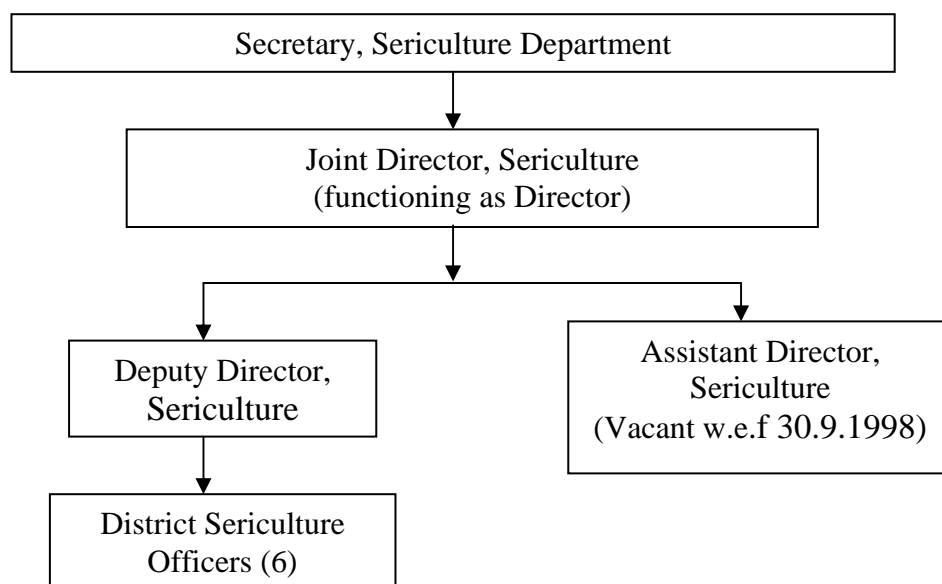
- motivate and educate the public towards sericulture practices and generate gainful employment particularly for poor and landless and those below the poverty line;
- reconstruct rural economy;
- give guidance and all necessary assistance to the private farmers, rearers and reelers through transfer of new technology to improve qualitative and quantitative production of cocoons, silk and silk made goods for further disposal;
- maintain departmental farms to produce sufficient quantity of healthy silkworm seeds to meet the requirement of private silkworm rearers;
- provide training to private farmers, rearers, reelers, weavers and in-service personnel;
- increase production of cocoons and silk in the state;
- promote sericulture industry in co-operative sector;
- utilise available resources including wasteland; and,
- promote marketing of silk both inside and outside Mizoram.

Organisational set-up

3.1.3 The overall responsibility for development of sericulture in the State lies with the Joint Director, Sericulture (functioning as Director and empowered to function as head of the department). There is a Sericulture Training Institute headed by a Vice Principal at Zemabawk for imparting training to farmers and in-service personnel. The agencies responsible for the

various activities of sericulture development are depicted in the chart given below:

Chart 3.1



Audit Coverage

3.1.4 The implementation of the programme for development of sericulture was reviewed during May-June 2002 by test check of records of the Director, Sericulture Department and three (out of six) District Sericulture Officers covering 80 *per cent* of expenditure relating to the years 1995-96 to 2001-2002.

Financial Management

3.1.5 The expenditure on development of sericulture was met out of State budget as well as funds provided directly to the Director of Sericulture (DS) by the Central Silk Board (CSB). The budget provision, funds received from CSB and expenditure incurred thereagainst from 1995-96 to 2001-2002 were as under:

Table 3.1

(Rupees in lakh)

Year	Total provision	Total expenditure	Variation (+) Excess (-) Savings	Total fund received from CSB	Total expenditure out of CSB funds	Variation
1995-96	271.18	288.80	(+) 17.62	12.89	8.91	(-) 3.98
1996-97	282.00	300.85	(+) 18.85	13.64	7.38	(-) 6.26
1997-98	294.54	305.60	(+) 11.06	12.44	19.68	(+) 7.24
1998-99	286.74	343.13	(+) 56.39	50.50	4.76	(-) 45.74
1999-2000	377.23	402.72	(+) 25.49	52.48	77.54	(+) 25.06
2000-2001	383.93	387.91	(+) 3.98	13.88	31.81	(+) 17.93
2001-2002	392.40	393.50	(+) 1.10	1.43	7.18	(+) 5.75
Total	2288.02	2422.51	(+) 134.49	157.26	157.26	Nil

(Source : As per Appropriation Accounts and information furnished by the department)

3.1.6 It would be seen from the above that the department incurred excess expenditure of Rs.1.34 crore during 1995-1996 to 2001-2002. The excess expenditure except for the year 1997-1998 was attributed by the department to incorrect exhibition of figures in the Finance and Appropriation Accounts of the respective years. The matter was discussed in Public Accounts Committee (PAC) and the PAC in its 25th Report (2001-2003) presented to the House on 4 June 2002 observed that the Sericulture Department incurred excess expenditure almost every year for the last five years due to lack of financial discipline in the department. Moreover, the department's contention is not tenable on the ground that the expenditure booked by the department also exceeded the budget grant under Plan head for the year 1997-1998 to 1999-2000 as shown below:

Table 3.2

Year	Budget grant	Expenditure as per department's record	Excess
(Rupees in lakh)			
1997-98	178.17	188.33	10.16
1998-99	166.74	220.63	53.89
1999-2000	235.00	254.24	19.24

3.1.7 Thus, it is evident that the department had little control over the expenditure incurred during the period covered by the review.

3.1.8 The Government while admitting the fact stated (September 2002), that the Sericulture Department had to incur major part of the expenditure in the first and second quarters of every financial year. But due to enforcement of 10 to 20 per cent cut by the Finance Department from the budget outlays originally approved for Sericulture Department every year, it became difficult for the department in the last quarter of the year to control its budgetary provisions.

Short release of funds

3.1.9 Out of Rs.38.97 lakh released by the CSB during 1995-1996 to 1997-1998, Rs.18.18 lakh were deposited in Government account by the DS in July 1996 and April 1998. But the State Government made budget provisions for Rs.14.17 lakh and Rs.0.63 lakh against which Rs.13.19 lakh and Rs.0.63 lakh were released during the year 1997-1998 and 1998-1999 respectively and the amount was duly spent by the department during the respective years. Thus, there was short release of funds of Rs.4.36 lakh (Rs.18.18 lakh – Rs.13.19 lakh – Rs.0.63 lakh) by the State Government.

3.1.10 The Government stated (September 2002) that the entire amount of Rs.18.18 lakh was released and spent in full. But the Government's contention is not tenable on the ground that out of Rs.18.18 lakh, specific budget provisions made under the head CSB were for Rs.14.17 lakh and Rs.0.63 lakh during 1997-1998 and 1998-1999 respectively, of which Rs.13.19 lakh and Rs.0.63 lakh were utilised during the respective years as confirmed by the DS in May 2002.

Implementation

3.1.11 Sericulture involves four distinct phases, viz., cultivation of food plant, silkworm rearing, silk reeling and weaving. The main objective of the sericulture developmental schemes was to involve the private beneficiaries/rearers for plantation of food plants and rearing of silkworms to increase the production of cocoons. In order to achieve these objectives, the beneficiaries are to be provided with disease free layings, cuttings and other rearing appliances free of cost. To support the sericultural activities of the department, the CSB extended financial assistance under the programme North Eastern Action Plan (NEAP) for the period from 1995-1996 to 1997-1998 which was extended upto 31 March 2000 and under Catalytic Development Project (CDP) for the years 1998-1999 to 2001-2002.

3.1.12 The irregularities noticed in the implementation of these programmes are discussed in the succeeding paragraphs.

Injudicious selection of beneficiaries without any perspective plan

3.1.13 As per Mizoram Sericulture Subsidy Rules 1994, the DS, on the basis of list of eligible beneficiaries received from the District Sericulture Officers (DSOs), was required to prepare and submit a consolidated statement of beneficiaries in order of merit before the State Level Committee (SLC) for obtaining sanction of the Government on the basis of SLC's recommendation.

3.1.14 It was noticed that the DS neither prepared the required consolidated statement of beneficiaries nor did he receive any list of beneficiaries from the district level officers. The DS stated (May 2002) that the beneficiaries were selected without the approval of the SLC and the Government and the

interested persons who approached the Sericulture Department were accepted as beneficiaries.

3.1.15 The department thus did not have any blue print for the entire State with details of rearers to be covered, areas/villages to be identified, services to be rendered, inputs to be distributed etc., to have a clear picture of the beneficiaries to be assisted under the schemes taken up for implementation.

3.1.16 The Government stated (September 2002) that proper process for identification of beneficiaries was strictly followed by the department in respect of State Plan fund. But the reply is not tenable as the Government failed to furnish consolidated statement of beneficiaries in support of their claim for proper selection of all categories of beneficiaries for the State as a whole. As the programme had to be financed both from State Plan as well as from CSB funds, the claim of the Government regarding proper selection of beneficiaries in respect of State Plan fund alone, without taking into account CSB fund, is not acceptable to audit.

3.1.17 It was, however, seen from the records of test checked districts that the DSO, Aizawl West (which included present Kolasib and Mamit districts) distributed 24,79,500 mulberry cuttings valued Rs.6.29 lakh to 340 individuals for plantation during 1995-1996 to 2001-2002, although the district did not have any farmer rearing mulberry silkworm. This indicated that there was no basis in selecting beneficiaries who were willing to rear silkworms and identification of area for raising plantation where silkworm rearers were available.

3.1.18 The Government stated (September 2002) that there were good number of mulberry rearers in Aizawl West district. But the reply is contradictory to the information furnished by the DS wherein it was indicated that there was no farmer rearing silk worm in Aizawl West district.

Irregular purchase of mulberry cuttings for raising mulberry plantation

3.1.19 For raising mulberry plantation, the DS has to supply mulberry cuttings to the selected beneficiaries free of cost. The norm followed by the DS for distribution of cuttings was 4000 per acre per beneficiary.

3.1.20 The CSB, in its developmental programme under NEAP, proposed to establish 1000 acres of mulberry plantation of high yielding variety at beneficiaries' level and 11 acres of basic and nucleus plantation at Government Farm in Mizoram during 1995-1996 to 1997-1998. As per target fixed by the Government, the total progressive area to be covered for raising mulberry plantation during the years 1995-1996 to 2001-2002 was 3300 acres. The programme envisaged that the CSB would supply mulberry cuttings free of cost during the first and second years of plantation on the condition that from the third year, cuttings raised in the State would be utilised.

3.1.21 Test-check of records of the DS revealed that during 1995-1996 to 2001-2002, the total progressive area covered for raising mulberry plantation was 3400 acres. It was, however, observed that the DS procured 53.86 lakh cuttings from local market during 1995-1996 and 1996-1997 at a cost of Rs.13.46 lakh and continued to procure another 89.93 lakh cuttings during 1997-1998 to 2001-2002 at a cost of Rs.22.48 lakh instead of procuring the cuttings from CSB free of cost during 1995-1996 and 1996-1997 and supplying the cuttings from their own plantation thereafter. As a result, the department had to incur avoidable expenditure of Rs.35.94 lakh for raising the mulberry plantation. Further, the DS procured a total quantity of 143.79 lakh cuttings at the rate of Re.0.25 per cutting against the requirement of only 136 lakh cuttings (3400 acres x 4000) and thereby incurred an avoidable expenditure of Rs.1.95 lakh (included in Rs.35.94 lakh) in excess procurement of 7.79 lakh cuttings. The reason for excess procurement of cuttings was not on record.

