

CHAPTER I – PERFORMANCE REVIEW

FOOD AND CIVIL SUPPLIES DEPARTMENT

1.1 Public Distribution System

Government's food management strategy involves the implementation of a well targeted and properly functioning Public Distribution System (PDS) to ensure food security in the State. A Performance Audit on the implementation of PDS in Arunachal Pradesh revealed that there were leakages and diversion of foodgrain both at FPS and whole sale nominee cum carriage contractor level. Inspections were inadequate and state level vigilance and monitoring activities were virtually nonexistent. Thus, due to these shortcomings, the PDS in the State did not achieve the desired objective fully.

Highlights

- *Identification of APL and BPL beneficiaries suffered due to the absence of family based data, resulting in extension of benefit to ineligible families.*

(Paragraph 1.1.7.1&1.1.7.2)

- *Sample survey of 74 FPSs and interaction with 229 cardholders of test checked districts revealed that 59 FPSs and 215 beneficiaries did not receive Atta at all while others received it only occasionally. One floor miller cum carriage contractor diverted 22,908 quintals of Atta during May 2008 to March 2010.*

(Paragraph 1.1.8.5.c)

- *As per records of FCI, during 2005-10, 3.95 lakh MT of foodgrain was released in the records of Director of Food and Civil Supplies only 3.52 lakh MT has been recorded as lifted resulting in short accountal 0.43 lakh MT of foodgrain and possibility of misappropriation of the short accounted foodgrain cannot be ruled out.*

(Paragraph 1.1.8.7 (ii))

- *Extra expenditure of ₹1.13 crore was incurred on transportation of foodgrain due to irregular enhancement of carriage rate midway of agreement period.*

(Paragraph 1.1.9(i))

- *Avoidable expenditure of ₹1.11 crore due to avoidance of open tender system for fixation of rate for transportation of PDS items.*

(Paragraph 1.1.9(ii))

1.1.1. Introduction

PDS is a programme intended for distribution of essential commodities such as rice, wheat, sugar, kerosene oil, etc. to the Ration Card Holders (RCH) through a network of Fair Price Shops (FPS). The scheme is operated under the joint responsibility of the Central and State Governments. The Central Government is responsible for making bulk allocation of foodgrain for the scheme whereas the State Government is responsible for just and equitable distribution of these commodities through the network of FPSs. The responsibility of lifting the required foodgrain from Food Corporation of India (FCI) godowns to FPS lies with the State Government.

The Targeted Public Distribution System (TPDS) was launched in Arunachal Pradesh in June, 1997 with the objective of providing foodgrain at specially subsidized rate to Below Poverty Line (BPL) families as per the norms prescribed by the GOI. BPL families were to be properly identified and issued with special ration cards. Antyodaya Anna Yojana (AAY) launched in December, 2000 was intended to ensure food availability to the poorest of the poor amongst BPL families by providing rice at specially subsidized rate of ₹ 3 per kg. Distinctive ration cards were to be issued to AAY after identification of such families.

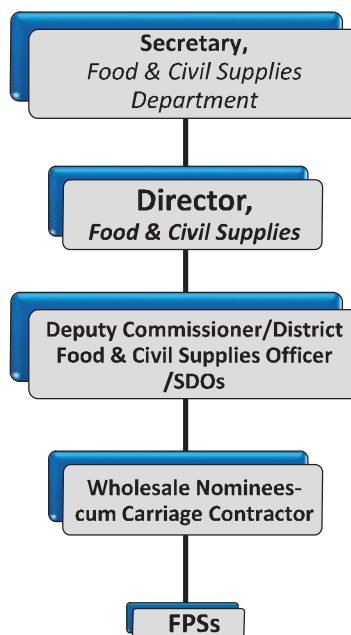
Besides, there is an Annapurna Scheme (launched in April, 2000) under which destitute senior citizens of 65 years and above and who are not in receipt of pension under National Old Age Pension Scheme or State Pension Scheme are entitled to get 10 kg of rice per month free of cost. Under the PDS, the Above Poverty Line (APL) families would continue to get foodgrain from Fair Price Shops (FPS) through ration cards at normal Central Issue Price (CIP).

In Arunachal Pradesh as of March 2010, out of a total of 3,33,178 families (consisting of 13.32 lakh population) 2,34,407 APL, 60,771 BPL, 38,000 AAY families including 4761 senior citizens were drawing foodgrain under PDS /TPDS and Annapurna Schemes from 1,587 FPS (Urban 262 and Rural 1,325).

1.1.2. Organizational Setup

The PDS programme in the State is implemented by the Department of Food and Civil Supplies. The Director of Food and Civil Supply (DF&CS) is the nodal officer responsible for making district wise allocation of foodgrain and overall coordination, management and control at the State level. In the districts, the District Food and Civil Supply Officer (DF&CSO) directly implements the scheme, while the overall control remains with the Deputy Commissioner. The organogram of the Department is given in chart-I.

Chart 1



1.1.3. Audit Coverage

The Comptroller and Auditor General of India, in his Report for the year ended March, 2006, had pointed out systemic inadequacies in the PDS and had recommended the State Government to initiate suitable corrective action to make the PDS more efficient, effective and transparent. The present Performance Audit revealed that many of the irregularities pointed out earlier, were still persisting indicating lack of corrective action by the Government.

Performance Audit of the PDS, covering five years i.e. 2005-2010 was conducted during April-July 2010, covering five¹ out of 16 Districts, involving a population of 5.13 lakh (38.51 *per cent* of total population of 13.32 lakh), by test check of records of the Director, Food and Civil Supplies, (DF&CS), and five DF&CSOs selected on the basis of stratified simple random sampling without replacement method. Apart from these, 74 FPSs covering 13 Circles were physically verified and interaction with 283 individual ration card holders were also conducted during the course of audit.

1.1.4 Audit Objectives

The performance audit was undertaken to evaluate the effectiveness of PDS in ensuring regular supply of foodgrain to the people in the State. The objectives were to assess whether:

- there was an effective system for identification of different categories of beneficiaries;

¹ West Siang, East Siang, Lohit, West Kameng and Papum Pare

- benefits have been extended to eligible families;
- distribution arrangements were effective to ensure that all people have access to foodgrain and distribution was timely and at the prescribed scale and rate; and
- monitoring and control mechanism for implementation of the scheme was adequate and effective.

1.1.5. Audit Criteria

The criteria for assessing the performance under the PDS programme were as follows:

- Guiding principles prescribed by GOI for identification of beneficiaries;
- Provisions of the PDS Control Order 2001 and the Arunachal Pradesh, Public Distribution of Article Order, 2005; and
- Various regulatory / control orders of the State / Central Govt. issued from time to time.

1.1.6. Audit Methodology

The performance review commenced with an Entry Conference with the Department of Food & Civil Supplies in the first week of May, 2010 wherein the audit objectives, scope and criteria were discussed. The major audit findings were discussed in an Exit Conference on 28 October, 2010 and the views of the Department were kept in view while finalizing the draft Performance Audit report. During the Exit Conference, the Department promised to furnish certain documents/information by 10 November 2010, which had not been received (December 2010)

AUDIT FINDINGS

The important points noticed in the performance review are discussed in the succeeding paragraphs.

1.1.7 Planning

Successful implementation of PDS would largely depend upon systematic and proper planning as per the Government of India's PDS Control Order, 2001 and Arunachal Pradesh Public Distribution of Articles Order (APPDAO), 2005. Audit scrutiny in five test checked districts revealed the following shortcomings in the planning:

1.1.7.1. Identification of Beneficiaries

As per the provisions of PDS Control Order, 2001, the State Government was to formulate guidelines for identification of BPL-AAY beneficiaries and also prescribe formats for collection of family data. In the identification process both the departmental designated authority and the representatives of Panchayati Raj Institutions (PRIs) were to be associated.

It was noticed that the Department had not formulated any guidelines for this purpose. No format had also been prescribed for collection of family based data as provided in the PDS Control Order. 41,316 BPL/AAY beneficiaries in the five selected districts were identified at the village level meetings attended by the PRIs and village authority Gaon Bhuras/Head Gaon Bhuras (GBs/HGBs) without preparing any family based

data or records for ensuring transparency in selection process. Thus, the BPL-AAY list as used in the TPDS was error-prone with instances of wife/wards of Government employees, public leaders holding BPL-AAY cards.

In response the Department stated (October, 2010) that in the absence of any clear cut guidelines, and due to shortage of manpower, the department has been using household database of DRDA. This indicated Department's inability to comply with the scheme guidelines in letter and spirit.

1.1.7.2. Coverage of BPL-AAY beneficiaries

The number of BPL households fixed by the Government of India was 98,800 on the basis of March 2000 estimation of Registrar General of India. The State had, however, identified 98,771 (BPL 60,771, AAY 38,000) beneficiaries.

In Papum Pare District, 8161 (BPL-6,395; AAY-1,766) households were identified in March 2010 against the estimation of 7,616 households. The excess coverage of 545 beneficiaries was managed by issue of foodgrain below the scale constituting a significant distortion in scheme implementation.

In West Siang District urban BPL beneficiaries were not identified and as a result, the BPL families under 27 FPS of the Aalo urban area remained uncovered and deprived of the scheme benefits. Further, 300 BPL families in the areas under 7 FPS of Mechuka circle remained deprived of the scheme benefits till March 2010² due to non-issuance of ration cards and resultant non-allotment of foodgrain.

The Department stated (October, 2010) that prior to 2003, they used data of Department of Economics and Statistics. From 2003 onwards, the Department has fixed the maximum number of AAY and BPL beneficiaries for each village and accordingly, PRIs select the beneficiaries. In case the number of beneficiaries is more than the ceiling, the food items are distributed among all. The coverage of more beneficiaries by issuing quantity lower than the prescribed scale to keep within the ceiling was a departure from the objective of the scheme.

Further, it was stated that in West Siang the coverage was less because it was assumed that the financial health of the urban population was better and thus they were not covered. The reply of the Department is an attempt to cover up its failure to identify the BPL beneficiaries in that area.

1.1.7.3. Periodical review and revision of beneficiary list

As per PDS Control Order, 2001, the beneficiary list of BPL and AAY were to be reviewed on regular basis for the purpose of deletion of the ineligible families and for inclusion of new deserving families. It was found that review was not done by the Department as in test checked districts instances of undeserved families, presence of bogus cards, and misuse of ration cards were noticed as discussed below:

² 300 BPL beneficiaries were covered from April 2010

a) BPL-AAY cards to undeserved beneficiaries

Inspection conducted (February 2009) in Daring Circle of West Siang district, revealed 22 to 41 *per cent* non-genuine families being included under BPL-AAY category beneficiaries which included cases of holding of more than one card in a family and holding ration cards in the names of son/daughter/wife by Government employees, public leaders etc. The action for cancellation of ration cards of these undeserving families was, however, not on record.

In response the Department stated (October, 2010) that PRIs are supplied with the list of beneficiaries for updating the list. The system in practice is not satisfactory since undeserving people were getting benefits under the scheme.

b) Non cancellation of bogus cards

In Papum Pare district, 75 bogus cards were detected (August 09) tagged with M/S Yakum Yehi FPS. However, neither these cards were cancelled nor quota of foodgrain curtailed to FPS as of July, 2010.

In absence of the practice of review of beneficiaries list, the possibility of existence of bogus cards and undeserved families gaining benefit could not be ruled out.

The Department stated (October, 2010) that the computerization of PDS activities is in progress and would be extended to the entire State within next two years. The use of IT would certainly help the Department in controlling all PDS related activities.

IMPLEMENTATION

The PDS foodgrain are made available by Government of India through FCI at Central Issue Price (CIP). The monthly bulk allocation for the State is first reallocated district wise and the District Food & Civil Supply Officers arrange lifting of the foodgrain from 12 designated depots of FCI and deliver them to the FPS through wholesale nominees-cum-carriage contractors (WSNCC). Funds to meet the expenditure on transportation of foodgrain from FCI depots to FPS are, however, provided by the Government of India through FCI in the shape of Hill Transport Subsidy (HTS).

To enable the State Government to plan timely lifting of allotted quantities of foodgrain and a cost effective distribution, monthly and sometimes quarterly allocation of foodgrain are made to the State for the full financial year. Under the revised procedure the State and FCI have been allowed a validity period of 50 days to arrange for lifting of the allotted foodgrain.

1.1.8.1. Release/lifting of foodgrain

Foodgrain under PDS are rice and wheat and each RC household under APL, BPL and AAY are entitled to get 35 Kg of foodgrain per month. Allocation of TPDS foodgrain for all categories of beneficiaries (BPL, AAY and APL) are made by GOI in advance on an annual basis and the State Government is given 60 days to lift foodgrain for the allocated month. FCI releases the foodgrain to the State on deposit of the full value which are then lifted by the Government nominated whole sale

dealers and distributed through the network of FPSs. Audit scrutiny revealed the following irregularities in the lifting and distribution of foodgrain:

During 2005-10, total requirement of foodgrain based on the number of ration card was 6.79 lakh MT. Against this, GOI allocated 5.27 lakh MT of foodgrain to the State during 2005-10. Even the entire quantity of foodgrain allotted was not lifted by the Department. During 2005-10, only 4.36 lakh MT of foodgrain were lifted by the Department. Year-wise position of allotment of rice *vis-à-vis* lifting by the Department is given below:

Table No.1.1.1

(Quantity in lakh MT)

Year	Quantity allotted by the GOI				Quantity lifted by the Department				Short lifting
	AAV	BPL	APL	Total	AAV	BPL	APL	Total	
2005-06	0.13	0.29	0.77	1.19	0.11	0.26	0.48	0.85	0.34
2006-07	0.15	0.26	0.62	1.03	0.15	0.25	0.51	0.91	0.12
2007-08	0.16	0.26	0.70	1.12	0.15	0.23	0.62	1.00	0.12
2008-09	0.16	0.25	0.51	0.92	0.13	0.20	0.41	0.74	0.18
2009-10	0.16	0.25	0.60	1.01	0.13	0.22	0.51	0.86	0.15
Total	0.76	1.31	3.20	5.27	0.67	1.16	2.53	4.36	0.91

Source: Directorate of F&CS

From the above table it is seen that the State Government short lifted 0.67 lakh MT of APL foodgrain (20.88 *per cent*), 0.15 lakh MT of BPL foodgrain (11.45 *per cent*) and 0.09 lakh MT of AAY foodgrain (11.84 *per cent*) during 2005-10.

During the years 2005-10, in five test checked districts, there was short allotment of 0.84 lakh MT foodgrain by the GOI over the requirement of foodgrain. The State Government also failed to lift the released quantity of foodgrain resulting in further short availability to the extent of 0.97 lakh MT constituting 47 *per cent* as tabulated below:

Table No. 1.1.2

(Quantity in lakh MT)

Name of District	Requirement based on ration card	Allotment/ Release	Short allotment	Lifted by State	Short availability	Shortage (in per cent)
West Siang	4,30,500	2,13,191	2,17,309	1,72,379	2,58,121	59.96
East Siang	3,79,109	1,56,477	2,22,632	1,53,479	2,25,630	62.05
Lohit	4,32,234	2,66,974	1,65,260	2,40,454	1,91,780	44.37
West Kameng	3,17,827	2,12,097	1,05,730	1,87,119	1,30,708	41.13
Papum Pare	5,14,940	3,81,363	1,33,577	3,54,563	1,60,377	31.14
Total	20,74,610	12,30,102	8,44,508	11,07,994	9,66,616	46.59

Source: Records of selected district

In response the Department stated (October, 2010) that short lifting of foodgrain was due to (i) the non availability of food stock in FCI godown, and (ii) hesitation on the part of the nominees to lift food items from some other godown due to higher transportation cost. Reply is not acceptable as short-lifting was also due to abnormal delays in drawal of foodgrain. Besides, action should have been taken by the Department for any hesitation by the Department appointed nominees,.

i) Allotment and Off-take of foodgrain under BPL-AAY in selected districts

During 2005-10, in five test checked districts, the Department failed to lift 33,295 quintal foodgrain (BPL: 27,663 quintal and AAY: 5,632 quintal) against the allotted quantity as tabulated below:

Table No. 1.1.3

(In quintals)

Year	BPL			AAY		
	Allotment	Off-take	Percentage of off-take	Allotment	Off-take	Percentage of off-take
05-06	1,35,568	1,20,890	89.17	39,204	35,554	90.65
06-07	1,26,930	1,19,840	94.41	51,660	49,646	96.10
07-08	1,23,518	1,18,773	96.16	53,436	53,436	100
08-09	1,22,724	1,22,429	99.76	53,436	53,436	100
09-10	1,22,724	1,21,869	99.30	53,436	53,436	100
Total	6,31,464	6,03,801	95.62	2,51,172	2,45,540	97.76

Source: Records of selected district

Thus, due to short lifting of 33,295 quintal of foodgrain, the poorest section of the society was deprived of getting subsidized foodgrain at prescribed scale of 35 kg per family per month.

The Department stated (October, 2010) that in 2004-05 the FCI rate (CIP) was higher than the market rate leading to short lifting. Besides, while drawing food stocks, preference is always given first to AAY quota and then to BPL and finally to APL quota. The reply is an acceptance of the fact that the Department has failed to lift complete allotted quantity even in case of AAY and BPL.

ii) Rice distribution under Annapurna-

Ten kg of free rice is issued to the destitute indigent senior citizens aged 65 years or above who have not been covered under 'Indira Gandhi National Old Age Pension Scheme' or State Pension Scheme. The distribution of rice under the programme was done through the existing FPS network.

It was found that the Department did not have a system in place for compilation and consolidation of the status of funds and foodgrain utilization. In the test checked districts, however, the available funds and foodgrain could not be utilized optimally and funds to the tune of ₹ 10.35 lakh and rice weighing 1,768 quintal lapsed during 2005-10 as shown below:

Table No. 1.1.4

Name of districts	Funds (Rs in lakh)			Rice (in quintal)		
	Allotted	Utilized	Surrendered	Allotted	Lifted	Lapsed
West Siang	15.50	14.72	0.78	2520	2394	126
East Siang	11.80	11.07	0.73	1920	1870	50
Lohit	12.92	9.14	3.78	1908	1145	763
West Kameng	11.44	7.29	4.15	1860	1178	682
Papum Pare	17.18	16.27	0.91	2940	2793	147
Total	68.84	58.49	10.35	11148	9380	1768

Source: Records of selected districts

Thus, due to non-lifting of 1,768 quintal rice within the stipulated period of 50 days 1942³ senior citizens were deprived of the benefits of free rice for 11 months frustrating the scheme objectives. Further, it was also noticed that the rice distribution under the scheme was not on monthly basis and often was distributed clubbing 3-4 months quota at a time. Thus, the scheme implementation lacked regularity.

In response the Department stated (October, 2010) that sometimes short lifting happened as funds were not received with the stock allotments but at a later date. The reason given by the Department reflects on its failure to mobilize the required funds in time.

1.1.8.2 Release/lifting of Sugar

Sugar, also a subsidized PDS commodity, was priced at the wholesale rate of ₹ 13.50 per kg plus transportation cost as fixed by the DCs of the concerned districts. Monthly entitlement of sugar was 700 gram per family member. During 2005-10, allotment by FCI, the requirement based on an average of four members per ration card and off-take of sugar in the State of Arunachal Pradesh was as follows:

Table No. 1.1.5

(Quantity in MT)

Year	Requirement	Allotment	Short allotment	Lifted	Short lifted
2005-06	10,835	9396	1439	5709	3687
2006-07	10,835	8553	2282	5935	2618
2007-08	10,686	10709	+ 23	8961	1748
2008-09	10,686	10893	+ 207	6499	4394
2009-10	11,195	10301	894	4938	5363
Total	54,237	49,852	4385	32042	17,810(35%)

Source: Director F&CS

It is evident from the above table that though there was a short allotment of 4,385 MT of sugar, even the allotted quantity was not lifted. The shortfall in lifting was as high as 35 per cent by the State. Thus, the committed quantity of 2.80 kg per card could not be distributed/sold at subsidized rate to PDS beneficiaries affecting the objectives of the scheme.

Department stated (October, 2010) that in case of sugar, sometimes the short lifting was due to the poor quality of sugar due to prolonged stocking.

1.1.8.3 Kerosene

Superior Kerosene (SK) oil under PDS is drawn from designated Indian Oil Corporation (IOC) depots through authorized nominees of the IOC. It is distributed to the consumers through a net work of retail outlets (33 No) appointed by the respective DCs and also in some cases through the FPSs.

During the period of five years 2005-10, as against the requirement of 63,762 thousand liters of SK oil on the basis of average holding of RC (3,22,846 in each year), the State was allotted 58,751 thousand liters which was lifted. Due to the short allotment of 5,011 thousand liters, the coverage of all RC holders was affected

³ West Siang 420, East Siang 400, Lohit 322, West Kameng 310 and Papum Pare 490=1942

adversely. The reason for short allotment over the actual requirement was neither stated nor was on records.

In response, the Department stated that this was a case of short allotment by GOI.

1.1.8.4 Distribution of foodgrain to FPS

a) BPL/AAY foodgrain

GOI made full quota of foodgrain available to the State to ensure distribution of 35 kg of rice/wheat to BPL and 35 kg of rice to AAY families per month.

In West Kameng district, the analysis of allotment of BPL foodgrain to FPSs for the years 2009-10 showed that the allotment by the District to FPSs was not as per the scale of 35 kg per card. Records of 45 FPSs test-checked in audit revealed that during the period from June 2009 to January 2010, there was disparity in quantity of foodgrain allotted to FPSs. 6 FPSs were allotted on an average between 24 kg and 32.24 kg per month per card, which is less than the entitled quantity and where as 5 other FPSs were allotted on an average between 51.61 kg and 72.34 kg per month per card, much in excess of the entitlement. Thus, a certain section of the beneficiaries were provided foodgrain much above their entitlement where as some beneficiaries suffered.

In response, the Department stated (October, 2010) that the variations in distribution was due to the fact that the quantity to be distributed was decided keeping in view relevant factors like market conditions of an area, foodgrain production in an area, the economic health of the population concerned, etc.. The reply is not acceptable as the BPL/AAY households would be maximum sufferers in view of the curtailment in the entitlement, which the Department has failed to recognize.

b) APL foodgrain

The issue scale of APL foodgrain (35 kg per RCH) was not followed in the State due to inadequate release of foodgrain by the GOI. The available quantity was also not evenly distributed to FPS on the basis of card holdings. As per the information furnished by the District F&CS, the utilization of foodgrain in test checked districts for APL card holders ranged between 8.33 kg and 28.08 kg per card holder during 2005-10. Audit scrutiny further revealed that the available foodgrain were not allotted evenly to FPSs by the District authority. Field survey of 74 FPSs showed the inequality in distribution of APL foodgrain. The details of the survey are given in the table below:

Table No. 1.1.6

Average quantity of foodgrain allotted	Number of FPSs affected in district (period)		
	Papum Pare (August 2008 to March 2009)	West Kameng (June 2009 to January 2010)	Lohit (May 2009)
Below 10kg pm	11	9	NIL
10kg to below 20kg pm	61	9	2
20kg to below 30kg pm	28	11	17
30kg to 35kg pm	10	2	4
Above 35kg	15	6	1

Source: Records of Papum Pare, West Kameng and Lohit district

c) Allotment without correlating with closing Stock

As per the provisions of PDS Control Order 2001, stock of foodgrain lying with the FPSs should be taken into account while making new allotment to FPSs. Monthly reports of the FPS indicated that the FPSs often had unused stock of foodgrain as on the date of report. However, the monthly allotment of foodgrain to the FPSs was made without making necessary adjustments for the unutilized stocks with the FPSs.