3.1.22 The Government stated (September 2002) that CSB did not make any provision to supply mulberry cuttings free of cost except in 1996, hence the cuttings procured and distributed during 1995-1996 to 2001-2002 were of actual necessity and for the benefit of the poor farmers. The reply is not tenable on the ground that CSB stated (September 2002) that they supplied 11 tonne (4.40 lakh nos) cuttings of high yielding variety during 1995-1996 and 1996-1997 to establish 11 acres of basic plantation and these basic plantations in turn were supposed to multiply to meet the entire requirement of raising plantations at farmers' level. In addition, the CSB under the scheme for establishment of direct plantation included in the NEAP proposed to supply 92 tonnes (36.80 lakh nos) of mulberry cuttings of high yielding variety during 1995-1996 and 1996-1997 free of cost on the condition that the cuttings raised in the State were to be utilised. Hence, procurement of 143.79 tonne of cuttings at a cost of Rs.35.94 lakh was avoidable. As regards the procurement of excess cuttings worth Rs.1.95 lakh, the Government, while admitting the fact stated that the excess cuttings were supplied to the farmers to replace the dead plants. But in the absence of any norm for supply of cuttings against the dead plant, the Government's reply is not acceptable.

Insufficient production of DFLs (Mulberry)

3.1.23 In Mizoram, the Sericulture Department produced disease free layings (DFLs) of silkworms for supply to the rearers. As per crop schedule for rearing mulberry silkworm in Mizoram, crops are to be reared four times in a year in different months as prescribed. It was stated (June 2002) by the DS that the DFLs required to be issued against one acre plantation were 100 DFLs for each crop or 400 DFLs in a year. Thus, the DFLs required to be produced in each year should be on the basis of total area of plantation raised progressively from year to year so that the plantation raised by the farmers would not remain unutilised.

3.1.24 As per records of the DS, the total area of plantation raised during 1995-1996 to 2001-2002 was 3400 acres and the total DFLs required to be

produced on the basis of area of plantation raised progressively during the period was worked out to 52.80 lakh against which the department produced only 9.56 lakh DFLs being 18.11 *per cent* of the total requirement. Thus, due to short production of DFLs, out of 3400 acres plantation, 2800 acres plantation remained unutilised and the expenditure of Rs.24.67 lakh (included in Rs.35.94 lakh) incurred towards procurement of mulberry cuttings for raising 2800 acres plantation rendered wasteful (**Appendix-XV**).

3.1.25 The Government while admitting the fact stated (September 2002) that all the farmers who planted mulberry cuttings were not silkworm rearers. It was also stated that the production of DFLs decreased due to poor infrastructural facilities available in the department as well as the farmers rearing silkworm in particular year(s) but discontinuing their activities in subsequent year(s). Production of DFLs was not commensurate with the area covered under mulberry plantation, which resulted in wasteful expenditure of Rs.24.67 lakh.

Rearing of Eri^ψ and Muga^ψ

3.1.26 The rearing of Eri and Muga was confined only to Kawnpui, Kolasib, Vairengte and Zemabawk under Aizawl West District. As per physical target and achievement reports for the period from 1995-1996 to 2001-2002 prepared by the DS, against the target for development of Eri and Muga for 433 acres and 290 acres, the achievements were 423 acres and 290 acres respectively during the period. Scrutiny of records, however, revealed the following points:

Doubtful utilisation of Central assistance

3.1.27 During 1998-1999 to 2000-2001 the DS received Rs.13.02 lakh from CSB to raise 131 acres for Eri plantation and 122 acres for Muga plantation covering 262 and 122 beneficiaries respectively.

3.1.28 It was, however, seen from the records of DS that the entire amount of Rs.13.02 lakh was disbursed to different officers (*viz.*, Vice-Principal, Sericulture Training Institute, Zemabawk and other district level officers) for disbursement of the amount amongst the aforesaid beneficiaries. But none of the field level officers submitted any utilisation certificate and actual payees' receipts (APRs) in support of distribution and utilisation of fund of Rs.13.02 lakh. Thus, proper utilisation of Rs.13.02 lakh remained unproved.

3.1.29 The Government stated (September 2002) that the APRs were obtained and also shown to audit at the time of conducting the review. But the reply is not tenable as the APRs showed the disbursement of Rs.13.02 lakh to the different field officers by the DS and not to the actual beneficiaries.

^ψ *Eri and Muga are silk worm varieties.*

Wasteful expenditure on training programme

3.1.30 During 1998-1999, the CSB released (February 1999) Rs.11.55 lakh under CDP for providing training and training kits to 1100 new mulberry sericulturists at the rate of Rs.250 as stipend and Rs.800 for training kits per beneficiary. Another amount of Rs.8.80 lakh under NEAP was released (June 1999) by the CSB during 1999-2000 for providing training kits to 1100 trained mulberry sericulturists.

3.1.31 Scrutiny of records of the DS revealed that out of 1100 new sericulturists under Catalytic Development Project (CDP), 1000 were given on the spot training for 4 days duration. It was further seen that the department procured 1279 training kits at a cost of Rs.11.66 lakh (at the rate of Rs.912 per kit as approved by the Departmental Purchase Advisory Board (DPAB)) and distributed all the kits to individuals other than trainees. As none of the 1000 trained new sericulturists was provided with training kit, the very purpose for procurement of kits valued Rs.11.66 lakh and the expenditure of Rs.2.50 lakh incurred for imparting training to 1000 new sericulturists was defeated and the entire expenditure of Rs.14.16 lakh became wasteful. Similarly, under NEAP 1100 trained beneficiaries were to be provided with training kits. But the department procured kits worth Rs.5.04 lakh only and distributed the same amongst 553 trained beneficiaries. Thus, 547 trained beneficiaries were not provided with any kits. This had an adverse effect on the implementation of the training programme.

3.1.32 The Government while admitting the fact that there was shortfall in providing training kits to all the beneficiaries under NEAP stated (September 2002) that the shortfall was due to failure of the CSB in providing of training kits under NEAP training scheme. The contention of the Government is not acceptable as the CSB released a fund of Rs.8.80 lakh in June 1999 for providing training kits to 1100 beneficiaries. Similarly, under CDP training scheme, the Government stated that training kits were provided to all the new sericulturists. But as per list of beneficiaries, training kits were provided to individuals other than the trained new sericulturists.

Non-production of DFLs in grainage^w centres

3.1.33 With a view to produce quality DFLs, the DS constructed 4 grainage buildings for Muga at Kawnpui and Vairengte and renovated 5 grainages for Eri at Kolasib, Lengpui, Bilkhawthlir, Seaawng and Thingfal by procuring/developing infrastructural requirements, viz., grainage equipment, rearing appliances, storage hall, etc., during 1999-2000 at a total cost of Rs.0.60 crore, of which Rs.26 lakh was the assistance from CSB under the CDP. But scrutiny of records revealed that these grainage centres had not produced any DFLs and thus remained dysfunctional till the date of audit (June 2002).

^w Grainage means a technical building used for production of Disease Free Layings (DFLs).

Thus, the objective of producing quality DFLs through the grainage centres remained unfulfilled even after incurring an expenditure of Rs.0.60 crore for this purpose.

3.1.34 The Government stated (September 2002) that the Muga plants require five years to become fit for rearing silk worms and as such production of DFLs at this stage would be wasteful. It was also stated that while the upgraded seed farms of both Eri and Muga would start functioning from 2003-2004, the renovated and upgraded Eri grainages had started producing DFLs. The reply is not tenable on the grounds that in the project report approved by the CSB for Muga Rearing-cum-Reeling-cum-Spinning activities in Mizoram, it was envisaged that 200 DFLs per beneficiary per acre was to be arranged during the third year of plantation and not five years as stated by the Government. As per records, plantation raised during 1994-1995 to 1998-1999 was 130 acres and the minimum production of DFLs should have been 0.26 lakh during 2001-2002 alone (130 acre x 200). Moreover, as stated by the Government, major portion of the Muga cocoons were utilised for seed production (meant for production of DFLs) in the Government farms. Thus, the Government's contention regarding non-production of DFLs in the grainage centres even after utilisation of major portion of the Muga cocoons for seed production and consequent production of DFLs, proved to be inconsistent.

Abnormal variation between the quantity of green cocoons procured and the quantity of dry cocoons received as per stock register of Reeling Factory

3.1.35 In Mizoram, the beneficiaries rearing silkworm were not reelers of cocoons produced by them. Thus, the cocoons produced by the beneficiaries were procured by the department at various procuring centres under the respective DSOs. The cocoons so procured by the DSOs were dried up and sent to the Reeling Factory, Zemabawk for production of raw silk. It was stated (June 2002) by the DS that the total weight loss, after the cocoons were dried, ranged from 60 to 70 *per cent*. The percentage of loss was not applicable in respect of Muga cocoons since the cocoons procured were in numbers.

3.1.36 Test-check of records of Reeling Factory, Zemabawk revealed that the dry cocoons receivable out of total cocoons procured and dried at various centres after allowing maximum weight loss of 70 *per cent* and the dry cocoons actually received by the Reeling Factory during 1995-1996 to 2001-2002 were as under:

Table 3.3

Variety of cocoons	Total quantity of green cocoons procured	Dry Cocoons			
		Quantity receivable at 70 per cent weight loss (except Muga cocoons)	Quantity actually received in Reeling Factory	Quantity received short in Reeling Factory	Value of short received quantity (Rs. in lakh)
Mulberry	183.50 tonne	55.050 tonne	37.432 tonne	17.618 tonne	10.57
Eri	31.48 tonne	11.244 tonne	3.010 tonne	8.234 tonne	16.47
Muga	9.98 lakh nos	9.98 lakh nos	2.04 lakh nos	7.94 lakh nos.	2.78
Total					29.82

(Source : As per information furnished by the department)

3.1.37 It would be seen from the above table that although 9.98 lakh Muga cocoons were procured by the department during 1995-1996 to 2001-2002, only 2.04 lakh cocoons were received in the reeling factory during the same period. As the Muga cocoons were procured in numbers and not in weight, there should not have been any difference between the quantity of cocoons procured and the quantity of cocoons received in the reeling factory. In respect of Mulberry and Eri cocoons, the department procured the same in green form. Even after allowing the maximum weight loss of 70 per cent for dryness, there were wide differences between the quantity receivable and the quantity actually received in the reeling factory in respect of mulberry and Eri cocoons. As a result of this abnormal variation, cocoons worth Rs.29.82 lakh remained unaccounted for.

3.1.38 The Government stated (September 2002) that in order to motivate the private farmers, mulberry cocoons produced by them were purchased by the Government irrespective of the quality of cocoons so produced. Thus, only good quality cocoons were sent to the Reeling Factory at Zemabawk for production of raw silk. As regards Muga cocoons, the Government stated that major portion of the Muga cocoons were produced in Government farms which were utilised for seed production and the cocoons received from the private rearers were sent to the Reeling Factory at Zemabawk. But the reply is not tenable as the cocoons produced can be utilised for only two purposes viz., one for reeling and another for seed. The seed cocoons are meant for production of DFLs. But the Government stated that as the Muga food plants were not yet matured to rear silk worm in the State of Mizoram, the seed production at this stage would be wasteful. As no DFLs were produced in the Government farms (June 2002), the reply of the Government that the major portion of the Muga cocoons were utilised for seed production (meant for production of DFLs) in the Government farms is not correct.

Inadequate production of raw silk (Mulberry)

3.1.39 As per norm prescribed by the CSB, 15 kg of reeling cocoons should produce 1 kg raw silk. Scrutiny of records of Reeling Factory, Zemabawk, revealed that against 37432 kg of reeling cocoons received for production of raw silk during 1995-1996 to 2001-2002, only 874.770 kg of raw silk was

produced. Thus, reeling cocoons required for production of 1 kg raw silk was 42.79 kg as against 15 kg as per norm prescribed by CSB. It was stated (June 2002) by the DS that the prescribed norm could not be achieved due to poor quality of cocoons produced in the State.

3.1.40 While admitting the fact, the Government stated (September 2002) that the standard ratio as recommended by CSB could not be maintained due to improper transportation facilities to carry the cocoons purchased from different centres to the reeling factory at Zemabawk. As a result, 50 per cent of cocoons or even less were reelable. The Government further stated that the reduced production was also due to the inefficiency of the daily workers in the reeling factory.