The issuance of foodgrain at varying scale, the higher allotment of foodgrain to a few FPSs and also the non-consideration of closing stock prior to allotment, led to an extension of undue benefit to some FPS owner by giving them scope to divert and sell the undistributed foodgrain in the open market. This fact was confirmed in field survey that owners were selling foodgrain in open market as the beneficiaries do not draw their entitlement.

The Department accepted (October 2010) the audit findings and also added that efforts would be made to streamline the system. It was also stated that the computerization of the PDS system would help a lot on this issue.

1.1.8.5 Distribution of wheat/Atta

On the basis of monthly allotment by the Government of India, the Director, F&CS re-allocates the wheat to respective districts. The district F&CS in turn issues lifting orders to wholesale nominees cum miller cum carriage contractor (WSNCC) after sub-allotting the wheat to FPS under its jurisdiction. After lifting the wheat from designated FCI depots, the WSNCC converts the wheat in to atta after deduction of five *per cent* wastage (permissible limit) and deliver the same directly to the FPSs on realizing the cost of atta from them.

Every month a return indicating the position of lifted wheat, conversion in to atta along with the conversion losses and onward distribution of atta to FPSs by the WSNCC is to be furnished to the District F&CS for proper monitoring of wheat distribution in the District. Though the returns were stated to have been submitted by WSNCC but the District authority never compiled and consolidated them and cross-checked the figures compiled from the monthly FPSs reports. The District F&CS are simply furnishing returns to the Directorate showing that the allotted wheat was utilized.

Thus, in absence of compiled records and inadequate monitoring it becomes difficult to ascertain the actual quantity of *Atta* distributed through PDS in the Districts. During 2005-10, in five test-check districts it was seen that as against the allotment of 20,022 MT wheat, 16,370 MT was lifted by the WSNCC and 15,551 MT of *Atta* (after deducting wastage) was stated to have been delivered to FPSs. In this context, audit came across various irregularities as discussed in succeeding paragraphs.

The Department accepted (October, 2010) the audit findings but also added that the Department has been giving more attention to rice but efforts would be made to streamline the wheat system also in future.

1.1.8.6 Diversion of foodgrain

(a) Wheat diversion

M/S Nunu Enterprise, by a deed of agreement (April 2008) was the authorized WSNCC of PDS wheat of the Papum Pare district from May 2008 to March 2010. The nominee was to lift 19,521 quintal (8,807 quintal in 2008-09 and 10,714 quintal in 2009-10) of wheat allotted during the period from the designated FCI depots during the period May 2008 to March 2010 and then deliver the 18,545 quintal *Atta*, after deducting the conversion loss, to the FPSs located in Papum Pare district.

It was noticed from a complaint lodged (1 June 2009) with DC Papum Pare by the District FPS dealer Association, Papum Pare that the WSNCC did not deliver *Atta* against the allotted 6,027 quintal of wheat during the period from May 2008 to May 2009 to any of the FPSs. On being questioned by DC (June 2009) about the irregularity through a 'Show Cause Notice', the WSNCC admitted the fact and stated (June 2009) that he had delivered the PDS *Atta* to CRPF/ITBP establishments. It was found in audit that the Department, however, neither initiated any punitive action against the WSNCC nor took the required corrective steps to ensure that the wheat/atta is not diverted to other unauthorized purposes in the future.

Audit team visited nine FPSs of the Capital and Naharlagun area and the verification of records of these FPSs revealed that not a single gram of *Atta* was delivered by the nominee to FPSs between May 2008 and March 2010 against 2,717 quintal of wheat allotted to them. Thus, there is every possibility of diversion of entire quantity of 19,521 quintal of wheat allotted to Papum Pare district during the period from May 2008 to March 2010.

Similarly, it was also noticed that the DF&CS allocated 4,592 quintal wheat (APL: 2898; BPL: 1694) for the Lower Subansiri district from August 2008 to June 2009 and entrusted to M/S Nunu Enterprise for distribution to 104 FPSs. Information available in the records disclosed that the WSNCC had not delivered any *Atta* to any of the FPSs during the period. This implied that the allotted 4,592⁴ quintal wheat (equivalent to 4,363 quintal *Atta*) had been diverted by the nominee. This deprived the intended benefit of the scheme to APL-BPL beneficiaries.

Thus, the WSNCC had diverted 22,908 quintals of *Atta* (18,545+4,363) of two districts during the period from May 2008 to March 2010. Had the laid down system of compilation and comparison of the monthly reporting by WSNCC and FPSs existed and properly monitored at District level, these irregularities could have come to the notice of the District F&CS in the very following month. The Department is yet to take any punitive action against the WSNCC and corrective steps, if any, to check the diversion of wheat was also not shown to audit.

⁴ During August 2008 to June 2009 (11 months) APL wheat 2898 ql and BPL 1694 ql = 4592 ql.

Consequent upon the non-distribution of Atta by WSNCC, cost incurred on transportation of wheat/atta from FCI godown to FPSs was inadmissible. When pointed out, the DF&CS stated (September 2010) that the Nominee had neither preferred any claim so far for transportation of wheat/Atta nor submitted any utilization for entire allotted quantity.

Department in their reply stated (October, 2010) that the defaulter Nominee was now no more in the Government panel. However, the reply did not indicate what action was proposed to be taken against the nominee.

b) Rice diversions

i. Inspection conducted (May 2009) by EAC, Mechuka (West Siang district) revealed diversion of APL rice by seven FPSs of Mechuka Circle of West Siang District. As per the inspection report pertaining to May 2009, 220.00 quintal foodgrain were lifted by these FPS for 825 APL families, of which only 121.45 quintal were issued to beneficiaries and the remaining 98.55 quintal (**Appendix 1.1.1**) of foodgrain were neither found physically available nor were distributed to the RC holders

Thus, due to the diversion of 98.55 quintal foodgrain, 282 APL households were deprived of the benefit of subsidized foodgrain. When pointed out, the District F&CS stated (July 2010) that the FPS owner had distributed the balance quantity to the beneficiaries. The contention is not tenable as no supporting documents were produced to counter the findings in the physical verification.

Foodgrain for 142 AAY beneficiaries of four villages viz. Ledum, Mikong, Remi, Mirem under Bilat Circle (West Siang District) were being distributed in a centralized manner through M/s Bilat Cooperative Society. Subsequently, the distribution of the foodgrain was arranged to be made in a decentralized manner from four FPSs of concerned villages. In accordance with the arrangement, the cooperative authority was to make bulk surrender of 49.8 quintal rice per month to these shops against 142 AAY card holders. However, the co-operative authority released only 21.7 quintal rice against 62 families and diverted 978.40 quintal rice (@ 28.10 quintal every month) as shown in **Appendix 1.1.2**.

ii. Scrutiny further revealed that after shifting the allotments of four villages to the four FPSs (discussed above), allotment of 14.00 quintal per month from October 2006 to April 2010 against 40 AAY beneficiaries had remained with M/s Bilat Cooperative Society. But the Society, against the said allotment, actually issued only 5.25 quintals of rice per month to 15 AAY beneficiaries during the entire period. This resulted in diversion of 376.25 quintal rice (@ 8.75 quintal per month) during the period from October 2006 to April 2010.

Thus the Society had diverted total 1355 quintal (376.25 quintals plus 978.30 quintal) foodgrain and deprived 105 (80+25) AAY beneficiaries the benefit of subsidized rice for periods ranging from 23 to 43 months. The prolongation of the irregularity implied inadequacy and delay in deterrent activities in the district.

Department stated (October, 2010) that in Mechuka the rice pointed out by audit was actually distributed late and this was taken by audit as diversion. The Department agreed to supply copies of the distribution records to audit. The reply is not tenable as no supporting records were supplied.

c) Field survey on FPS and beneficiary interaction on Atta distribution

Records of 74 FPSs were physically verified in audit. Examination of the relevant records revealed that drawal of Atta during 2005-10 by these FPSs was generally very poor. Of the 74 FPSs, 59 (80 per cent) had not drawn/received Atta at all while the remaining 15 (20 per cent), had received *Atta* occasionally.

Further, 229 RCHs who were entitled to *Atta* were also interacted with. Out of 229 RCHs, 215 (94 per cent) stated that they did not receive *Atta* at all while the remaining 14 were receiving *Atta* occasionally. Under these circumstances, the diversion of the allotted wheat to other unauthorized purposes could not be ruled out in audit.

Department stated (October, 2010) that some of the FPS did not lift *Atta* as the local tribal population don't eat *Atta*. This is a policy issue and if *Atta* is not part of the local food habit, the Government should request Government of India to provide more rice in lieu of *Atta*.

1.1.8.7 Other points of interest

(i) Improper revenue generation from PDS wheat nominees

As per PDS Control order, 2001, the State Government shall make arrangements for taking delivery of essential commodities issued by the Central Government by their designated agencies or nominees from the FCI depots/ godowns and ensure their further delivery to FPSs within first week of the month for which allocation is made. Accordingly, the State had adopted the following system for wheat distribution in the State.

- WSNCCs are selected through competitive bidding process for a given term;
- WSNCC lifts wheat from FCI depot, mills *Atta* and distributes to FPS;
- WSNCC pays wheat cost to FCI and realizes cost of *Atta* from FPS owner as per the approved rate of Government. Transportation charges (from FCI depot to Mills and from Mill to FPS) incurred by the WSNCC are borne by the Department.

Scrutiny, however, revealed that the contract for the above activities was entrusted to WSNCC based on the basis of highest offer of bid money in a competitive bidding. Three zonal WSNCC for 13 districts, were appointed in May 2008 at an agreed total bid amount of Rs 35.55 lakh. Of this, only ₹ 16.96 lakh was realized and credited to Government account as shown below:

Table No. 1.1.7

(Rupees in lakh)

Sl. No.	Name of Nominees	Name of the district in the zone	Amount of Levy imposed	Amount realized	Balance
1.	M/S Nunu Enterprise, Kimin,-Zone-ii	Lower Subansiri, Papumpara and Kurnny Kurney	27.89	9.30	18.59
2.	M/S. R.S Corporation, Mudoi village, Diyam Circle, Changlang	Lohit, Anjan, Tirap, Changlang, Dibang Valley, LD Valley	3.47	3.47	NIL
3.	M/S YAYUM. Gangkok, Aalo	East Siang, West Siang, Upper Siang, Upper Subansiri	4.19	4.19	NIL
Total			35.55	16.96	18.59

(ii) Short accountal of rice

As per PDS Control order, 2001, the State Government should furnish Utilization Certificate (UC) within a period of two months from the month for which the allocation is made. Audit scrutiny revealed that the State furnished UCs to Government of India up to July, 2007 only. The reasons for non-submission of UCs for the subsequent period, was neither on record nor stated to audit. However, a crosscheck of information furnished by the FCI and the Department disclosed short accountal of 0.39 lakh MT of foodgrain (Rice 0.30 lakh MT and Wheat 0.09 lakh MT) during the years 2005-10 as tabulated below:

Table No. 1.1.8

(In lakh MT)

Category	As per FCI			As per Director of Food & Civil Supplies			Short accountal		
	Rice	Wheat	FG	Rice	Wheat	FG	Rice	Wheat	FG
APL	2.03	0.27	2.30	1.83	0.20	2.03	0.20	0.07	0.27
BPL	0.93	0.12	1.05	0.85	0.10	0.95	0.08	0.02	0.10
AAY	0.60		0.60	0.54		0.54	0.06		0.06
Total	3.56	0.39	3.95	3.22	0.30	3.52	0.34	0.09	0.43

Source: FCI and Director of F&CS records

The possibility of diversion of 0.39 lakh MT of foodgrain to open market could not be ruled out in audit.

In response the Department stated (October, 2010) that the matter was under examination and they would revert back after the required scrutiny. No further response was received in audit.

1.1.9 Transportation of PDS commodities

The expenditure incurred by the State government for moving the stock from the designated 12 FCI base depots to the Principal Distribution Centres of the State, are reimbursed by the Government of India through FCI in form of Hill Transport Subsidy (HTS). The State Government should submit HTS claims showing full details with supporting documents of movement of foodgrain so that the same is verifiable.

The FCI would scrutinize and pass the same for payment in the shortest possible time so that the State Government is not to put to any financial hardship.

In view of the various complaints about the irregularities in the head load carriage system and adoption of disputed norms of carriage i.e. “on actual basis” or otherwise, the FCI suspended the reimbursement of HTS claims with effect from September, 2004. Till March, 2010 except ₹ 24.07 crore (released in September, 2007), no reimbursement was made to the State. As a result, as per the information furnished by the Directorate, there was huge accumulation of unpaid HTS bills which stood at ₹ 569.16 crore as of March 2010 as shown below:

Table No. 1.1.9

(Rupees in crore)

Year	OB of pending HTS claims	Claims raised during the year	Claims cleared by the State	Total amount of pending Claims
2005-06	373.36	56.08	Nil	429.44
2006-07	429.44	36.50	Nil	465.94
2007-08	465.94	9.32	11.61	463.65
2008-09	463.65	92.98	12.46	544.17
2009-10	544.17	30.29	5.30 ⁵	569.16

Source: Director, F&CS

The scrutiny of HTS payments by the State during the period covered by the performance audit revealed the following irregularities:

j) Extra excess expenditure

The term of carriage contract of West Siang District for PDS commodities for 2006-07 with M/s. Marpi Wire Products, Aalo, at the rate of ₹ 1.15 per quintal per km fixed by the DC, expired on 31 March 2007. On its expiry, the DC with the consent of the Carriage Contractor (CC) extended the contract at the same rate for the year 2007-08 with the approval of the State Government. Accordingly, in April 2007 an agreement to that effect was also executed by both the parties.

Audit scrutiny, however, revealed that the Government in November, 2007 ignoring the existing extension agreement enhanced the rate from ₹ 1.15 to ₹ 2.25 per quintal /km. The enhancement was made during contract period without inviting competitive tenders as required under GFRs. Therefore, the enhancement of rate from ₹ 1.15 to ₹ 2.25 per quintal / km during the valid contract period and that too without inviting competitive tender, was highly irregular. This led to extra expenditure of ₹ 1.13 crore and excess liability to the extent of ₹ 0.65 crore for carriage of 79,900 quintals of rice during 2007-08.

In response the Department stated (October, 2010) that the matter was under scrutiny and they would revert back after the required scrutiny is complete. No further response has been received in audit.

⁵ HTS ₹ 5.30 crore cleared from State resources

ii) Avoidable expenditure

Carriage of foodgrain from FCI base depot to various Principal Distribution Centres and on-road and off-road FPSs under PDS was arranged through WSNCC, to be appointed on competitive bidding basis. As per the existing system, the appointment of a WSNCC initially made for a year was extendable by another year, if the performance in the first year had been satisfactory. Extensions of the term of contract without open tender beyond two years were not permissible under the guidelines. Thus, regulation of carriage rate every two year through an open tender was mandatory.

Test check of records of East Siang District revealed that during the past six years from 2002-03 to 2007-08, the District F&CS Authority instead of regulating the carriage rate biennially through open tender system, allowed extension of approved rate for the year 2002-03 ₹ 3.00 per quintal/km repeatedly over subsequent five years up to 2007-08 to the same carriage contractor M/S Tadong Mibang. The transportation rate for the district for the years 2008-10 was, however, approved by the District F&Cs through open tender at ₹ 1.40 per quintal/Km.

The abnormality of the high transportation rate for East Siang district for 2002-03 which was irregularly extended till 2007-08, is also evident when compared with rates applicable in the case of other districts for the same period which also reflected on the fact that the Department did not do any analysis or comparison of rates available within the Department to ascertain their reasonableness before extending or adopting the same. The district wise rates comparison is tabulated below:

Table No. 1.1.10*(Rate per quintal per km (in Rupees))*

Category of district	Name of district	Approved rate during 2005-06 to 2007-08	Approved rate for the years 2008-10
C	East Siang	3.00	1.40
C	Changlang	1.97	1.97
C	Tirap	0.98	1.97
C	Lohit	1.00	1.15
B	Upper Subansiri	1.15	1.15
B	Lower Dibang Valley	1.77	1.80
A	East Kameng	1.90	2.50
A	Dibang Valley	1.73	1.73

Source: Departmental records

The irregular extensions of the high rate in East Siang District for five years also resulted in avoidable financial losses to the Government during 2004-08. The records pertaining to 2004-07 were not made available to audit, hence, the loss could not be calculated. But an expenditure of ₹ 2.07 crore was incurred during 2007-08 on transportation of PDS items @ ₹ 3.00 per quintal/km. Taking in to account the approved rate ₹ 1.40 per quintal/km for the district for the year 2008-10, the continuation of old rate of ₹ 3.00 per q/km resulted in avoidable expenditure of ₹ 1.11 crore besides, the avoidable liability of ₹ 0.34 crore for 2007-08 on pending HTS bills (**Appendix 1.1.3 (A) & (B)**).

In response the Department stated (October, 2010) that the matter was under scrutiny and they would revert back after the required scrutiny is complete. No further response has been received in audit.

iii) Non-realization of lease money from contractor

The Department had leased out some vehicles to carriage contractors for transportation of PDS commodities from FCI depot to principal distribution centres and FPS. The contractors were to pay hire charges at different rates between ₹ 0.50 lakh and ₹ 1.40 lakh per year per vehicle. However, the district authorities of West Siang and Lohit did not realize the lease amount in full from four contractors against 6 vehicles leased to them. Out of the realizable amount of ₹ 41.94 lakh, only ₹ 21.78 lakh was found to have been realized leaving unrealized amount of ₹ 20.16 lakh as of July 2010 which implied serious laxity on the part of the departmental.

The Department stated (October, 2010) that it would recover the dues when assets of the agency is auctioned as it has become bankrupt.

1.1.10. End retail sale of PDS commodities

Higher sale rate

a. PDS foodgrain are made available at subsidized CIP. The Government of India provides funds separately for its transportation to ensure that the sale rate to consumers is undisturbed. As per the scheme provision, profit margin of only 50 paise per kg (being 24 paise at wholesale and 26 paise at FPS) could be added to CIP to determine the effective sale rate. Contrary to this, the authority of West Kameng district with the approval of the State Government escalated the sale rate in the district by addition of ₹ 0.70 per kg to meet the fuel cost and other transportation incidentals. As a result, the end sale rate of PDS foodgrain increased by 70 paise per kg as shown below:

Table No 1.1.11

(in Rupees)

Items	Category	CIP Per kg (Rs)	Sale price per kg (Rs)		End Sale Rate per kg (Rs)
			Whole sale	Retail	
Rice	i) APL	8.30	8.54	8.80	9.50
	ii) BPL	5.65	5.89	6.15	6.85
	iii)AAY	3.00	3.00	3.00	3.00
Wheat	i) APL	6.10	6.34	6.60	7.30
	ii) BPL	4.15	4.39	4.65	5.35

Source: Records of West Kameng

Due to such additions and enhancement to the retail sale price, three sale outlets realized ₹ 40.08 lakh from the card holders between April 2006 and March 2008 as shown below;

Table No. 1.1.12

(Rupees in lakh)

Name of sale outlet	Period	Amount realized
i) Rupa LAMP	April to June 2006 and August 2007 to March 2008	3.92
ii) Bomdila LAMP	-do-	20.62
iii) Dirang LAMP	-do-	15.53
Total		40.08

Source: DF&CSO, West Kameng

b. Out of the 97 FPSs test checked (74 Survey by audit team and 23 by collection of information), 30 FPSs (West Siang-11, East Siang-19) were found to have sold APL foodgrain (rice) at rates extending up to ₹ 15/-, BPL up to ₹ 10/-per kg and AAY up to ₹ 7/- per kg as against the corresponding rates of Rs 8.80 and ₹ 6.15 per kg. The sale of PDS foodgrain at higher rates was not consistent with the scheme objectives.

In response the Department stated (October, 2010) that the matter was under scrutiny and they would revert back after the required scrutiny is complete. No further response has been received in audit.

1.1.11. Inspection

PDS control order, 2001, envisages regular inspection of FPS at least once in 6 months to ensure that PDS commodities entrusted to the FPS dealers are properly distributed to the RCH and that instructions/guidelines of the Government are adhered to. To ensure smooth and effective inspection, officer-wise number of inspections has been prescribed and are to be conducted by the designated officers (DC/ADC – one inspection per month; DF&CSO – three inspections per month; Superintendent of Supply (SS) – four inspections per month; Inspector, Supply (IS) – five inspections per month and Sub-Inspector, Supply (SIS) – seven inspections per month). However, inspection conducted fell short at each level. Huge shortfall in the inspections by the departmental officials, especially at the level of SS, IS and SIS level, is matter of serious concern. The details of inspection carried out by the departmental officials during 2005-10 in five test-checked districts are tabulated below:

Table No.1.1.13

District/ (No. of FPS)	Level of Inspection (No. of inspection prescribed per year)	Yearly status of inspection (Number)					Total during 2005-10			Per cent of shortfall
		2005-06	2006-07	2007-08	2008-09	2009-10	Due	Actual	Shortfall	
West Siang (196)	DF&CSO (36)	20	19	18	19	19	180	95	85	47
	SS (48)	18	19	117	20	19	240	193	47	20
	IS (60)	35	33	29	38	26	300	161	139	46
	SIS (84)	40	41	39	39	40	420	199	221	53
East Siang (110)	DF&CSO (36)	20	16	18	24	27	180	105	75	42
	SS (48)	18	82	20	25	23	240	168	72	30
	IS (60)	30	32	30	30	31	300	153	147	49
	SIS (84)	30	38	38	39	40	420	185	235	56
Lohit (60)	DF&CSO (36)	06	08	05	12	25	180	56	124	69
	SS (48)	10	18	16	24	-	240	68	172	72
	IS (60)	20	30	40	45	40	300	175	125	42
	SIS (84)	-	-	50	36	46	420	132	288	69

District/ (No. of FPS)	Level of Inspection (No. of inspection prescribed per year)	Yearly status of inspection (Number)					Total during 2005-10			Per cent of shortfall
		2005-06	2006-07	2007-08	2008-09	2009-10	Due	Actual	Shortfall	
West Kameng (82)	DF&CSU (36)	03	04	01	01	-	180	9	171	95
	SS (48)	05	06	04	03	01	240	19	221	92
	IS (60)	12	14	08	08	05	300	47	253	84
	SIS (84)	16	15	11	10	08	420	60	360	86
Papum Pare (174)	DF&CSU (36)	05	03	06	05	07	180	26	154	86
	SS (48)	12	09	08	07	09	240	45	195	81
	IS (60)	15	13	16	17	19	300	80	220	73
	SIS (84)	27	24	30	24	32	420	137	283	67

Source: Records of concerned DF&CS

To ensure useful inspection system, an inspection plan was necessary but none of the Districts test checked had prepared any such plan. The inspections lacked regularity and were largely conducted to attend complaints.