Low Cost Rearing House Scheme

Non-accountal/short receipt of GCI sheets, Angle Iron posts

3.1.41 Under the Scheme 'low cost rearing house' the DS procured 1868.50 bundles of galvanised corrugated iron (GCI) sheets valued Rs.28.21 lakh during 1995-1996 to 1997-1998 and issued them to four DSOs (Aizawl, Aizawl West, Lunglei and Saiha), for distribution amongst 583 beneficiaries. Out of 1868.50 bundles of GCI sheets, 929.592 bundles were issued to the DSO, Aizawl for distribution amongst 290 beneficiaries. But as per records of the DSO, Aizawl, only 345 bundles of GCI sheets were shown as received from the DS and distributed amongst 97 beneficiaries. Thus, there was short receipt of 584.592 bundles of GCI sheets valued at Rs.8.83 lakh by the DSO, Aizawl. The reason for this discrepancy could not be explained to audit. Thus, due to short receipt of GCI sheets, 486 beneficiaries of Aizawl district could not derive the benefit of low cost rearing houses scheme.

3.1.42 The Government stated (September 2002) that there was neither any short receipt of GCI sheets by any DSO from the central godown nor short distribution to the beneficiaries. But the reply is not tenable as the records of DSO, Aizawl disclosed that they did not receive 584.592 bundles of GCI sheets out of 929.592 bundles issued from the central godown.

3.1.43 Similarly, 4800 angle iron posts (AIP) were procured by the DS at a total cost of Rs.30.24 lakh during 1998-1999 to 2000-2001 and issued to the DSOs for distribution to Government farms. Of these, 2373 AIP valued at Rs.14.95 lakh were issued to 3 DSOs (Aizawl - 900, Aizawl West- 1173 and Serchhip- 300) for distribution to the departmental farms. But as none of these three DSOs maintained any record/submitted any report showing the receipt of AIP from the DS and distribution of the same to the farms, expenditure of Rs.14.95 lakh could not be vouchsafed in audit.

3.1.44 The Government stated (September 2002) that the AIP were distributed to departmental farms for fencing purposes and the farms received these posts through the concerned officers. The reply is not tenable as it is

contradictory to the information contained in the records maintained by the three DSOs wherein name of departmental farms and the number of posts issued to these farms were not available which was also confirmed by the DS at the time of conducting audit in May 2002.

Non-accountal of rearing equipment

3.1.45 The success of silkworm rearing mainly depends upon the availability of essential rearing equipment with the farmers. During 1999-2000 and 2000-2001, the DS procured various types of rearing equipment and pesticides at a total cost of Rs.22.77 lakh from CSB funds, at the rates approved by the DPAB. But the materials so procured were neither taken in the stock register of the central store nor issued to the district offices for distribution to the beneficiaries. The DS stated (May 2002) that the payment was made without stock receipt certificates and stock book reference recorded on the suppliers' bills, through oversight. But the DS could not produce any record to show that the materials were distributed to the beneficiaries. Thus, the actual receipt and distribution of rearing equipment worth Rs.22.77 lakh could not be ascertained in audit.

3.1.46 The Government stated (September 2002) that the materials so purchased were entered in the stock register and distributed against receipts. But the reply was silent as to whom these materials were distributed and whether the actual beneficiaries received these materials.

Financial assistance to Non-Government Organisation (NGO)

Non-submission of activity report by Silk Industries

3.1.47 For development of new products and creation of awareness among the buyers through use of low grade silk worms, cocoons and silk waste, the CSB released Rs.5 lakh (February 1999) being 50 *per cent* of the share for providing financial assistance to five silk industries[¶], subject to furnishing information on the activities indicating the product produced by these industries by utilising financial assistance. The State Government also released (between February 1999 and March 2000) its share of Rs.5 lakh to these industries.

3.1.48 No information was available with the Directorate about the activities and the product produced by these industries with the financial assistance of Rs.10 lakh provided to them. Further, no follow up action was taken by the Directorate for obtaining the activity reports on the performance of these industries.

[¶] (i) Zolum Silk Loom, Chaltlang, (ii) Mardin Silk Weaving Centre, Tuikhuahtlang, (iii) L. C. Silk Handicraft, Chaltlang, (iv) L. M. Silk Industry, Tlangnuam and (v) ZAM ZAM Silk Quilt Industry, Ramhlun.

3.1.49 The Government stated (September 2002) that the details of production made by each individual farm would be collected and furnished later on. Further developments are awaited.

Other points of interest

Doubtful utilisation

3.1.50 An amount of Rs.10 lakh was sanctioned by the Government in January 1996 for distribution to 100 beneficiaries of West Phailang block of Aizawl West District @ Rs.10,000 each for raising mulberry plantation under CSS Border Area Development scheme (BADP). The amount was drawn by the DS in February 1996 and handed over to DSO, Aizawl West for distribution to the beneficiaries.

3.1.51 On examination of APRs submitted by the DSO, Aizawl West in August 1996, the DS observed that the APRs bore signature of same person in several cases of Chhippni and Lallen villages against payment of Rs.3000 each in 2nd phase of payment. Besides this, the names of the beneficiaries paid Rs.7000 each in the first phase were not the same as that of second phase. Accordingly, DS directed (January 1997) the DSO, Aizawl West to carry out a spot investigation and to submit report for further action which was not carried out as of May 2002 by the DSO, Aizawl West. Thus, proper utilisation of Rs.10 lakh remained doubtful.

3.1.52 The Government stated (September 2002) that as most of the beneficiaries were illiterate, some of the local leaders were allowed to sign on behalf of illiterate beneficiaries. The contention of the Government is not tenable as the thumb impression of illiterate beneficiaries should have been taken instead of allowing the local leaders to receive the payment on behalf of the beneficiaries. Moreover, the views of the Government that the names of the beneficiaries to whom the payments were made in the first and second phases were the same is contradictory to the observations made by the DS who had ordered an enquiry into the matter by the DSO, Aizawl West to find out the anomalies in this regard.

Monitoring and Evaluation

3.1.53 No monitoring and evaluation of the schemes implemented by the department was carried out either at the Directorate level or at the district level. The scope of monitoring through monthly progress reports (MPRs) furnished by the DSOs was also not feasible due to inadequacy of information contained in the prescribed format of MPRs. The Director of Sericulture agreed to revise the MPR format and to call for report of utilisation of various materials, rearing appliances. Thus, it is evident that there was no monitoring system in the department to oversee the performance of the district level officers as well as the activities of the beneficiaries in the State.

Recommendations

3.1.54 For effective implementation of the programme for development of sericultural activities in the State, the Government has to take the following steps:

- ensure selection of beneficiaries in a judicious manner by involving district level officers and obtaining approval of the SLC and the Government;
- fix responsibility against the officials responsible for incurring avoidable expenditure of Rs.35.94 lakh for procurement of mulberry cuttings instead of obtaining the same from the Central Silk Board free of cost;
- enquire into the cause for short production of DFLs during 1995-1996 to 2001-2002;
- analyse the deficiencies in the distribution of training kits to the beneficiaries;
- ascertain the causes for non-functioning of grainage centres for Muga and Eri;
- fix responsibility for short/non-accountal of materials and equipment under Low Cost Rearing House Scheme; and
- introduce an effective monitoring system to streamline the performance of the department at regular intervals.

RURAL DEVELOPMENT DEPARTMENT

3.2 Swarnajayanti Gram Swarojgar Yojana

Highlights

There was failure on the part of the department in identifying families living below the poverty line (BPL) and in releasing State's matching share as well as loan/subsidy from the banks which adversely affected the implementation of the scheme.

The programme was implemented in the State without devising any perspective plan and without ascertaining the BPL population in accordance with the criteria prescribed by the Government of India.

(Paragraph 3.2.23 & 3.2.24)

There was short release of assistance of Rs.104.48 lakh by the Bank to 43 SHGs.

(Paragraph 3.2.32)

Infrastructure fund of Rs.24.43 lakh pertaining to the years 2000-2002 remained unutilised as of March 2002.

(Paragraph 3.2.34)

Introduction

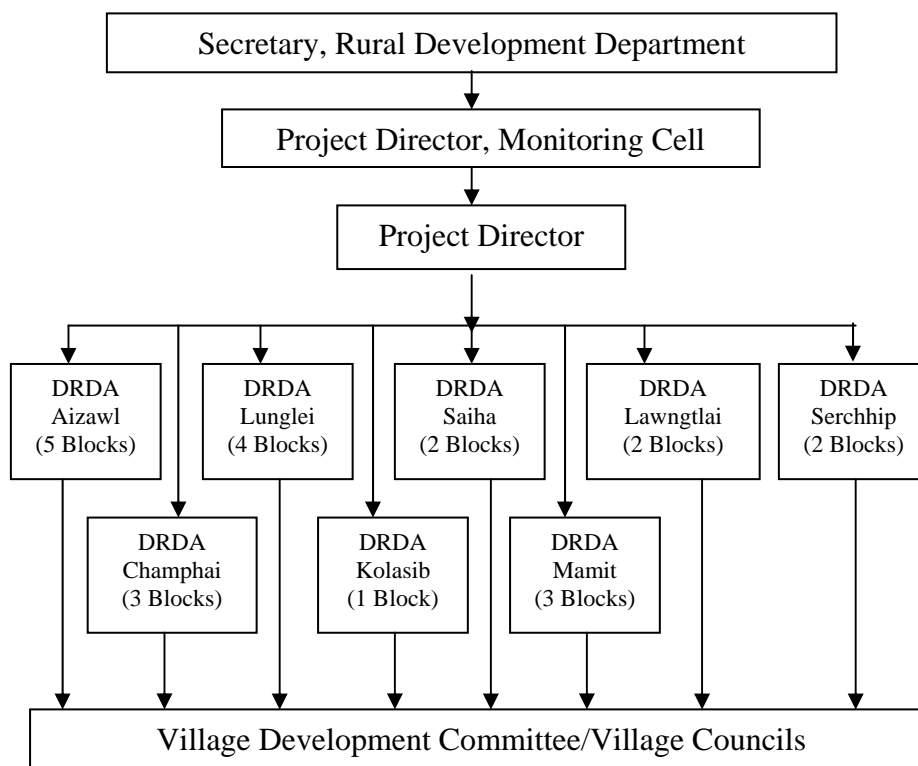
3.2.1 In April 1999, the Government of India launched a new programme, "Swarnajayanti Gram Swarojgar Yojana (SGSY)" for the rural poor after restructuring all the earlier self-employment programmes^ψ. The SGSY aims at alleviation of poverty at grass-root level targeting rural families living below the poverty line.

3.2.2 This was a holistic programme covering all 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 (*Swarozgaris*) above the poverty line in three years. This was proposed to be achieved by providing them with income generating assets through a mix of bank credit and Government subsidy so as to ensure that each family has a monthly net income of at least Rs.2000 (excluding repayment). 30 per cent of the poor families were to be covered in each block during the next five years.

^ψ *Integrated Rural Development Programme (IRDP); Training of Rural Youth for Self Employment (TRYSEM); Development of Women & Children in rural Areas (DWCRA); Supply of Improved Toolkits to Rural Artisans (SITRA); Ganga Kalyan Yojana (GKY) and Million well Scheme (MWS).*

Organisational set-up

3.2.3 Under SGSY, the Secretary, Rural Development Department (RDD), Government of Mizoram was incharge of implementation of the programme at the State level. The agencies responsible for implementation of the programme are depicted in a chart given below:

Chart 3.2**Audit Coverage**

3.2.4 The records of the RDD (State Level Monitoring Cell) from 1999-2000 to 2001-2002, as well as records of three District Rural Development Agencies (DRDAs) (38 per cent) viz., Aizawl, Lunglei and Saiha out of 8 DRDAs in Mizoram and 9 blocks (41 per cent) out of 22 blocks covering 60 per cent of total expenditure, were test checked during the period February - April 2002.

Financial Outlay and expenditure

3.2.5 Under the financial arrangements of the scheme, the expenditure is shared by the Central and State Governments on 75 : 25 basis.

3.2.6 An amount of Rs.261.93 lakh (Central: Rs.184.88 lakh, State: Rs.62.81 lakh, miscellaneous receipts: Rs.4.26 lakh and opening balance: Rs.9.98 lakh) was released by the State Government for implementation of SGSY scheme during 1999-2000 to 2001-2002, out of which an expenditure of Rs.253.51

lakh was incurred for implementation of the scheme leaving a balance of Rs.8.42 lakh as shown below :

Table 3.4

(Rupees in lakh)

Year	Opening balance	Fund released		Misc. receipt	Total fund available	Expenditure	Unspent balance
		Central	State				
1999-2000	9.98	58.15	20.56	0.76	89.45	9.98	79.47
2000-2001	--	62.56	20.86	2.78	86.20	141.76	(-) 55.56
2001-2002	--	64.17	21.39	0.72	86.28	101.77	(-) 15.49
Total	9.98	184.88	62.81	4.26	261.93	253.51	8.42

(Source : As per achievement reports of the State Government furnished to Government of India)

Irregular deposit of State matching share in Deposit Head of account

3.2.7 The Central Government releases its share in two instalments followed by immediate release of share by the State Government. During 2001-2002, Government of India released its 2nd instalment of Rs.26.95 lakh on 6 February 2002. Accordingly, the State Government was to release its 2nd instalment immediately after release of Central share. Instead of releasing its share (2nd instalment), the Government of Mizoram kept Rs.8.98 lakh in deposit head of account on 30 March 2002, although in its achievement report for the year ended March 2002 sent to the Government of India the department showed the amount as released to 8 DRDAs^v.

3.2.8 Thus, irregular blocking of State's share in deposit head of account till date (April 2002), adversely affected the implementation of the programme without providing any benefit to the beneficiaries under the scheme, besides suppression of actual facts in its report to the Government of India.

Temporary misappropriation of funds

3.2.9 An amount of Rs.10 lakh being subsidy amount of eight SHGs was received by Block Development Officer (BDO), Tuipang in cash from the Project Director (PD), DRDA, Saiha during 2000-2001 as shown in **Appendix – XVI**.

3.2.10 As per scheme guidelines of SGSY, as soon as the amount is received, it was to be deposited into bank for release of loan amount along with subsidy to the beneficiaries. But the BDO, Tuipang instead of depositing the amount into bank, unauthorisedly retained the same for period ranging from 8 to 13 months which amounted to temporary misappropriation. No reason for such action was furnished by the BDO.

^v Aizawl: Rs.1.08 lakh; Champhai: Rs.1.39 lakh; Saiha: Rs.0.95 lakh; Lawngtlai: Rs.0.99 lakh; Kolasib: Rs.0.60 lakh; Lunglei: Rs.1.98 lakh; Mamit: Rs.1.29 lakh and Serchhip: Rs.0.70 lakh.

Unauthorised utilisation of unspent balances of abandoned schemes

3.2.11 Scrutiny of records revealed that at the close of financial year 1998-1999, an amount of Rs.9.98 lakh (DRDA/Aizawl: Rs.2.34 lakh; DRDA/Lunglei: Rs.0.06 lakh; DRDA/Saiha: Rs.7.58 lakh) was available under the erstwhile schemes. These unspent balances were to be utilised under the scheme of SGSY. But the balance amount (Rs.9.98 lakh) was spent for meeting expenditure under the abandoned schemes instead of utilising it under SGSY. As a result, SGSY scheme could not be implemented during the year 1999-2000. In reply to an audit query, DRDA, Aizawl stated (April 2002) that the amount was spent on some ongoing schemes like training and development of women which fell beyond the scope of SGSY programme. No reply was received from DRDAs, Lunglei and Saiha.

Temporary diversion of SGSY funds for payment of pay and allowances of DRDA staff

3.2.12 With the introduction of the scheme of “DRDA Administration”, the administrative cost earlier available as percentage of each programme allocation, stood withdrawn from 1 April 1999 and provision of administrative support to the DRDAs was available only under the scheme of “DRDA Administration”.

3.2.13 Scrutiny of records of DRDAs, Aizawl, Lunglei and Saiha revealed that inspite of introduction of DRDA administration scheme during 1999-2000, SGSY funds of Rs.36.56 lakh, Rs.19.41 lakh and Rs.13.63 lakh (total: Rs.69.60 lakh) pertaining to the years 1999-2000, 2000-2001 and 2001-2002 respectively, were temporarily diverted as administrative cost for pay and allowances and other administrative costs of DRDA, though recouped at the end of every financial year, after utilising the same for a period ranging from one to eleven months.

3.2.14 The repeated diversions of fund from the programme not only delayed the implementation of scheme, but also adversely affected the programme of poverty alleviation.

Incorrect reporting of achievement to the Government of India

3.2.15 On cross checking of the achievement reports (2000-2001 and 2001-2002) furnished (May/June every year) by the State Government to the Government of India with the records of 3 DRDAs test checked, following discrepancies were noticed:

Table 3.5

(Rupees in lakh)

DRDA	Period	Number of beneficiaries		Subsidy paid		Bank Loan	
		As per DRDA	As per Govt. report	As per DRDA	As per Govt. report	As per DRDA	As per Govt. report
Aizawl	2000-01	215	491	18.34	41.32	13.02	4.65
-do-	2001-02	60	98	9.17	11.76	--	--
Lunglei	2000-01	318	295	25.18	22.88	28.27	7.16
-do-	2001-02	84	152	8.40	14.90	1.47	--
Saiha	2000-01	130	205	15.00	21.25	9.94	--
-do-	2001-02	24	80	2.50	10.00	--	--
		831	1321	78.59	122.11	52.70	11.81

3.2.16 Thus, there was incorrect and inflated reporting of achievements at the State level to the Government of India.

Physical & Financial performance

3.2.17 According to guidelines, a project approach for each key activity was to be adopted. Project reports were to be prepared in respect of identified key activities. The banks and other financial institutions were to be closely associated and involved in preparing the project reports, so as to avoid delays in sanctioning of loans and to ensure adequacy of financing. However, the directive was not followed before implementing the programme. As a result, the scheme failed to attract the banks.

3.2.18 The overall position of physical and financial performances in Mizoram during 2000-2001 and 2001-2002 as reported by the State Government to the Government of India was as under:

Table 3.6

Name of District	Performance during 2000-2001			Short/non release of subsidy by the bank	Performance during 2001-02			Short/non release of subsidy by the bank
	No. of beneficiaries	Subsidy	Credit/ Loan		No. of beneficiaries	Subsidy	Credit/ Loan	
	(Rupees in lakh)				(Rupees in lakh)			
Aizawl	491	41.32	4.65	36.67	98	11.76	--	11.76
Champhai	45	4.38	--	4.38	14	8.28	--	8.28
Lunglei	295	22.88	7.16	15.72	152	14.90	--	14.90
Kolasib	50	2.75	--	2.75	210	3.40	5.85 ^ψ	
Lawngtlai	46	5.60	--	5.60	24	9.11	--	9.11
Mamit	50	4.53	--	4.53	80	3.75	10.50 ^ψ	
Saiha	205	21.25	--	21.25	80	10.00	--	10.00
Serchhip	140	3.30	--	3.30	39	3.50	5.06 ^ψ	
Total	1322	106.01	11.81	94.20	697	64.70	21.41	54.05

(Source : Report furnished by the State Government to Government of India)

3.2.19 It would be seen from the table that there was a setback in implementation of the scheme during 2000-2001 and 2001-2002 in terms of credit/loan to the selected beneficiaries which indicates blocking of subsidy of Rs.1.48 crore (2000-01: Rs.0.94 crore; 2001-02: Rs.0.54 core) in the bank.

^ψ These include subsidy as well as loan.

Reporting to the Government of India was not considered accurate in the light of illustrated cases under 3 DRDAs vide Para 3.2.15 *supra*. However, random selection of beneficiaries and improper selection of key-activities without close co-ordination/collaboration with the line departments and bank authorities/other financial institutions, were the main reasons for the poor response from banks.

3.2.20 According to Government of India's instructions, the subsidy credit ratio should be 1 : 2 upto 1999-2000 and 1 : 3 thereafter. The amounts paid as subsidy, credit, subsidy-credit ratio and per capita investment during two years ending 31 March 2002 are given below:

Table 3.7

Sl. No.	Particulars	2000-2001	2001-2002
1.	Amount paid as		
(a)	Subsidy	Rs.106.01 lakh	Rs.64.70 lakh
(b)	Credit	Rs.11.81 lakh	Rs.21.41 lakh
	Total	Rs.117.82 lakh	Rs.86.11 lakh
2	No. of <i>Swarozgaries</i> assisted	1322	697
3	Subsidy credit ratio	1 : 0.11	1 : 0.33
4.	Per capita investment	Rs.0.09 lakh	Rs.0.12 lakh

(Source : As per achievement report of the department)

3.2.21 The subsidy credit ratio during 2000-2001 and 2001-2002 was far below the prescribed ratio. In the same way, the per capita investment was also far below the prescribed norm of Rs.25,000.

Planning

3.2.22 The implementing authorities of the districts were required to draw and adhere to a detailed plan in respect of selection of beneficiaries, key-activities, market potentiality etc., for the viability of economic activities under the scheme within a well defined time frame. Test check of records of three districts revealed that no specific target was fixed at the State level to extend benefit to the beneficiaries for proper implementation of the programme. Though annual action plans (AAP) were prepared by each DRDA on the basis of block-wise number of BPL families, 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. The SGSY Committees at block/district level were not formed/functioning in any of the districts test-checked. The DRDAs were also found not functional or active in the implementation of the scheme in these districts. As a result, the scheme could not get due momentum at the district/block level even after completion of three years of its implementation in the State as the income of Rs.2,000 per month was not assured to the beneficiaries. Further, the possibility of covering 30 *per cent* of poor people under the scheme after completion of five years of implementation is also remote due to very poor per capita investment which was far below the prescribed norm as depicted in Para 3.2.20 *supra*.

Failure in preparation of perspective plans

3.2.23 No perspective plan was devised at the State level or at the district/block level in order to ensure that an SGSY family has a minimum monthly net income of Rs.2,000 and to cover at least 30 *per cent* of poor people in each block during the next five years of implementation of the scheme.

Failure in identification of BPL families

3.2.24 According to the Government of India's instructions dated 10 September 1999, per capita income up to Rs.280.85 per month was to be regarded as poverty line for all the North-Eastern states. According to the survey conducted during 1997-98 by the State Government, criteria such as a family having no amenities like television, ceiling fan, LPG *etc.*, were adopted for treating families as BPL in Mizoram. Based on these criteria the State Government instructed all the DRDAs to update the figures of BPL families in their respective districts before implementation of the scheme as stated (March 2002) by the department. But no updating and finalisation of BPL population was done in the test-checked DRDAs till date (April 2002). Thus, the scheme was implemented without ascertaining the actual position of BPL families in the State based on either Government of India or State Government criteria.

Failure in identification of key-activities

3.2.25 Success of the scheme depended on judicious selection of key-activities keeping in view the local resources, demand, talents, infrastructure and market potential. Scrutiny of records relating to progress report under SGSY in respect of Aizawl, Lunglei and Saiha districts for the years 2000-2001 and 2001-2002 revealed that cultivation of sugarcane, banana, rice, fruit, tung, betel-vine, lemon, coffee, turmeric, potato, ginger, pineapple *etc.*, knitting and animal rearing like piggery, silk-worm, poultry, goat rearing, cow rearing, fishery *etc.*, were adopted by the *Swarozgaris* as their key-activities. But, no viable/reliable key-activity like tailoring, weaving, motor repairing *etc.*, falling under cottage industries as micro-enterprises was selected for techno-economic development.