The Department accepted (October, 2010) the audit findings and also added that necessary steps would be taken to strengthen the existing system.

1.1.12. Quality control

Foodgrain of 'average quality' should be issued under PDS. The PDS Control Order, 2001 provides the following:

- Representative of the State Government or their nominees and FCI should conduct joint inspections of stocks of foodgrain intended for issue to ensure that stocks conform to the prescribed quality specifications.
- FCI should also issue sealed samples of stock of foodgrain to the concerned authority of State Government, to be supplied to them for distribution under PDS.

In five test checked districts, no evidence was made available to audit showing the steps taken by them to ensure foodgrain quality. The FCI also had never sent sealed sample of stock of foodgrain to the State Government. In this regard the DF&CS, West Siang, Aalo stated that he was more concerned about its quantity and not quality. It thus transpires that the foodgrain supplied under PDS went through no quality assurance.

The Department responded (October, 2010) stating that normally the rice received are of good quality and whenever there is problem, they ask for joint inspection with FCI. In case of sugar if it is of poor quality, the same is not lifted.

1.1.13. Vigilance

The PDS Control Order, 2001 envisages for constitution of Vigilance Committees (VC) at the State, district and block level for giving vigilance coverage on the functioning of the PDS at all levels. It also envisages that the periodicity shall not be less than one meeting a quarter at all levels. Number of VC meetings held during 2005-10 is indicated in the following table.

Table No. 1.1.13

VC levels and periodicity of meeting		Year wise details of VC meetings held				
		2005-06	2006-07	2007-08	2008-09	2009-10
State level (Once in quarter)		Nil	1	Nil	Nil	Nil
District level (Once in quarter)	West Siang	NA	2	8	5	6
	Siang East	1	1	1	Nil	4
	West Kameng	1	1	2	2	Nil
	Lohit	Nil	2	Nil	2	2
	Papum Pare	Nil	Nil	Nil	Nil	Nil

Source: Records of selected District.

From the above table it is seen that the State level VC met only once in November 2006 during five years period. Except West Siang district during 2007-10, in no other four test checked districts VC meetings were held as prescribed, in Papum Pare district as not even a single VC meeting was held during 2005-10.

In five test-checked districts, blocks level VC meetings were held as per the norms only in West Siang district during 2009-10 and not even single block level VC meetings were held in other four districts during the period 2005-10.

The Department accepted (October, 2010) the audit findings and added that necessary steps would be taken to strengthen the system.

1.1.14. Result of field surveys and its impact on PDS

Audit visited 74 FPSs and also interacted with 283 beneficiaries in the test checked districts. Examination of records and analysis of the information made available to audit revealed following shortcomings.

Aspects checked Relating to FPS	District wise No of FPSs visited in Audit					Total FPS (74)
	West Siang (16)	East Siang (18)	Lohit (13)	West Kameng (9)	Papum Pare (18)	
1. Absence of Sign Board	0	0	2	0	0	2
2. Absence of Display Board	6	18	5	5	1	35
3. Not run by actual licensee	0	6	3	4	4	17
4. Operated from residence/ in a shop dealing with other activities.	4	1	1	1	0	7
5. Used to sell ration items at higher rate	4	6	0	0	0	10
6. Issued APL foodgrain at lesser scale	16	18	13	9	18	74
7. Cash Memos not used	5	14	2	50	0	26
8. Ration Card Register not maintained	5	11	8	10	13	47
9. Non-submission of Monthly returns to District F&CS	0	0	0	4	0	4
Relating to Beneficiaries (Number interacted)	51	53	53	53	73	283
Beneficiaries not aware of their entitlement	29	33	43	37	41	183

Thus, the above deficiencies in the compliance of PDS Control Order, 2001 affected the transparency and effectiveness of PDS.

	
<p>FPS at Upper Bomdilla without any Sign Board or Display Board</p>	<p>FPS at East Siang without any Sign Board or Display Board</p>
	
<p>FPS at Bomdilla in a godown of PMGSY without Sign Board or Display Board</p>	<p>FPS at Namsai in a Wine shop without Sign Board or Display Board</p>

The Department accepted (October, 2010) the audit findings and also added that necessary steps would be taken to strengthen the system. Department also added that subletting of FPS has been stopped now. The reply is not factual as FPS subletting is very much in vogue.

1.1.15. Monitoring and evaluation

It was found in audit that the monitoring of scheme at the district level was inadequate. Monthly reports indicating allocation, lifting and distribution are required to be submitted by the FPS to District F&CS. Likewise, monthly report indicating status of drawal, distribution and stock position is also required to be submitted by the wholesale nominees. Although these reports were generally submitted by the FPS and wholesale nominees, none of the District F&CS maintained any control register to watch the submission of the reports or used the available information for cross verifying the issue and actual distribution of PDS items. Therefore, the District F&CS were not able to identify the defaulting FPS or misappropriation by the Nominees. At State level, the reports due from the District F&CS to the Director were submitted timely but the further reporting by the Directorate to GOI was badly delayed since as of September 2010, UCs up to June, 2007 only were submitted to GOI.

The Department accepted (October, 2010) the audit findings and added that necessary steps would be taken to strengthen the system.

1.1.16. Conclusion

The objective of regular supply of essential commodities to the weaker sections of society at reasonable and affordable prices could not be ascertained because of non-finalisation of the list of BPL families. The reliability of the BPL/AAY beneficiaries identified is questionable. The State failed to lift entire quantity of foodgrain allotted to it by GOI. There were instances of inequitable distribution of foodgrain to the beneficiaries and they were also issued foodgrains at a reduced scale contrary to the spirit of TPDS. Also, the beneficiaries had to pay higher rate for TPDS commodities. There were leakages and diversion of foodgrain both at FPS and whole seller level. Undue financial aid was extended to contractor by way of enhancement of agreed rate. Inspections were inadequate and state level vigilance activities were virtually nonexistent and monitoring was casual. Thus, due to these shortcomings the PDS in the State failed to achieve the desired objective.

1.1.17. Recommendation

- A review may be undertaken to weed out ineligible beneficiaries and to ensure that only eligible BPL/AAY households and vulnerable section of the society are covered.
- Ensure distribution of quality foodgrain at the entitlement level of 35 kg.
- Efforts may be made to improve the maintenance of records at the FPS and use of cash memo should be enforced. Records to be maintained should also be prescribed.
- Periodical inspection of FPS should be ensured.
- Frequency of inspections of FPS may be improved and vigilance activities at the State and district level strengthened.

**SOCIAL WELFARE, WOMEN AND CHILD DEVELOPMENT
DEPARTMENT**

1.2 Integrated Child Development Services

The Integrated Child Development Services (ICDS) programme is Government of India's primary response to nutritional and developmental needs of children below six years, pregnant women and nursing mothers. The scheme is in the forefront of Government of India's efforts to achieve nutrition related Millennium Development Goal (MDG) of halving underweight by 2015. The performance audit of ICSD was conducted to ascertain its effectiveness revealed that the overall impact of implementation of the scheme was far from satisfactory due to partial implementation of the programme. Programme implementation suffered as there were instances of poor quality and inadequate supply of SNP items.

Highlights

- ❖ *The excess creation of 54 projects and 1586 AWCs in violation of population norms resulted in excess expenditure of ₹28.09 crore towards payment of salaries and honorarium of ICDS functionaries.*
(Paragraph 1.2.9)
- ❖ *Under Supplementary Nutrition Programme, 86,982 eligible children (42 percent) in 2005-06 and 91,997 children (43 percent) in 2006-07 were left uncovered. The coverage of expectant and nursing mothers declined from 61 per cent in 2005-06 to 47 per cent in 2009-10.*
(Paragraph 1.2.10.1)
- ❖ *Against the actual requirement of funds of ₹71.50 crore under SNP, ₹39.37 crore only was released by the State.*
(Paragraph 1.2.10.2)
- ❖ *Nutrition supplement was provided for 5 to 98 days in 2005-06, 18 to 106 days in 2006-07, 22 to 123 days in 2007-08, 30 to 108 days in 2008-09 and 15 to 71 days in 2009-10 against 300 days per year as per guidelines.*
(Paragraph 1.2.10.3)
- ❖ *There was short supply of SNP ration items worth ₹ 2.16 crore during 2006-09 in 16 test-checked ICDS projects.*
(Paragraph 1.2.10.3(b))
- ❖ *Against the target for imparting training to 3844 AWWs and 2650 Helpers, training was imparted to only 1260 AWWs (33 percent) and 300 Helpers (11 percent)*
(Paragraph 1.2.16)

- ❖ *The Department incurred an extra expenditure of Rs 1.51 crore in procurement of utensils and SNP rations during 2007-08 and 2009-10.*

(Paragraph 1.2.18.1 & 1.2.18.2)

1.2.1 Introduction

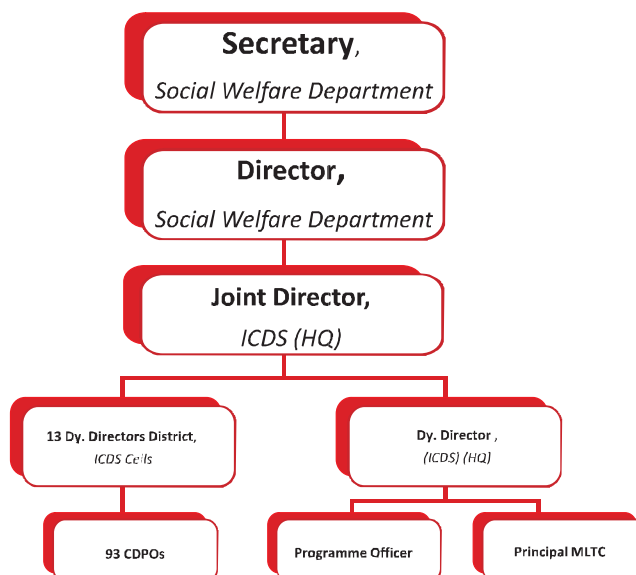
The Integrated Child Development Services (ICDS), a Centrally Sponsored Scheme, was launched in the State in 1979-80 with an aim to improve the nutritional and health status of children in the age group of six months to six years, to lay the foundation for psychological, physical and social development of children, and to enhance the capability of mothers to look after the normal health and nutritional needs of their children through proper nutrition and health education. These objectives were to be achieved through a package of services comprising of (i) Supplementary Nutrition Programme (SNP), (ii) Pre-school Education (PSE), (iii) Nutrition and Health Education (NHED), (iv) Health Check-up & Referral Services (HC&RS) and (v) Immunization.

SNP, PSE and NHED programmes are being implemented directly by the Social Welfare Department, while the Department has to coordinate and establish suitable linkage with Health and Family Welfare Department for HC&RS and Immunization programmes. For implementation of ICDS, the Department has set up 93 ICDS projects and 6028 Anganwadi Centres (AWCs) as of March, 2010.

1.2.2 Organizational Setup

The Social Welfare, Women and Child Development Departments acts as the nodal agency for implementation of the programme. At the State level, the Director of Social Welfare assisted by a Programme Officer is the nodal officer responsible for co-ordination and implementation through Child Development Project Officer (CDPOs) who are in exclusive charge of project areas. The focal point of the delivery of all the services is the AWC.

The organogram of ICDS is given in the following chart.



1.2.3 Scope of audit

The implementation of the Scheme for the period 1992-93 to 1998-99 was reviewed in 1999 and the audit findings were incorporated in Paragraph 3.5 of the Report of the Comptroller and Auditor General of India, for the year 1998-99 (Government of Arunachal Pradesh).