Preparation of Project Reports

3.2.26 According to scheme guidelines of SGSY, there should be a project report for each key-activity indicating various elements such as training, credit, technology, infrastructure, marketing and the number of people to be covered in a block under a key-activity. The project report was also to include the balancing infrastructure that was needed to be provided and the cost involved. At the time of preparation of project report, there should have been close co-operation with line departments which have an important role to play in the entire exercise.

3.2.27 Test check of 10 out of 28 project reports under DRDA, Aizawl revealed that project reports for key-activities were prepared by the respective BDOs themselves without involvement of banks and line departments. Hence, in all the test checked cases, banks delayed loans to *Swarozgaris* and in some other cases, loans were either not released or only partially released by banks.

Arbitrary procedure in selection of beneficiaries

3.2.28 Under the scheme of SGSY, *Swarozgaris* can be either individuals or groups. The scheme lays emphasis on the group approach under which the rural poor are organised into SHGs.

3.2.29 Further, according to the guidelines, after six months the identified SHGs were to be graded, the objective of which was to identify weakness, if any, and help the group to overcome the same so as to develop into a good group for the purpose of establishing linkages with the banks. Scrutiny of the records of 3 DRDAs revealed that the lists of beneficiaries selected by BDOs without such grading were sent to DRDA for final approval and subsequently these lists were also approved by the DRDA concerned. Further, no banks, NGOs *etc.*, had participated in the process of selection of SHG beneficiaries. Thus, the selection process was not only defective but also arbitrary at the level of BDOs.

Programme implementation

Assistance to Individuals

3.2.30 During 1999-2000 to 2001-2002, ten individuals (of which four were paid subsidy of Rs.0.40 lakh directly without routing through bank) were assisted under the scheme with key activities of knitting, blacksmithy, poultry, dairy, WRC (Wet Rice Cultivation) etc. The year-wise position of assistance to individuals under the scheme has been detailed in **Appendix – XVII**. Out of ten, the remaining six individuals were to receive a total subsidy and loan of Rs.1.20 lakh (at the rate of Rs.20,000 each), but only Rs.0.66 lakh was released as loan to them. As per norms of the scheme, against the project cost, subsidy and loan are to be released to the beneficiaries on 50:50 basis. Thus, there was short release of loan of Rs.0.54 lakh to six beneficiaries which would have had an adverse effect on the implementation of the programme.

Assistance to SHGs – injudicious release of subsidy/loan by the banks

3.2.31 During 2000-2001 to 2001-2002, in the three test checked districts of Aizawl, Lunglei and Saiha, an amount of Rs.0.79 crore was deposited into banks as subsidy for 80 SHGs against which an amount of Rs.0.53 crore was released by the banks to 37 SHGs as subsidy and loan, details of which are given below:

Table 3.8

Year	DRDA	No. of SHGs for whom subsidy was deposited	Subsidy deposited by DRDAs	(Rupees in lakh)	
				No. of SHGs paid subsidy/loan	Subsidy/loan paid by Bank
2000-2001	-do-	20	18.34	7	13.02
2001-2002	-do-	8	9.17	--	--
2000-2001	-do-	30	25.18	25	28.27
2001-2002	-do-	8	8.40	2	1.47
2000-2001	-do-	12	15.00	3	9.94
2001-2002	-do-	2	2.50	--	--
Total		80	78.59	37	52.70

(Source : As per performance report of respective DRDAs furnished to State Government)

3.2.32 It would be seen that against the subsidy of Rs.0.79 crore, minimum amount of Rs.1.57 crore including the loan component of 50 per cent was to be released by the banks to 80 SHGs. Accordingly, the project cost for one SHG was worked out at Rs.1.96 lakh (i.e., Rs.1.57 crore ÷ 80). Against this, the banks released Rs.0.53 crore as total subsidy and loan to 37 SHGs. Thus, there was short release of Rs.1.04 crore as assistance to the 43 SHGs.

3.2.33 Apart from the above, subsidy of Rs.2.40 lakh was directly released to 2 SHGs without routing through bank and without bank loan in gross violation of Government of India's guidelines.

Infrastructure creation

Under-utilisation of infrastructure fund

3.2.34 As per norms of the scheme, a DRDA is to incur 25 per cent of the available fund on infrastructure development in a year. Scrutiny of achievement reports submitted (between 2000-2002) to the Government of India by the State Government revealed that out of the available infrastructure fund of Rs.0.69 crore pertaining to the years 1999-2000 to 2001-2002, only Rs.44.54 lakh was spent during the said period. Thus, there was under-utilisation of fund of Rs.24.43 lakh in infrastructure development, which indicated that proper importance was not given to this area in spite of availability of fund.

Unproductive expenditure on infrastructure development

3.2.35 According to scheme guidelines of SGSY, proper infrastructure is essential for the success of micro enterprises. Such infrastructure may be either for production, processing, quality testing, storage or marketing. The District SGSY Committee should review the infrastructure needs and identify the areas of intervention for financing projects in activity clusters. The proposal for infrastructure level development should be drawn up by DRDA in consultation with bankers and form part of the AAP of the block and district.

3.2.36 Test check of records of DRDA, Aizawl in respect of infrastructure development for the year 2000-2001 revealed that though a market shed/building existed at Siling, on the request of village council Siling, a plot of private land along with building was purchased (November 2000) at a cost of Rs.3 lakh for construction of market shed. Another building was also constructed at a cost of Rs.6 lakh for market shed in the same locality. The procurement of private land and construction of such buildings were neither the part of AAP of DRDA, Aizawl nor of the Thingsulthliah block where the land is situated. Further, there was only one group of *Swarozgaris* with key-activity of petty trade where an amount of Rs.0.77 lakh as loan was sanctioned by the bank during 2000-2001. During 2001-2002, not a single case of loan was sanctioned to Thingsulthliah block. Thus, the infrastructure created served no purpose to the *Swarozgaris* in respect of their key-activities. As such, the entire expenditure (Rs.9 lakh) incurred on infrastructure creation proved to be unproductive. Similar cases were also noticed in other blocks (Phullen, Darlawn and Tlangnuam) under the same DRDA involving an amount of Rs.4.53 lakh towards purchase of power tiller and sugarcane crusher without pre-assessing the scope of related key-activity and bank loan.

Execution of unauthorised work

3.2.37 Scrutiny of records regarding implementation of the scheme of SGSY in respect of Thingdawl block, under Kolasib DRDA (earlier under DRDA, Aizawl up to 1999-2000) revealed that out of the infrastructure development fund, office of Farmers Union of Mizoram at Kolasib was constructed at a cost of Rs.0.94 lakh and the expenditure was sanctioned (October 2001) by Project Director (PD), DRDA, Kolasib. This clear violation of scheme guidelines was also admitted (June 2002) by the PD, DRDA, Kolasib. Thus, an amount of Rs.0.94 lakh was spent out of the scheme fund on execution of an unauthorised work.

Failure to impart training to the beneficiaries

3.2.38 Test check of the records of DRDAs revealed that no quality training was imparted on respective key-activities with the participation of representatives from the banks and line departments although a total expenditure of Rs.7.55 lakh (2000-2001: Rs.4.48 lakh in 7 districts; 2001-2002: Rs.3.07 lakh in 5 out of 8 districts) was incurred out of Training Fund mainly on tea, snacks and stationery. This showed that no importance was given to impart quality training to the beneficiaries under the scheme.

Technology Management

3.2.39 No effort was made for assessment and need for technology introduction/upgradation of the identified key activities by respective DRDAs and line departments for its adoption by *Swarozgaris*.

Market Support

3.2.40 For identification and development of market to the *Swarozgaris* in respect of their output, there was no effort on the part of the DRDAs/line departments.

Special Projects

3.2.41 Special projects as envisaged under the scheme were not finalised and implemented in the State.

Monitoring and Evaluation

3.2.42 Comprehensive monitoring and evaluation system was not evolved either at State or district level. Though the State Level Monitoring Cell was created, its functions remained limited to collection and compilation of reports and returns only. Thus, the overall impact on the implementation of the scheme remained unevaluated.

3.2.43 Due to lack of advance planning and preparedness, the programme could not be implemented in the State during 1999-2000. Entire expenditure during the year was diverted towards payment of salary to DRDA staff. The scheme was implemented even without identifying BPL families on a realistic basis in the light of criteria fixed by the Government of India. Besides, lack of co-ordination with line departments and banks also contributed to the failures of the scheme in the State during last three years of implementation.

3.2.44 The forgoing points were reported to the Government in July 2002, reply has not been received (November 2002).

Recommendations

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

3.3 Rural Housing

Highlights

There was failure on the part of the department to identify the BPL families in spite of specific directions by the State Government. Misappropriation of Indira Awaas Yojana (IAY) funds by the staff of the District Rural Development Agency (DRDA), delay in release of state's share, diversion of IAY/PMGY funds and absence of monitoring and evaluation of the schemes were other deficiencies noticed.

In DRDA, Saiha an amount of Rs.9.92 lakh was misappropriated by the staff of the agency.

(Paragraph 3.3.9)

There was delay in releasing share by the State Government during the years 1997-1998 to 2001-2002.

(Paragraph 3.3.10)

Irregular utilisation of rural area development fund of Rs.44.72 lakh in urban areas was noticed.

(Paragraph 3.3.13)

Rs.2.37 crore was released as assistance to the beneficiaries against already constructed/upgraded houses in violation of the scheme.

(Paragraph 3.3.21)

Irregular diversion of PMGY fund of Rs.49.83 lakh meant for rural areas to urban areas.

(Paragraph 3.3.35)

No comprehensive monitoring system was evolved either at the State level or at the District level for effective implementation of the scheme in the State.

(Paragraph 3.3.41)

Introduction

3.3.1 Indira Awaas Yojana (IAY) was launched in the year 1985-1986 as a component of Rural Landless Employment Guarantee Programme and as a sub-plan of Jawahar Rozgar Yojana (JRY) since 1989. The IAY became an independent scheme from 1 January 1996 with separate allocation of funds. Under the scheme, assistance was provided for dwelling units of Scheduled Caste/Scheduled Tribe (SC/ST) and free bonded labourers' families living below the poverty line (BPL) in the rural areas. From the year 1993-1994, IAY was expanded to cover members of rural non-SC/ST BPL communities and ex-servicemen and widows of Defence personnel killed in action. For hilly areas the maximum assistance fixed under the scheme was Rs. 22,000 for construction of a house including low cost latrine, smokeless *chullas* and

common facilities. From 1999-2000, 20 per cent of IAY funds have been earmarked for conversion of unserviceable *kuchha* houses into *pucca* houses for which a maximum assistance of Rs. 10,000 is provided to BPL families of rural area.

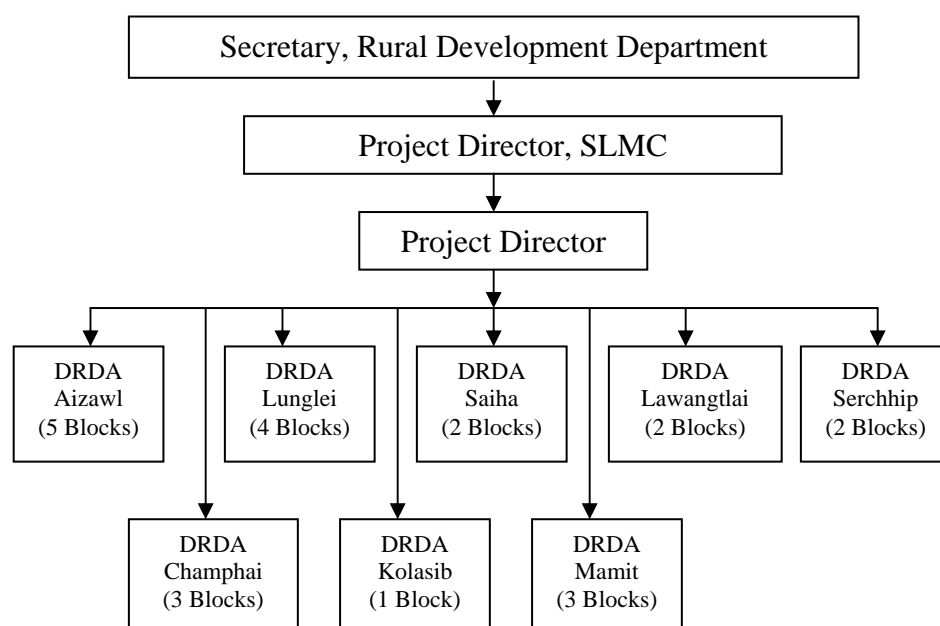
3.3.2 Gramin Awaas, a component of Pradhan Mantri Gramodaya Yojana (PMGY), was introduced from 1 April 2000 based on the pattern of IAY. Although both the schemes IAY and PMGY are to be implemented through the DRDAs, the fund under PMGY is released to the State through the Reserve Bank of India, while the fund under the IAY is released directly to the DRDAs by the Government of India. The assistance to State under Gramin Awaas comprised of grants and loans.

3.3.3 Under Rural Housing, only two (out of six^v) schemes viz., IAY and PMGY were implemented in Mizoram.

Organisational set-up

3.3.4 Department of Rural Development (RD), Government of Mizoram is the nodal department. The State Level Monitoring Cell (SLMC) was created to oversee the implementation of the programmes. The agencies responsible for implementation of the schemes are depicted in the chart given below:

Chart 3.3



^v Indira Awaas Yojana (IAY), Credit cum Subsidy Scheme (CCS), Samagra Awaas Yojana (SAY), Rural Building Centres (RBCs), Pradhan Mantri Gramodaya Yojana (PMGY) – Gramin Awaas (GA), Innovative Stream for Rural Housing and Habitat Development.

Audit Coverage

3.3.5 The implementation of IAY during the period from 1997-98 to 2001-02 and PMGY for the period from 2000-2001 and 2001-2002 were reviewed in audit (February-April 2002) based on test check of records of RD Department, in 3 out of 8 DRDAs and 16 out of 22 blocks covering 90 per cent of the expenditure under IAY and cent per cent of expenditure under PMGY.

Indira Awaas Yojana**Financial outlay and expenditure**

3.3.6 Expenditure under IAY is shared between the Central and State Governments in the ratio of 80:20. From 1 April 1999, the ratio has been changed to 75:25. According to the reports furnished to the Government of India during 1997-1998 to 2001-02, Rs.11.38 crore was spent for implementation of the programme against the available fund of Rs.11.72 crore leaving a balance of Rs.0.34 crore as detailed below :

Table 3.10**(Rupees in lakh)**

Year	Opening balance	Fund released			Misc. receipt	Total fund available	Expenditure	Excess(+) / Saving (-)	Unspent balance at the end of the year
		Central	State	Total					
1997-1998	1.28	54.47	13.00	67.47	0.31	69.06	66.54	(-) 2.52	2.52
1998-1999	--	85.75	32.02	117.77	0.58	118.35	114.22	(-) 4.13	6.65
1999-2000	--	297.05	86.65	383.70	1.98	385.68	320.38	(-) 65.30	71.95
2000-2001	--	251.97	96.34	348.31	3.26	351.57	412.96	(+) 61.39	10.56
2001-2002	--	174.34	71.78	246.12	1.69	247.81	223.78	(-) 24.33	34.59
Total :	1.28	863.58	299.79	1163.37	7.82	1172.47	1137.88	(-) 34.59	

(Source : As per achievement report furnished to Government of India)

3.3.7 Audit scrutiny revealed the following irregularities:

Misappropriation of IAY funds

3.3.8 As per analysis made by audit of receipts and expenditure for the period from 1997-1998 to 2001-2002 in respect of DRDA, Saiha, the closing cash balance as on 31 March 2002 has been worked out to Rs.12.94 lakh (**Appendix – XVIII**). But as per expenditure statement for the month of March 2002 submitted (May 2002) by the State Government to the Government of India, the closing balance as on 31 March 2002 was shown as Rs.3.02 lakh.

3.3.9 Thus, there was shortage of cash amounting to Rs.9.92 lakh (Rs.12.94 lakh – Rs.3.02 lakh) as a result of misappropriation of Government money. The department reported to the Government of India (May 2002) that

departmental proceedings had been initiated against the cashier of DRDA, Saiha the result of which was awaited (June 2002).

Delay in release of State's share

3.3.10 According to scheme guidelines of IAY, the State share is to be released to the DRDAs within one month after the release of Central assistance. Records of the nodal agency viz., RD Department for the period from 1997-1998 to 2001-2002 revealed that there was delay ranging from 27 to 215 days in releasing the State's share (**Appendix – XIX**).

Release of funds at the end of financial year

3.3.11 Of the total fund of Rs.11.63 crore (**Central : Rs.8.64 crore; State : Rs.3 crore**) released during 1997-1998 to 2001-02, Rs.1.39 crore (**Central : Rs.0.52 crore; State : Rs.0.88 crore**) was released by the Central Government as well as by the State Government in the last month of every financial year (**Appendix – XX**) resulting in non-utilisation of fund in the year to which it related.

Diversion of rural area development fund to the urban areas

3.3.12 The target group under the IAY are BPL households living in rural areas. The Government of Mizoram decided (July 1997) that the three district headquarters, viz., Aizawl, Lunglei, Saiha and also villages with a population of 30,000 and above as per 1991 census were to be treated as urban areas and the rest as 'Rural Areas' for implementation of various rural development programmes in the State.

3.3.13 Contrary to the State Government's instructions, the IAY was extended to the BPL families of urban areas of Aizawl and Lunglei during 1997-1998 to 2001-2002, details of which were as under:

Table 3.11

DRDA	Particulars	No. of beneficiaries	Amount (Rupees in lakh)
Aizawl	New construction	40	8.80
-do-	Up-gradation	23	2.30
Lunglei	New construction	136	29.92
-do-	Up-gradation	37	3.70
Total :		236	44.72

(Source : As per information furnished by BDOs)

3.3.14 As a result of diversion of funds of Rs.44.72 lakh, an equal number of beneficiaries (236) pertaining to the rural BPL families were deprived of the benefits of IAY programme.

Implementation (IAY)**Physical and financial progress**

3.3.15 The following were the physical targets and achievements under the scheme during 1997-1998 to 2001-2002 as reported by the State Government to the Government of India from time to time.

Table 3.12

Year	Annual Target		Achievement		Houses under construction	
	New construction	Up-gradation	New construction	Up-gradation	New construction	Up-gradation
1997-98	296	-	302	-	-	-
1998-99	288	-	519	-	-	-
1999-2000	1261	693	1174	621	87	-
2000-2001	1338	736	1533	757	24	12
2001-2002	1182	656	804	471	345	150
Total	4365	2085	4332	1849	456	162

(Source : As per target and achievement report furnished to Government of India)

3.3.16 Despite availability of funds at the end of each year, the reasons for shortfall in achievement of targets under up-gradation had not been stated.

3.3.17 In the three test checked DRDAs, the physical achievement *vis-à-vis* financial achievement were as under:

Table 3.13

	Physical			Financial Achievement		
	Target	Achievement	Percentage of achievement	Available (Rupees in crore)	Expenditure (Rupees in crore)	Percentage
New Construction (1997-1998 to 2001-2002)	3717	3904	105	9.54	8.59	90
Up-gradation (1999-2000 to 2001-2002)	1745	1598	92	1.76	1.60	91

(Source : As per achievement report furnished by the State to the Government of India)

3.3.18 Reasons for fixation of target on the lower side under new construction as well as shortfall in achievement of target under upgradation despite availability of funds had not been stated.

Failure in identification of BPL families

3.3.19 A family having no amenities like television, ceiling fan, LPG etc., was to be treated as BPL family in Mizoram and based on these criteria a survey was conducted during 1997-1998. The State Government instructed (September 1997) all the DRDAs to update the figures of BPL families in their respective districts before implementation of the scheme. According to Government of India's instructions (10 September 1999), per capita income up to Rs.280.85 per month was to be regarded as poverty line for all the North Eastern States. The department, however, observed (March 2002) that it was impossible for a person to survive in Mizoram with such a meager income. But no updating and finalisation of BPL population was done in the 3 test checked DRDAs either on the basis of Government of India's instructions or on the basis of criteria fixed by the State Government till date (April 2002). Thus, the scheme was implemented without ascertaining the actual position of BPL families in the State based on viable/reliable criteria in tune with Government of India's guidelines. The assistance was provided on the basis of application received and availability of funds. Thus, the identification of beneficiaries was totally non-transparent.

Irregular release of funds to the beneficiaries against constructed houses

3.3.20 As per the scheme, no contractor should be involved in construction of dwelling units. The houses should also not be constructed through any Government department. The spirit of the scheme is that the beneficiaries are to construct the houses of their choice depending on the local conditions. Assistance should be given to the beneficiary on a staggered basis depending on the progress of the work. Instalment of payments was to be linked to the progress of work.

3.3.21 Records of 3 test checked DRDAs for the periods 1997-2002 revealed that an assistance of Rs.2.37 crore (**Appendix-XXI**) for construction/upgradation of houses was released to the beneficiaries based on inspection certificate from the concerned Block Development Officers (BDOs) supported by a bill from the beneficiaries indicating expenditure incurred on engagement of labour and procurement of materials in completing the dwelling units. The action of the DRDAs in paying the assistance of Rs.2.37 crore as reimbursement of expenditure was impractical in as much as a BPL family could not normally afford to spend Rs.22,000 from its own source to construct its dwelling unit before being paid the assistance, and if so, classification of these beneficiaries as BPL families remained doubtful. Payment for already constructed houses was in violation of the scheme guidelines.

Doubtful utilisation of fund

3.3.22 According to the guidelines, suitable Non Government Organisations (NGOs) with good records wherever available were to be associated with construction of IAY dwelling units. The supervision, guidance and the monitoring of construction were to be entrusted to these NGOs, while payment

was to be made to the beneficiaries on a staggered basis depending on the progress of the work.

3.3.23 Test check of the records of Thingdawl block under DRDA, Aizawl revealed that during 1997-1998 to 2001-2002, Rs.11.47 lakh was paid to the President, Young Mizo Association and the President, Village Council for construction of dwelling units on behalf of the beneficiaries against the norm of guidelines.

3.3.24 There was no record to show that the NGOs had constructed houses for the beneficiaries. The DRDA, Aizawl also did not monitor the progress of construction of houses by the NGOs. Thus, the payment to NGOs to construct the houses on behalf of the beneficiaries was not only contrary to the spirit of the scheme but utilisation of funds of Rs.11.47 lakh also remained doubtful for want of any documentary evidence in this regard.

IAY fund of Rs.4.79 lakh remained unaccounted for

3.3.25 The BDO, Thingdawl under DRDA, Aizawl received (March 1999) a cheque for Rs.4.79 lakh for payment of assistance for dwelling units/upgradation to 32 beneficiaries. The amount was neither disbursed to the beneficiaries nor accounted for in the cash book. Thus, the possibility of misappropriation of Rs.4.79 lakh cannot be ruled out.

Use of local technology and materials

Construction of IAY houses without sanitary latrine and smokeless chulah

3.3.26 Test check of records of the selected DRDAs revealed that the entire assistance for dwelling units was spent towards construction of houses. Not a single house constructed under the scheme was provided with smokeless *chulahs* and sanitary latrines. The DRDAs argued that Rs.22,000 was insufficient for construction of a house in Mizoram. However, no efforts were taken to construct a durable house within the earmarked assistance seeking expertise on innovative technology/material/design/methods, *etc.*

Irregular allocation of IAY houses in the name of male member of the family

3.3.27 Scheme guidelines envisaged that allotment of dwelling units should be in the name of female member of the beneficiary household. It can be allotted alternatively in the name of both husband and wife.