The present Performance Audit conducted during May–September 2010 covers the period from 2005-06 to 2009-10. Five districts out of 16 and 21 Projects⁶ out of 93 projects in the selected districts were selected by random sampling without replacement method. Records of the Directorate office, 21 ICDS projects and 80 out of 1,381 AWCs were test checked, covering an expenditure of ₹ 65.74 crore being 40 per cent of the total expenditure.

1.2.4 Audit Objectives

The audit objectives were to assess whether: -

- The objectives of the Scheme were achieved, and the implementation of the programme resulted in improvement of health and nutritional status of the children,
- Release of adequate funds by the State on time and its bonafide utilization,
- Requirement of stores were properly assessed and procurement made economically and effectively,

⁶ **Papumpare** (Itanagar, Nirjuli, Naharlagun, Balijan, Doimukh, Kimin), **Lohit** (Namsai and Teju), **Changlang** (Bordumsa, Miao, Changlang), **East Siang** (Nari, Ruksin, Pasighat, Mebo) and **West Siang** (Likabali, Basar, Tirbin, Aalo East, Aalo West and Rungong).

- Services of ICDS functionaries were properly utilized, and
- Implementation of the scheme was effectively monitored and evaluated.

1.2.5 Audit Criteria

The audit findings were benchmarked and reviewed against the following criteria: -

- Guidelines issued by GOI;
- Sanction orders of GOI;
- Statutory Rules and Regulations;
- Norms prescribed by GOI for setting up ICDS projects as well as AWCs;
- Quality and quantity assurance norms of nutrition;
- Procurement procedures; and
- Prescribed monitoring mechanism.

1.2.6 Audit Methodology

The audit commenced with an Entry Conference held in May 2010 with the officers of the Directorate of Social Welfare, wherein the audit objectives, scope, criteria and methodology were explained. Districts and ICDS projects were selected on the basis of random sampling without replacement method. The audit findings were discussed in an Exit Conference on 26 October 2010. The minutes of the Exit Conference and replies of the Department received on 26 October 2010 have been incorporated at appropriate places in the Performance Audit report.

Audit findings

The important audit findings noticed during the course of the Performance audit are discussed in the succeeding paragraphs.

1.2.7 Planning

Planning plays an important role in successful implementation of any programme. Audit noticed that the Department did not prepare any perspective or comprehensive action plan identifying the overall strategies of the Department and the broad goals it intended to achieve over a period of time. The Annual Operating Plans (AOPs) prepared by the Department did not indicate any specific strategies and there was no detailed action plan breaking down the targets into actionable areas.

The Government of India (GOI) advised the State Governments to restructure their Annual Programme Implementation Plan (APIP) for ICDS programme by focusing on “Outcomes” instead of “outlays”. The APIPs were to have all details of activities that were to be undertaken by a State during the year along with their physical and financial targets.

Audit scrutiny revealed that the Annual operating Plans (AOPs) prepared by the Department during 2005-10 were outlay based and not outcome based and did not

mention any detailed activities. Targets were fixed on *ad hoc* basis without maintaining any basic data in the Department.

Further, the AOP for 2005-06 had neither any target for SNP nor was there any provision in the budget for State share of expenditure. Moreover, the targets for creation of new ICDS projects and NHED were also not fixed in AOPs for the years 2005-06 to 2009-10.

The Department while accepting the facts stated (October 2010) that the State's share could not be provided in the State budget due to the late receipt of intimation from the GOI about the revised sharing pattern of expenditure and added that target were being fixation under ICDS projects. The reply is not correct as the AOPs for the years covered in review did not have targets for ICDS projects and NHED.

1.2.8 Financial Management

According to the funding pattern, the entire expenditure on ICDS activities (except for SNP) and the expenditure on training of ICDS functionaries were borne by GOI. The expenditure on SNP was shared between the Central and State Government on 50:50 basis from 2005-06 to 2008-09 and thereafter, from 2009-10, on 90:10 basis. The budgetary support provided for implementation of ICDS programme and the actual expenditure thereagainst during the period 2005-2010 are given in the table.

Table – 1.2.1

(Rupees in crore)

Year	Budget provision			Total funds available	Actual expenditure
	ICDS (Salary and Training)	Nutrition			
		State share	Central share		
2005-06	14.09	-	1.13	15.22	15.18
2006-07	23.94	3.00	3.80	30.74	32.04
2007-08	21.19	5.00	8.08	34.27	34.85
2008-09	19.17	4.00	4.80	27.19	29.14
2009-10	39.67	1.00	8.56	49.23	48.80
Total	118.06	13.00	26.37	156.65	160.01

Source: Detailed Appropriation Account and department's figures

1.2.8.1 Budgeting

The State Government was required to provide adequate budgetary support as its matching share under SNP. Audit noticed that the state share was not provided during 2005-06 reportedly due to late receipt of intimation from the GOI which resulted in availability of Central Share of ₹ 1.13 crore only. Based on the data of beneficiaries targeted under SNP, and the scale of expenditure per beneficiary per day fixed by GOI, it was noticed that the budgetary support provided during the remaining four years from 2006-07 to 2009-10 were insufficient to cover the targeted beneficiaries as detailed in the table below.

Table – 1.2.2

(Rupees in crore)

Year	Beneficiaries targeted C=Children M= Mothers	Requirement of total funds	State share to be provided	State share actually provided	Shortfall in percentage
2006-07	C= 1,40,516 M= 31,987	10.64	5.32	3.00	43
2007-08	C= 2,23,019 M= 43,450	16.38	8.19	5.00	39
2008-09	C= 1,91,243 M= 24,058	13.13	6.56	4.00	39
2009-10	C= 2,55,602 M= 43,649	37.22	3.72	1.00	73

Source: AOPs and information made available by the department.

The Department accepted the audit finding and added that during 2010-11 the Government has provided its share of 10 per cent.

The records showed that there was persistent excess expenditure under the Head of Account 2235 - SSW, 08 - Central Plan Scheme, 02 - Social Welfare, 800 - Other expenditure, 005 - 05 ICDS during 2006-09 as tabulated below.

Table – 1.2.3

(Rupees in crore)

Year	Budget	Expenditure	Excess
2006-07	23.56	24.84	1.28
2007-08	20.83	21.57	0.74
2008-09	19.04	20.16	1.12
Total	63.43	66.57	3.14

Source: Detailed Appropriation Account.

Though the variation as a percentage was not very high, the excess expenditure of ₹ 3.14 crore needs to be regularized. The Department accepted the audit finding but explained that the excesses were mainly on account of committed liabilities against salary component and thus were unavoidable.

1.2.8.2 Embezzlement/Misappropriation of funds:

(a) The Cashbook for the period from 2005-06 to 2006-07 was not made available by CDPO, Aalo West, though called for in audit. Scrutiny of other records indicated that an investigation was carried out in July 2007 by an inquiring authority against the alleged misappropriation of funds. It was confirmed from the Inquiry Report that the cashbook for the period from 04 July 2005 to 20 December 2006 was not maintained. In the absence of cashbook for this period, the actual amount of misappropriation could not be ascertained in audit.

The Inquiry Report (February 2008) brought out the following irregularities that has occurred during 2003 to 2007.

Table – 1.2.4

Sl. No.	Irregularity	Amount involved (in Rupees)
1	Non entering the entire amount drawn from bank in cashbook and consequent non-disbursement	10,65,249
2	Non-disbursement of honorarium/contingency bill to AWW	6,21,282
3	Drawal of false MR bills	4,94,460
4	Drawal of POL and maintenance bills against off road vehicles	1,13,162
5	Misutilisation of KSY funds	2,74,930

This was due to dereliction of duty by Smt Oyam Panor, then CDPO as she failed to maintain records including cashbook by disregarding the rules and regulations. Smt. Oyam Panor, has given a written complain that Shri Lopsang Dondu, UDC-cum-Cashier had drawn honorarium bill of ₹ 6,21,282 by forging her signature and also paid various advances to non-official from the Cash Chest, without her consent and knowledge.

The present status of investigation of misappropriation was neither furnished by CDPO nor by the Director of Social Welfare, Naharlagun. Even after a lapse of over two years, no action has been taken against the guilty officials.

In response, the Department stated (October, 2010) that the matter was under scrutiny and they would send their comments when the scrutiny is complete.

(b) The cashbook of Bordumsa project in Lohit District showed that ₹ 11.78 lakh was drawn and spent towards payment of honorarium to Anganwadi Workers (AWWs) and helpers during 2005-06. However, scrutiny of acquaintance rolls in audit revealed payment of ₹ 8.36 lakh only. Acquaintance rolls and actual payee's receipts for ₹ 3.42 lakh were neither found on records nor made available to audit for scrutiny indicating presumptive misappropriation of funds.

In response, the Department stated (October, 2010) that the matter was under scrutiny and they would send their comments within two weeks. The reply is awaited (December 2010).

1.2.9. Programme implementation

1.2.9. Integrated Child Development Scheme

According to the norms prescribed by GOI, population of 35,000 is to be covered by an ICDS Tribal Project and population of 700 by an AWC. However, in hilly and deserted areas, an AWC could be set up covering a population of 300. Based on the projected population data and norms prescribed by GOI, the number of projects and AWCs required to be created year-wise and the ICDS projects as well as AWCs actually set up by the Department during 2005-10 are shown in table 1.2.5.

Table – 1.2.5

Population	Year	Projected population	No. of ICDS projects			No. of AWCs		
			Set up	Required	Excess	Set up	Required	Excess
10,96,702 (as per census 2001)	2005-06	12,14,707	79	35	44	3121	4049	
	2006-07	12,44,208	79	36	43	4067	4147	
	2007-08	12,73,709	85	37	48	4277	4246	
	2008-09	13,03,210	93	38	55	4277	4344	
	2009-10	13,32,712	93	39	54	6028	4442	1586

It can be seen from the above table that the Department had set up 79 Projects in 2005-06 and 93 Projects in 2009-10 against the admissibility of 35 and 39 Projects respectively. Similarly, 6028 AWCs in 2009-10 were set up against 4442 AWCs required to be set up as per the norms. Thus, the Department had set up 54 Projects and 1586 AWCs in excess as of 31 March 2010. This excess creation of ICDS Projects and AWCs led to an excess expenditure of ₹ 28.09 crore towards payment of salaries and honorarium to the ICDS functionaries. The basis of creation of Projects and AWCs in excess of the norms were not made available on records.

The Department stated (October, 2010) that the population in the State was very thinly distributed due to which many times it is not possible to follow the minimum population criteria.

1.2.9.2.1. Construction of AWC buildings

In addition to the funds mentioned above in Table-1.2.1, the State Government received ₹29.75 crore during 2005-10 as a special case for construction of 1787 buildings for AWCs. According to the norms, AWC building should have one room, not less than 5 x 5 metre, one store room of 9 sq m and a friendly toilet. The walls of the building should be 20 mm thick cement bonded, a cemented floored with CGI sheet roofing. Out of 1,787 buildings, constructions of buildings for 1,385 centres were completed and the works for 402 centres were in progress.

Audit observed that 305 AWCs were constructed during 2005-06 by incurring an expenditure of ₹ 381.25 lakh at ₹ 1.25 lakh per centre. Out of 305 AWC buildings so constructed, 10 AWCs were physically verified of which photographs of four buildings are shown below:





It would be seen that construction of buildings of these four centres were of bamboo structure and not as per the specification, However, there was no reduction in the construction cost.

The Department accepted the audit finding but stated that the amount of ₹ 1.25 lakh was not sufficient for construction according to the approved design and specification especially in Arunachal Pradesh.