3.3.28 Scrutiny of allotment records revealed that out of 4332 IAY houses constructed during 1997-2002, 32.43 *per cent* (1405 number) of these houses were allotted in the name of male members of the beneficiary household.

3.3.29 Reasons for allotment of houses in favour of male members (contrary to the spirit of the scheme) had not been clarified.

Non-maintenance of Inventory Register

3.3.30 The scheme guidelines contemplate that implementing agencies should have a complete inventory of houses constructed/upgraded under IAY, giving details showing the date of commencement and completion of construction of dwelling units, name of the village/block in which the house is located, occupation and category of beneficiaries. None of the test checked DRDAs could furnish the inventory of houses constructed/upgraded during the period 1997-2002.

Gramin Awaas under PMGY

Financial outlay and expenditure

3.3.31 During the years 2000-2001 and 2001-2002, the Government of India released Rs.12.12 crore to the State (Grant : Rs.11.36 crore, Loan : Rs.0.76 crore) against which a certificate of utilisation of the fund of Rs.6.06 crore (released during 2000-2001) was furnished by the department to the Government of India in March 2002. Scrutiny of records of the Project Director and 3 test checked DRDAs revealed the following :

3.3.32 Funds of Rs.6.06 crore received during 2000-2001 in 2 instalments (1st in July 2000 & 2nd in March 2001) were withdrawn by the Secretary, RDD and kept in Civil Deposit on the last day of the financial year wherefrom Rs.4.92 crore was withdrawn in October and November 2001 and released to the DRDAs between November and December 2001. The remaining amount of Rs.1.14 crore was withdrawn from Civil Deposit in February 2002 and released to the DRDAs during the same month.

3.3.33 It was, however, seen from the utilisation certificate furnished by the State Government to the Government of India that the entire fund was shown as utilised for the purpose for which it was received. But in the absence of any physical and financial achievement report for the year 2000-2001 the actual utilisation of fund remained doubtful.

3.3.34 During the year 2001-2002 also, Government of India released an amount of Rs.6.06 crore in 2 instalments in August 2001 and March 2002. No expenditure was, however, incurred thereagainst during 2001-2002, and the entire fund was withdrawn and kept in Civil Deposit on the last day of the financial year 2001-2002.

Irregular diversion of funds

3.3.35 The target groups under the scheme PMGY are the same as that of IAY. It was seen that an amount of Rs.49.83 lakh as detailed below was spent in 2001-2002 by two DRDAs extending the assistance to the urban BPL population of Aizawl and Lunglei contrary to the State Government's instructions not to spend the funds meant for rural poverty alleviation in urban areas.

Table 3.14

DRDA	Particulars	No. of Beneficiaries	Amount (Rupees in lakh)
Aizawl	New Construction	121	26.62
-do-	Up-gradation	55	2.75
Lunglei	New Construction	93	20.46
Total:		269	49.83

(Source : As per information furnished by BDOs)

Implementation (PMGY)

Unauthorised utilisation of fund to displaced persons of border areas

3.3.36 Records of DRDA, Champhai revealed that an amount of Rs.19.58 lakh was paid (December 2001) to 89 displaced persons of Zokhawthar area under BDO, Khawzawl although they did not belong to BPL families of the area.

Doubtful expenditure

3.3.37 As in IAY, the PMGY beneficiaries were to construct their own houses and payment to be made to them depending on the progress of works.

3.3.38 It was seen that the BDO, Thingdawl under DRDA, Aizawl, paid Rs.12.61 lakh to NGOs for construction/upgradation of houses. There was no record to show that the houses were constructed by NGOs on behalf of the beneficiaries. Thus, the expenditure of Rs.12.61 lakh shown as utilised by the NGOs remained doubtful.

Monitoring and evaluation

3.3.39 No comprehensive monitoring and evaluation system was evolved either at State or at the district level. Though the SLMC was created, its functions were limited to collection and compilation of reports and returns only. Although the IAY had been in operation for last 17 years, no evaluation study had been conducted by the State Government. Besides, for lack of proper monitoring of the scheme PMGY, fund to the extent of Rs.6.06 crore (out of Rs.12.12 crore) remained unutilised upto March 2002 which adversely affected the implementation of the scheme.

3.3.40 The forgoing points were reported to the Government in August 2002; reply has not been received (November 2002).

Recommendations

3.3.41 In order to make the schemes (IAY and PMGY) more effective and meaningful so that the benefits of the scheme reach the BPL families in rural areas, the State Government has to take the following steps;

- ensure identification of BPL families of the State in the rural areas;
- make necessary arrangement for proper investigation to ascertain the cause for misappropriation of IAY funds and to initiate appropriate action against the officers/officials responsible for its occurrence;
- ensure timely release of fund for smooth implementation of the programme in the State;
- enforce submission of utilisation certificates by the NGOs in respect of fund utilised by them;
- ascertain the reason for non-utilisation of PMGY fund of Rs.6.06 crore relating to the year 2001-2002 as of March 2002; and,
- evolve a comprehensive monitoring and evaluation system both at the State level as well as the district level which is an essential requirement for ensuring successful implementation of the schemes in the State.

SECTION – B - PARAGRAPHS

HEALTH AND FAMILY WELFARE DEPARTMENT

3.4 Irregularities in purchase of Computerised Tomography (CT) Scanner

Injudicious action of the Department in the purchase of a CT Scanner led to blocking of funds of Rs.1.96 crore, of which Rs.0.69 crore paid in advance to the firm remained without any security cover due to non-validation of bank guarantee, besides extension of financial benefit of Rs.0.55 crore to the firm.

3.4.1 Government of Mizoram, Health and Family Welfare Department (HFWD) accorded administrative approval and expenditure sanction of Rs. two crore (March 2000) for purchase of Computerised Tomography (CT) Scanner. The Director of Health Services (DHS) who was permitted (March 2000) to draw the amount in an abstract contingent (AC) bill drew an amount of Rs. two crore and kept the amount in Civil Deposit in March 2000.

3.4.2 Test check (June 2002) of records of DHS revealed that an agreement was entered into in April 2001 between the firm and the Secretary HFWD for supply, installation and commissioning of CT Scanner and accordingly, a supply order was placed (May 2001) on the firm at a total cost of Rs.1.96 crore. The firm was paid an advance of Rs.1.96 crore (May 2001) being 100 per cent cost of CT Scanner (Rs.1.27 crore), turnkey installation including civil & electrical works and furniture for CT Scanner room (Rs.0.14 crore) and annual maintenance contract (Rs. 0.55 crore). The firm delivered the CT Scanner in October 2001 in 16 big and small boxes, which were kept in different places in the Civil Hospital. The CT Scanner was not installed and commissioned till the date of audit (June 2002) because the site/room though selected in February 2002, was not ready and hence not handed over to the firm for civil and electrical works. Thus, the action of the department in placing a supply order for installation of CT Scanner before selection of site was not only irregular but also led to blocking of funds of Rs.1.96 crore for a period of over two years. The following further irregularities were noticed:

3.4.3 The offer of the firm as well as the agreement stipulated that the supplier would enter into annual maintenance contract (AMC) for the CT Scanner machine with the purchaser for a period of 3 years after initial warranty period of 1 year and 100 *per cent* AMC charges of Rs.0.55 crore should be payable along with the work order. But the amount of Rs.0.55 crore was paid in advance to the firm in May 2001 (included in Rs.1.96 crore)

without entering into AMC resulting in undue extension of financial benefit to the firm to that extent.

3.4.4 As per contractual obligation, the firm insured the consignment towards storage for 90 days at site *i.e.* up to January 2002 which was extended for a further period of 90 days *i.e.* up to April 2002. Thereafter, the CT Scanner remained without storage insurance cover which was not only fraught with the risk of loss due to damage during the period of storage but also losing warranty commitment made by the firm.

3.4.5 The validity period of bank guarantee submitted by the firm for an amount of Rs.1.96 crore was last extended up to 31 December 2001. In February 2002, the Director, Hospital and Medical Education, Aizawl requested the firm to get the bank guarantee revalidated for further 6 months within 10 days from the date of issue of the said letter which was not complied with by the firm. Thus, the advance payment of Rs.0.69 crore (civil & electrical works: Rs.0.14 crore ; AMC: Rs.0.55 crore) made to the firm remained without any security cover to safeguard the interest of the Government in the event of non-compliance of the commitment made by the firm in terms of agreement towards installation, commissioning and maintenance of the CT Scanner.

3.4.6 The forgoing points were reported to the Government (July 2002); reply has not been received (November 2002).

3.5 Unfruitful expenditure on construction of Community Health Centre, Dinthar

Injudicious selection of site for construction of 30 bed Community Health Centre resulted in unfruitful expenditure of Rs.0.55 crore.

3.5.1 In connection with the selection of site for proposed Community Health Centre (CHC), two Joint Directors of Health Services, Mizoram, submitted separate site verification reports on 4 August 1995 and 25 August 1995 respectively to the Government. The sites recommended were the existing PHC complex and Helipad. Although neither of the reports indicated any recommendation for selection of site at Dinthar (Lower West Phailang), yet the Government decided (October 1995) to construct the new CHC building and staff quarters at Dinthar. Accordingly, the Government accorded (between March 1996 and

3.5.2

3.5.3 February 1999) administrative approval and expenditure sanctions for Rs. 0.55 crore for construction of 30 bed CHC and nine staff quarters at Dinthar.

3.5.2 Test check of records of the Director of Health Services (DHS), Mizoram, Aizawl revealed (June 2002) that the work for construction of new CHC building was completed (between February 1997 and May 1999) at a total cost of Rs. 0.55 crore. But due to obstruction by the people of Upper West Phailang, the newly constructed CHC building could not be made functional till the date of audit (June 2002). It was seen that the DHS in its letter dated 1 June 1999 had informed the Government that the site of the new CHC building was controversial from the very beginning because 95 per cent of the population of that area strongly objected to the selected site which was far away from the main locality and as such it was not convenient to the surrounding villagers.

3.5.3 Thus, due to injudicious selection of site for construction of new CHC building at Dinthar without taking into consideration the ground realities, the Government not only incurred an unfruitful expenditure of Rs.0.55 crore but also deprived the villagers of health care from the newly constructed CHC.

3.5.4 The DHS stated (September 2002) that the CHC building could not be occupied due to some local problems. However, the building has since been allotted for the office of the Sub-Divisional Officer (Civil) as per Government's decision dated 20 June 2002. Thus, it is evident that the very purpose of spending Rs.0.55 crore was frustrated.

3.5.5 The matter was reported to the Government in July 2002; reply has not been received (November 2002).

LOCAL ADMINISTRATION DEPARTMENT

3.6 Avoidable liability due to failure in repayment of loan

Failure in timely repayment of loan resulted in accrual of penal interest amounting to Rs.0.81 crore, and its further enhancement to Rs.1.54 crore.

3.6.1 The Local Administration Department (LAD), obtained loans of Rs.26.27 crore during 1989-1990 to 1997-1998, from Housing and Urban Development Corporation (HUDCO), New Delhi for disbursement to Government employees/private individuals of the State under various Housing Schemes.

3.6.2 The repayment of loan (principal, interest and additional interest) was to be made quarterly and in the event of default, penal interest at the rate of 2.5

per cent over and above gross interest rate on over due amount was to be levied as per provision of the loan agreement. The loan agreement further provided that repayment made to HUDCO would be adjusted first towards additional interest, then penal interest and thereafter interest and principal.