1.2.9.3.Excess payment

Ten AWC's buildings were constructed under Ruksin ICDS project during 2008-09 and 2009-10 in two phases at a total cost of ₹ 17.50 lakh. It was noticed that CGI sheets as roofing materials were procured centrally and supplied to the project. On scrutiny of the bills, it was noticed that the value of CGI sheets for ₹ 3.00 lakh @ ₹ 30,000 per centre was not deducted from the bills. Moreover, four *per cent* VAT amounting to ₹ 70,000 was also not deducted from the contractors' bills. This resulted in excess payment of ₹ 3.70 lakh and undue favour to the contractors.

In response, the Department stated (October, 2010) that the matter was under scrutiny and they would send their comments when the scrutiny is complete.

1.2.10 Supplementary Nutrition Programme (SNP)

The aim of Supplementary Nutrition Programme (SNP) was to supplement nutritional intake for 300 days in a year to children in the age group of six months to six years and expectant and nursing mothers and severely malnourished children as per the norms given below.

Table 1.2.6

Category	Norms (up to 2009-10)		Revised norms from 2009-10	
	Calorie	protein	Calorie	protein
Children up to 6 yrs.	300	8-10 gm	500	12-15 gm
Expectant and nursing	500	15-20 gm	600	18-20 gm
Mothers, malnourished children	600	20 gm	800	20-25 gm

Source: GOI Guidelines

In addition to the above norms, the expectant mothers were to be given iron and folic acid tablets daily and multi-vitamin tablets on alternate days.

As per the norms, there would be 5,950 children in the age group six months to six years and 1,400 expectant and nursing mothers in a tribal project of 35,000 populations. Based on the above data, the beneficiaries required to be targeted *vis-à-vis* the actually targeted and covered by the programme during 2005-10, are shown below

Table-1.2.7

Year	Projected population	Beneficiaries (C-Children M-Mother)			
		To be targeted	Targeted	Claimed to have been covered	Uncovered (Per cent)
2005-06	12,14,707	C-2,06,500 M-48,588	NIL	C -1,19,518 M-29,772	C-86,982 (42) M-18,816 (39)
2006-07	12,44,208	C-2,11,515 M-49,768	C-1,40,516 M-31,987	C-1,19,518 M-29,772	C-91,997 (43) M-19,996 (40)
2007-08	12,73,709	C-2,16,530 M-50,94	C-2,23,019 M-43,450	C-1,89,643 M-23,258	C-26,887 (12) M-27,690 (54)
2008-09	13,03,210	C-2,21,546 M-52,128	C-1,91,243 M-24,058	C-1,94,588 M-24,378	C-26,958 (12) M-27,750 (53)
2009-10	13,32,712	C-2,26,561 M-53,308	C-2,55,602 M-43,649	C-1,91,100 M-25,103	C-35,461 (16) M-28,205 (53)

Source: AOPs

The above table indicates that 42 *per cent* of the eligible children in 2005-06 and 43 *per cent* in 2006-07 were left uncovered which is a serious matter. Though the coverage of children during subsequent years (2007-10) improved, the coverage of expectant and nursing mothers declined from 61 *per cent* in 2005-06 to 47 *per cent* in 2009-10.

In response the Department stated (October, 2010) that outsiders and floating population of the State does not enrol their children in AWCs.

1.2.10.1 Outlay and requirement of funds

The norms of expenditure for nutritional intake per day per beneficiary was fixed by Government of India at ₹ 2.00 for children and ₹ 2.30 for expectant and nursing mothers, which was revised to ₹ 4.00 and ₹ 5.00 respectively from April 2009. Based on the norms of the expenditure and beneficiaries actually covered by this programme, actual requirement of funds to provide nutrition for 300 days in a year, and funds released by Government during the period 2005-10, are tabulated below.

Table – 1.2.8

(Rupees in crore)

Year	Beneficiaries claimed as covered	Requirement of fund for 300 days nutrition	Budgetary support			Expenditure
			Central share	State share	Total	
2005-06	C-1,19,518 M-29,772	7.17 2.05	1.13	NIL	1.13	1.13
2006-07	C-1,19,518 M-29,772	7.17 2.05	3.80	3.00	6.80	6.80
2007-08	C-1,89,643 M-23,258	11.38 1.60	8.08	5.00	13.08	13.08

Year	Beneficiaries claimed as covered	Requirement of fund for 300 days nutrition	Budgetary support			Expenditure
			Central share	State share	Total	
2008-09	C-1,94,888 M-24,378	11.69 1.68	4.80	4.00	8.80	8.80
2009-10	C-1,91,100 M-25,103	22.93 3.78	8.56	1.00	9.56	9.56
Total		71.50	26.37	13.00	39.37	39.37

Source: DAA, AOPs and data furnished by the department.

Audit noticed that against the requirement of ₹ 71.50 crore to cover the beneficiaries claimed to have been covered under the programme during the period 2005-10, only ₹ 39.37 crore was available for implementation of the programme in the State, a shortfall availability of 45 per cent. Further, the funds for the year 2009-10 were released by the State Government at the end of March 2010 and due to delay in release of funds, SNP items could not be procured and supplied to the AWCs during 2009-10.

As such, either the number of beneficiaries stated to have been covered was inflated, or the nutritional supplement provided was not as per norms.

The Department admitted (October, 2010) the audit finding and added that it regularly reminds the State Government to release the State share.

1.2.10.2 Procurement of SNP items

Records showed that items of Take Home Rations (THR) like weaning food, fortified biscuits, noodles, peas and horse gram were procured centrally at Directorate level and khitchri items at the project level. As per the recommendation of State SNP Committee (1995), only 45 per cent of SNP items should be purchased centrally and remaining 55 per cent should be locally procured. According to fund distribution, it was noticed that on an average 80 percent of food items and other stores were procured centrally and remaining 20 percent locally.

Further, audit noticed that the ICDS functionaries, even at project level, were unaware about the quantity of food stuff required to be issued to the beneficiaries to attain the nutritive value in terms of calories and protein contents. It was only in July 2009, the State Dietary Committee fixed the norm of 80-90 gm of rations per day for 300 calories and 130-150 gm per day for 500 calories.

Due to non-compliance of earlier recommendation of 1995, it was again reiterated in the Eleventh report of the Estimate Committee (September 2010) that for timely supply of SNP items, 80 per cent should be purchased locally and 20 percent centrally. The non-compliance of the order adversely affected the timely supply of rations in the project areas and entailed various financial irregularities as discussed in succeeding paragraphs.

SNP stock register of 16 projects test checked in audit revealed that nutrition supplement provided to beneficiaries ranged from 05-98 days in 2005-06, 18-106 days in 2006-07, 22-123 days in 2007-08, 30-108 days in 2008-09, and 15-71 days in

2009-10 against 300 days per year as per guidelines indicating poor and partial implementation of the programme. Project wise details of nutrition supplemented during 2005-10 are given in **Appendix – 1.2.1**

On this being pointed out in Audit, the Department furnished (November 2010) a statement showing revised quantity of SNP items supplied during 2006-09 to 16 test checked projects. However, the revised quantity stated to have been supplied is not borne out of the fact mentioned in the stock register maintained at project level. As per the detail provided by the Department 2,44,545 kg weaning food, 2,78,203 kg biscuits, 78,040 kg dry peas and 1,20,400 kg groundnut were stated to have been supplied during 2006-09. As against these supplies, the stock registers maintained at project levels indicated receipt of 1,51,776 kg weaning food, 1,54,470 kg biscuit, 45,099 kg peas and 59,455 kg groundnut. This resulted in a short supply of SNP items worth ₹ 2.16 crore as tabulated below:

Table- 1.2.9

Items of SNP ration	Quantity supplied	Quantity received in projects	Quantity short received	Quantity in MT
				Value (Rupees in crore)
Weaning food	2,44,545	1,51,776	92,769	0.60
Biscuit	2,78,203	10540470	1,23,73,	1.18
Dry peas	78,040	45,099	32,941	0.09
Ground nut	1,20,400	59,455	60,945	0.29

Source: Records of Directorate and Stock register of 16 projects test checked

The short receipt of SNP ration resulted in denial of nutrition equivalent to 82 days to 2783 beneficiaries of each project on an average during the period 2006-09. The government should investigate the matter as this situation could also be prevalent in other projects.

1.2.10.3 Performance of AWCs

- The SNP stock registers maintained in 80 AWCs test checked revealed that rations were not available in the centres for 122 days to 300 days in a year during the period covered in audit. It was also noticed that nutrition supplement was provided to the beneficiaries after a gap of two to three days during the period when rations were available so as to continue the programme with the available quantity of stock.
- The New Yumchum AWC under Miao project was found closed during physical verification. The Anganwadi Worker was called for, but SNP stock register was not made available to audit. However, it was stated verbally by Anganwadi Worker (August 2010) that SNP could be implemented for about fifty days per year and children were not attending the centre in the absence of nutrition.
- The Maithingpum AWC under Miao project was also found closed during physical verification. The SNP stock register made available to audit showed that though the centre started functioning from April 2007, SNP rations of 20 kg horse gram, 20 kg ground nut and two cartoons weaning food only were supplied to the

centre between July and September 2008. As per scale of nutrition, 30 beneficiaries could be supplemented for 33 days during 2007-10.

In reply the Department stated (October, 2010) that the shortfall was mainly due to interruptions in funding and logistic problems. Notwithstanding, efforts were being made to strengthen the system.

1.2.10.4 Non functioning of AWCs

Three ICDS projects (Itanagar, Naharlagun and Nirjuli) in Papumpare District though sanctioned in 2008-09, started functioning from November 2009. But, SNP rations were not supplied to 190 AWCs covered under these ICDS projects as of March 2010. This indicated that nutrition programme was not implemented during 2009-10 and virtually all the 190 centres remained non-functional.

The Monthly Progress Report (MPRs) of 10 ICDS projects showed that out of 658 AWCs, 76 centres during 2005-06, 113 centres in 2006-07, 45 centres in 2007-08, 42 centres in 2008-09 and 109 centres in 2009-10 remained non functional. In case of Bardumsa and Miao projects in Changlang Districts, 40 centres remained non functional during the years from 2005-10 due to political reasons (refugee problem). In case of other projects, the reasons were not on record.

The Department stated (October, 2010) that AWC is intended to provide holistic development of children and lactating mothers besides nutrition support through SNP scheme. Other services were also being delivered in AWC and non supply of SNP items didn't mean that AWC was not functional. The department's reply is not acceptable as it was noticed during field visits by audit that AWC normally gets closed since in absence of SNP items, the beneficiaries don't come to AWCs.

1.2.10.5 Quality Control

In order to ensure that quality services were provided and SNP rations supplied contained the required calories and protein content as per the norms, samples of rations were to be tested in a laboratory. This can be done with the help of Community Food and Nutrition Extensions Unit, GOI, Itanagar. But, it was noticed that the samples of rations were not tested though supply of infested groundnut, peas, and soggy and damp fortified biscuits, expired weaning foods were noticed in Doimukh, Basar and Changlang projects.

As per the scale laid down by the Dietary Committee, rice and dal for '*khitcheri*' are to be mixed in the ratio 4:1. But it was noticed that in some of projects rice and dal were mixed in the ratio ranging from 24:1 to 6:1 and in some projects in ratio from 3:1 to 2:1. Thus, it was noticed that the advice of Dietary Committee were not followed affecting the implementation of the programme adversely.

The Department stated (October, 2010) that SNP items received are tested by the GOI at their laboratory at Kolkata and furnished (November 2010) copies of test reports received in May 2010. The test reports indicated testing of only one component of ration i.e. weaning food.

1.2.11 Non formal Pre-School Education (PSE)

PSE is a child centred programme for 3-6 years old children and focuses on holistic development of children and provides a stimulating play environment for their physical, cognitive and psychosocial development.

The Monthly Progress Report (MPRs) prepared by the CDPOs indicated 100 *per cent* coverage of the children enrolled ranging from 1000 to 2500 though some of the AWCs were non functional. Besides, some AWCs were found closed during physical verification and in many cases children were not attending the centres as they were going to pre-primary schools.

Thus, the performance of the projects as reported does not reflect the true picture.

The Department admitted (October, 2010) the audit finding and also added that the Department would issue a circular to ensure factual reporting by project offices.

1.2.12. Nutrition and Health Education (NHED)

The aim of NHED was to make woman in the age group of 15-45 years aware of the role of nutrition in preventing diseases and promoting good health. The ICDS functionaries were to spread this message through communication strategies like home visits, mothers meetings, cooking demonstrations, slide and film shows and involvement with Mahila Mandals.

In the test-checked projects it was noticed that the implementation of this component of the programme was limited only to a few mothers meeting. Other activities like home visits, cooking demonstrations and slide or film shows were not being carried out.

In response, the Department stated (October, 2010) that the Department was carrying out these activities but also added that a circular would be issued directing all to carry out NHED activities more regularly. The reply is not acceptable, as neither during field visits nor during audit were records produced in support of the above activities.

1.2.13. Growth monitoring

To assess the impact of health and nutritional status of the children through growth monitoring, every child in AWCs was to be provided with an individual growth chart. The AWWs were to record the growth of the children regularly. Records of 18 ICDS projects test checked showed that growth charts were never maintained. Consequently, the impact of health and nutritional status of the children remained unassessed resulting in non-availability of an important performance criteria for measuring the achievement of MDG of halving underweight by 2015.

In response, the concerned CDPOs stated (August, 2010) that the impact on health and nutrition of the children could not be recorded for want of weighing scale and growth charts. The Department stated (October, 2010) that the charts could not be supplied earlier due to fund constraint but charts have been supplied during the current year. Besides, the weighing scale would also be provided in future when the required funds are available for this purpose.

The reply of the Department is acceptance of its failure to implement this component of the scheme. This could have been achieved if the Department had established linkage with Health and Family Welfare Department and involved the SCs/PHCs.

1.2.14 Health check-up and immunization

Records of 18 test checked projects indicated that health camps were not organized in the project areas and no Medical Officer visited any AWC. As a result, the components of the Scheme like Health checkup and immunization were not implemented.

In response, the ICDS functionaries stated that the beneficiaries attended hospitals and health checkup and immunizations were got done by themselves. But, the AWWs were required to maintain the records of immunization beneficiary-wise through home visits. In absence of the relevant records, the status of the actual immunization remained unassessed and the actual implementation of the programme could not be cross verified in audit.

In response the Department stated (October, 2010) that the Government has been trying to converge ICDS, NRHM, SSA and total sanitation programme so that the assets and logistics created under these activities are utilized better and overlapping is avoided. As far as maintenance of immunization records is concerned, the Director, SWW&CD stated that Accredited Social Health Activist (ASHA) workers of NRHM were maintaining this record.

1.2.15 Field visits and supervision

A Supervisor has the responsibility of supervising 20 AWCs each month for planning and organizing delivery of ICDS services and also to guide AWWs in maintenance of records. Similarly, a CDPO is responsible for planning and implementation of the programme in project areas and is required to visit at least 8-10 AWCs every month.

Audit scrutiny of the records of 18 projects revealed inadequate visits of AWCs by 75 Supervisors deployed in project areas. It was noticed that 137 centres per month were visited by the Supervisors during 2005-10 against the requisite visits of 1019 centres per month as per the norms leading to a shortfall of 87 *per cent*. Further, no records were made available to audit to substantiate the visits conducted by CDPOs. Thus, it was noticed that the prescribed responsibilities were not carried out by the CDPOs as well as supervisors.

In response, the Department stated (October, 2010) that the Department has issued a detailed circular on this and also assured that the system of field visits and supervision would be strengthened further.

1.2.16 Manpower Management

For effective implementation of the scheme, manpower is one of the key element. The overall manpower sanctioned vis-à-vis actual personnel in position, though called for, was not furnished by the Department. From the records of 16 projects test checked in Audit, it was noticed that requirement was satisfactory and AWW and AW helpers

were stated to have been positioned at each of the AWCs. However, shortcoming in deployment of supervisor were noticed.

Each Supervisor has the responsibility to supervise 20 AWCs each month. Based on this norm and size of the projects, Supervisors are to be deployed. In 14 out of 16 test-checked projects audit noticed irrational deployment of Supervisors. In some projects shortfall in deployment ranged from 33 to 67 *per cent* while in others there was excess ranging from 33 to 200 *per cent*. The above irrational deployment of Supervisors would definitely impact the effective implementation of the programme.

In response the Department stated (October, 2010) that ICDS has a high number of women staffs which creates difficulties in their transfers and postings but efforts would be made to improve the position.

1.2.17 Training

Since the achievement of programme objectives depends upon the effectiveness of frontline workers for improved delivery of packages, the scheme envisaged training of programme functionaries. The AWWs and Helpers are to be imparted job training for three months on joining the services followed by refresher course on completion of two years service. In the State there are five⁷ training centres.

It was noticed that out of ₹ 168.19 lakh received during 2005-10, ₹ 56.13 lakh remained unspent. As per data furnished by the Directorate, against the target of 3,844 AWWs and 2,650 helpers, training was imparted to only 1,260 AWWs (33 *per cent*) and 300 Helpers (11 *per cent*) during the last five years. The details of ICDS functionaries which remained untrained, were not furnished. However, it was noticed from the information furnished by the CDPOs that in 15 projects, out of 1,164 AWWs and 1,164 Helpers, 797 AWWs (68 *per cent*) and 996 Helpers (86 *per cent*) were remained untrained.

In response the Department stated (October, 2010) that the saving of ₹ 56.13 lakh pertained to 2009-10 which was regularized and would be used in 2010-11 on training activities.

1.2.18 Store Management: -

Assessment of requirements is a pre-requisite for procurement of any store item. Records of the Directorate showed that take home Rations (SNP) were procured centrally, but assessment of the actual requirement with reference to number of beneficiaries targeted, was never made. Rather, assessment was limited to the funds released by Government. This resulted in adhoc procurement of stores.

1.2.18.1 Excess Expenditure

The Department procured basic utensils like steel plates, spoons and Mugs at a total cost of ₹ 1.26 crore during 2007-08 and 2009-10 through limited tendering. It was noticed that though these items were procured from M/S Arun Enterprises the lowest

⁷ Itanangar, Bomdila, Tezu, Aalo and Roing.

tenderer, the reasonableness of the rates (market rates) were not verified. The audit team collected the available market rates for the same utensils and same brand of same specifications from the firm which supplied the items to the Department, and it was noticed that the utensils were procured at much higher rates entailing excess expenditure of ₹ 94.68 lakh as tabulated below.

Table No. 1.2.8

(Rupees in lakh)

Year	Name of utensil and quantity procured	Rate at which procured	Market rate	Difference of rate	Excess expenditure
2007-08	25.050 steel plates	150	48	102	25.55
	2004 steel spoons	150	90	60	1.20
	2004 steel mugs	105	50	55	1.10
2009-10	27500 steel plates	275	48	277	62.43
	2200 steel spoons	205	90	115	2.53
	2200 steel mugs	135	50	85	1.87
Total					94.68

In response, the Department stated (October, 2010) that the purchase of SNP items of standard quality was made after following the system of limited tendering. The reply is not acceptable as the vast difference in rates as shown in Table 1.2.8 revealed the ignorance of the Committee members and their failure to ascertain the reasonableness of the quoted price.

1.2.18.2 Avoidable Expenditure:

The Directorate procured 5,39,820 Kg groundnuts and 3,69,480 Kg dry peas during 2007-08 through open tenders. It was noticed that by ignoring the workable lowest rates received the procurement was made from two firms (M/S Vishal Trading Co. and M/S Nguffa group) at higher rates recommended by the Purchase Board on the plea to avoid poor quality and short supplies. Further, the Department projected that the wholesale price of the nearest market at Guwahati was higher than the lowest rates quoted by the few firms, the basis of which was neither on records nor made available to audit to substantiate their statement of market study.

Thus, due to non consideration of lower rates and reasonableness of market rates, the Department incurred avoidable expenditure of ₹ 56.09 lakh

Item	Quantity procured (in Kg)	Accepted rate (in ₹)	Lowest rate not accepted (in ₹)	Avoidable Expenditure (₹ in lakh)
Groundnuts	5, 39,820	47.10	37.75	50.47
Dry peas	3, 69,480	26.37	24.84	5.62

The Department stated (October, 2010) that the lowest quoted rates were found unworkable and after collecting wholesale rate from Guwahati, the committee decided the procurement rates for groundnut and peas.

The reply is not factual since not only the prices in Guwahati were much lower than that reckoned by the Committee, but also the Committee failed to furnish any document in support of the wholesale Guwahati prices obtained for this purpose. To ascertain the reasonableness of these rates, the Commission on Agriculture Costs and

Prices (CACP) was contacted to obtain their prices for this purpose. In response, CACP informed that Guwahati wholesale rate during 2007-08 ranged from ₹ 27.00 (May 2007) to ₹ 33.00 (October 2007) in respect of groundnut against department's projection ₹ 42.50 per kg during the year. It was also noticed in audit that in some projects there were complaints regarding poor quality supplies

1.2.19 Monitoring

The ICDS programme is characterized by a built-in monitoring system for promoting assessment, analysis and actions at different levels at which data are generated. The AWWs were to submit monthly progress reports (MPRs) through Supervisors to the CDPO, who was to consolidate all the information of the project and was responsible for forwarding the MPRs to the Directorate. The Directorate, in turn, after consolidating all the MPRs received from the CDPOs were to send the reports to Central ICDS Cell, Government of India.

Records revealed that MPRs for the period from July 2007 to June 2008 were not prepared by CDPO, Bardumsa. It was also noticed that 1142 AWCs in May 2007, 970 AWCs in August 2007, 941 AWCs in September 2007, 219 centres in March 2008 and 67 centres in March 2009 did not submit MPRs at all. The irregular submission of MPRs reflected a poor monitoring mechanism and ineffective MIS.

13 ICDS District Cells were set-up in the State to ensure proper implementation, supervision and monitoring of the programme. It was noticed in audit that respective responsibility of monitoring of the programme was not carried out by the District ICDS Cells due to the absence of specific instructions from the Directorate. Further, the impact of implementation of the programme during 2005-10 was not evaluated.

The Department stated (October, 2010) that the Department has been monitoring the scheme closely and efforts would be made to make it more effective in future.

1.2.20 Conclusion

The overall impact of implementation of the scheme was far from satisfactory due to partial implementation of the programme. The budgeting and financial management needed strengthening and poor stores management required more controls to avoid instances of serious excess and avoidable expenditure. Programme implementation suffered as there were instances of poor quality and inadequate supply SNP items.

1.2.21 Recommendations

- The Department in consultation with the Finance Department should streamline the existing system to ensure that funds are available in time for smooth implementation of the programmes.
- Recommendations of the Legislative Committee and other Committees on procurement of SNP items locally should be strictly followed.
- Foodstuff provided should be of acceptable quality containing prescribed nutritive value in terms of calorie and protein content.

- Prescribed level of visits and inspection of Anganwadi Centres by CDPOs and Supervisors should be enforced.
- Regular training as per norms should be imparted to the frontline workers to upgrade their knowledge and functioning in areas of their operation.
- Monitoring mechanism should be streamlined and implementation of the programme evaluated.