3.6.3 Scrutiny (September 2001) of records of Directorate (LAD) revealed that repayment of HUDCO loan due for payment during June 1999, September 1999 and June 2000 were not made within the due date and were paid during August 2000 and November 2000, resulting in levy of penal interest amounting to Rs.0.81 crore. On the basis of a proposal (January 2001) from LAD, Government sanctioned Rs.0.81 crore in February 2001 for payment of penal interest to HUDCO. The LAD had drawn the amount in March 2001 and instead of making payment to HUDCO, kept (March 2001) the amount in 8443-Civil Deposit. The amount was not paid to HUDCO till date (August 2002). The LAD did not clarify the reasons for keeping the amount in Civil Deposit instead of making the payment to HUDCO. Meanwhile, HUDCO had raised demand for further penal interest for a total amount of Rs.1.54 crore up to the quarter ending March 2002. Payment of the same has not been reported (October 2002).

3.6.4 Thus, delay in repayment of loan resulted in avoidable liability of penal interest of Rs.0.81 crore. Besides, even after drawal of sanctioned penal interest of Rs.0.81 crore, the amount remained unpaid (August 2002) to HUDCO resulting in a further enhancement of penal interest to Rs. 1.54 crore upto March 2002.

3.6.5 The matter was reported to the Government in November 2001; reply has not been received (November 2002).

AGRICULTURE DEPARTMENT

3.7 Extra expenditure on procurement of fencing wire mesh

Irregular cancellation of supply order for procurement of goat proof fencing wire mesh led to extra expenditure of Rs.67.42 lakh.

3.7.1 Based on the rates approved by Departmental Purchase Advisory Board (DPAB), the Director of Agriculture placed a supply order in November 1999 for supply of 54 rolls (27,000 sq. ft.) of goat proof fencing wire mesh @ Rs.3.95 per sq. ft. The supply was to be completed by 5 March 2000. The firm despatched the material on 25 February 2000 by road but the same was not accepted by the consignee as the supply order was under process of cancellation.

3.7.2 Audit scrutiny (February 2002) revealed that the DPAB revised (February 2000) the rate of goat proof fencing wire mesh from Rs.3.95 to

Rs.22 per sq. ft. at the instance of the department. The department cancelled the supply order of November 1999 in May 2000 and procured 373497 sq. ft. of goat proof fencing wire mesh between March 2000 and October 2001 at the enhanced rate of Rs.22 sq. ft. and incurred an expenditure of Rs.82.17 lakh.

3.7.3 Further scrutiny of stock register revealed that there was no immediate requirement of goat proof fencing wire mesh of the above specification, as there was a stock balance of 421 rolls (500 sq. ft. per roll) during 8 June 1999 to 2 May 2000. There was also no justification for revision of rates from Rs.3.95 per sq. ft. to Rs.22 per sq. ft., since the firm never expressed its inability to supply the materials at their offered rate.

3.7.4 Thus, injudicious rejection of the offer of the Calcutta based firm and procurement of the materials at abnormally higher rate from the agent of the said firm and 6 other firms resulted in extra expenditure of Rs.67.42 lakh {(Rs.22 – Rs.3.95) X 373497 sq. ft.}.

3.7.5 The matter was reported to the Government in May 2002; reply has not been received (November 2002).

GENERAL ADMINISTRATION AND ANIMAL HUSBANDRY & VETERINARY DEPARTMENTS

3.8 Excess payment on land acquisition and import of livestock

Excess land compensation of Rs.7.19 lakh was paid for acquisition of land and Rs.3.85 lakh excess payment made due to adoption of incorrect exchange rate of US Dollar.

3.8.1(a) Scrutiny (August 2001) of records of the Deputy Commissioner (DC), Aizawl revealed that for the establishment of Indian Oil Corporation refueling complex at Lengpui (Mizoram), the DC after negotiation paid (January 2001) Rs.45 lakh to a land owner as land compensation for acquisition of 356489.56 sq. ft. (24.76 *bighas*) of land by the General Administration Department (Aviation wing) under draft Award No.4 of 1998.

3.8.2 However, scrutiny of 14 land settlement certificates (LSCs) mentioned in the draft Award No.4 of 1998, on the basis of which acquisition was made and the area and value of the land was determined, revealed that the total area covered under those 14 LSCs was only 299520 sq. ft (20.80 *bighas*). Thus, payment for 356489.56 sq. ft of land made to the land owner against 299520 sq. ft of land actually in the possession of the land owner and acquired by the department led to an excess payment of Rs.7.19 lakh^ψ.

^ψ 356489.56 sq. ft. – 299520.00 sq. ft. = 56969.56 sq. ft @ Rs.12.62 per sq. ft.

3.8.3 The Deputy Commissioner, Aizawl stated (August 2002) that the actual area as per joint spot verification was 24.76 *bighas* and in the draft award the whole area of 356489.56 sq.ft. (24.76 *bighas*) was treated as land covered by 14 LSCs. However, the reply is not tenable as the actual area covered by 14 LSCs, as per records of the Deputy Commissioner, Aizawl, against which the award was given, was only 299520 sq. ft.(20.80 *bighas*).

3.8.4(b) During October 1999, the Animal Husbandry & Veterinary Department imported 18 pure breed Holstein - Frisien Diary Cattle (8 male + 10 female) and 120 pure exotic meat type breed of pigs from Australia on payment of Rs.0.76 crore (excluding customs duty, loading and unloading at Mumbai airport and transporting charges from Mumbai to Aizawl) in September 1999 in Indian currency to a Guwahati based Indian agent of the Australian supplier. According to the bill of entry of Mumbai Air Customs Department, the CIF value of 18 cattle and 120 pigs were declared for USD 162560 and the total amount of Indian Rupees payable to the supplier was Rs.0.72 crore (USD 162560 x Rs.43.75 per USD + loading charge of Rs.71120) only, against which the department paid Rs.0.76 crore, the excess payment being Rs.3.85 lakh. The department admitted (April 2002) the wrong mathematical calculation while converting USD into Indian currency.

3.8.5 The above cases were reported to the General Administration and Animal Husbandry & Veterinary Departments of the Government in September 2001 and November 2001 respectively; reply had not been received (November 2002).

**GENERAL ADMINISTRATION, HEALTH & FAMILY
WELFARE, EDUCATION AND HUMAN RESOURCE
DEVELOPMENT DEPARTMENTS**

3.9 Failure to respond to audit objections and compliance thereof

325 paragraphs pertaining to 117 Inspection Reports amounting to Rs.84.64 crore concerning General Administration, Health & Family Welfare, Education and Human Resource Development Departments were outstanding as on June 2002. Of these, 41 Inspection Reports containing 83 paragraphs had remained unsettled for more than 10 years.

3.9.1 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) 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 (Audit) to ensure rectificatory action in compliance of the prescribed rules and procedures and accountability for the deficiencies, lapses, *etc.*, noticed during his inspection. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to the Principal Accountant General (Audit). Serious irregularities are also brought to the notice of the Head of the Department by the Office of the Principal Accountant General (Audit). Half-yearly reports are sent to the Secretaries of the departments in respect of pending IRs to facilitate monitoring of the audit observations appearing therein and responses to the same.

3.9.2 IRs issued upto March 2002 pertaining to 49 offices of 3 Departments viz., General Administration, Health & Family Welfare, Education and Human Resource Development Departments disclosed that 325 paragraphs relating to 117 IRs involving to Rs.84.64 crore remained outstanding at the end of July 2002. Year-wise position of the outstanding IRs and paragraphs are detailed in **Appendix –XXII** . Of these, 41 IRs containing 83 paragraphs had remained unsettled for more than 10 years as detailed below:

Table 3.15

Sl. No.	Name of the Department	Paragraph remaining unsettled for more than 10 years	
		No. of IRs	No. of Paras
1.	General Administration	17	47
2.	Health & Family Welfare	3	3
3.	Education & Human Resource Development	21	33
	Total	41	83

3.9.3 Some of the important irregularities contained in 75 paragraphs involving Rs.40.74 crore, commented upon in the outstanding IRs of the three departments had not been settled as of June 2002 are indicated below :

Table 3.16

Sl. No.	Nature of irregularities	Education & Human Resource Development		General Administration		Health & Family Welfare	
		No. of paras	Amount (Rs. in lakh)	No. of paras	Amount (Rs. in lakh)	No. of paras	Amount (Rs. in lakh)
1.	Non-observance of rules relating to custody and handling of cash, position and maintenance of Cash Book and Muster Roll	6	9.09	7	101.11	2	1.79
2.	Non-maintenance of proper store accounts and non-conducting of physical verification of stores	13	44.63	3	2.57	9	1.52
3.	Local purchase of stationery in excess of authorised limits and expenditure incurred without sanction	---	---	2	2.62	---	---
4.	Delay in recovery/non-recovery of departmental receipts, advances and other recoverable charges	1	0.11	14	3096.63	---	---
5.	Sanction to write off loans, losses etc., not received	---	---	---	---	3	0.75
6.	Overpayment or inadmissible payments not recovered	3	3.15	1	3.37	---	---
7.	For want of utilisation certificate of grants-in-aid	2	11.99	---	---	---	---
8.	Actual Payees' Receipts wanting	1	4.77	2	113.95	---	---
9.	Drawal of funds in advance of requirements resulting in retention in hand for long periods	5	157.61	---	---	1	518.14
	Total :	31	231.35	29	3320.25	15	522.20

3.9.4 A review of the IRs pending due to various reasons, in respect of General Administration, Health & Family Welfare, Education and Human Resource Development Departments revealed that the Heads of the offices and the Directors, General Administration, Health & Family Welfare, Education and Human Resource Development Departments had failed to discharge due responsibility as they did not send reply on action taken to a large number of IRs. The Secretaries to the Government of Mizoram in respect of General Administration, Health & Family Welfare and Education & Human Resource

Development Departments, who were also informed of the position through half-yearly reports also failed to ensure that the concerned officers of the 3 departments took prompt and timely action.

3.9.5 The position stated above indicated that no action was taken against the defaulting officers, thereby facilitating the continuation of serious financial irregularities and loss to the Government though these were pointed out in Audit.

3.9.6 It is, thus, recommended that the Government should look into these matters and ensure that procedure exists for (i) action against the officials who fail to settle the IRs/Paragraphs as per prescribed time schedule; (ii) action to recover receipts/outstanding advances/overpayments in a time bound manner; and (iii) revamping the system to ensure prompt and proper response to the audit observations.

3.9.7 The matter was reported to Government in August 2002; reply has not been received (November 2002).

FINANCE DEPARTMENT

3.10 Misappropriation, losses, etc.

27 cases of misappropriation/losses pertaining to 11 departments involving Rs.1.13 crore are pending finalisation.

3.10.1 Twenty seven cases (total value: Rs.1.13 crore) of misappropriation, losses, *etc.*, were pending finalisation at the end of June 2002 as detailed below:

	Number of cases	Amount (In lakh of rupees)
1) Cases reported upto the end of March 2001 and pending as of June 2001	26	111.79
2) Cases of misappropriation/losses during 2001-2002	1	1.65
3) Cases closed during July 2001 to June 2002	-	-
4) Cases outstanding at the end of June 2002	27	113.44

3.10.2 Year-wise analysis of the outstanding cases is also given below:

	Year	Number of cases	Amount (In lakh of rupees)
Upto	1991-92	17	7.00
	1994-95	1	2.13
	1995-96	4	28.73
	1996-97	2	3.48
	1997-98	1	70.00
	1999-2000	1	0.45
	2000-2001	-	-
	2001-2002	1	1.65
	Total:	27	113.44

3.10.3 Department-wise analysis of outstanding cases in which final action was pending at the end of June 2002 is given in **Appendix-XXIII**.

3.10.4 The case reported during the year ended 31 March 2002 was a theft case in Transport Department in which an amount of Rs.1.65 lakh was stolen from the cash locker on 1 June 2001. The matter was reported (June 2001) to police. However, the result of police investigation and the departmental enquiry, if any, initiated to ascertain whether the theft occurred due to negligence of any official had not been reported (August 2002) although called for (September 2001).

3.10.5 Although the cases were getting accumulated year after year, there was no disposal since 1997-1998. Thus, Government need to take suitable steps to finalise the cases in a time bound manner.

3.10.6 The matter was reported to Government (August 2002); reply has not been received (November 2002).