

CHAPTER-III
PERFORMANCE AUDIT

HUMAN RESOURCES DEVELOPMENT DEPARTMENT

3.1 NUTRITIONAL SUPPORT TO PRIMARY EDUCATION
(Mid-day Meal Scheme)

Highlights

Nutritional Support to Primary Education (NSPE), a Centrally sponsored Scheme, popularly known as Mid-day Meal Scheme (MDM) was launched in August 1995 with the objective of boosting universalisation of primary education by increasing enrolment, retention, attendance and simultaneous improvement in the nutritional status of students.

In Bihar, the scheme was extended to all primary schools in January 2005; it is yet to cover all schools. There was increase in enrolment and retention of students in urban as well as rural school which was a positive indication of the Scheme. However, the scheme was suffering from inadequate food grain management and fund transfer mechanism resulting into unsatisfactory implementation of the scheme. There was complete absence of the internal controls, regular monitoring and evaluation of the Scheme as per the guidelines

The expenditure was reported by the implementing agencies on the basis of funds transferred instead of utilisation.

(Paragraph 3.1.6.1)

There was increase in enrolment and retention of students in urban as well as rural school which was a positive indication of the Scheme.

(Paragraph 3.1.7.1 and 3.1.7.3)

563.75 MT of rice valuing Rs 90.20 lakh rotted due to poor storage and 50.96 MT of uncooked rice grains (valued at Rs 3.02 lakh) were distributed instead of cooked meals.

(Paragraph 3.1.8.1)

The average number of days on which cooked meal was served ranged between 92 to 108 days and 94 to 106 days in Urban and Rural schools respectively against 200/ 220 days prescribed in the scheme. In 9 to 17 schools no meal was served.

(Paragraph 3.1.9.2)

Against target for construction of 35226 kitchen sheds only 3599 kitchen sheds (10 per cent) were reported complete as of March 2008. In test-checked schools 91 per cent of the schools did not have kitchen sheds and 31 per cent of schools did not have adequate drinking water facilities.

(Paragraph 3.1.11.1)

Steering cum monitoring committee at all levels were not working properly. No records of periodical meetings by these committees at any level were available with the respective offices/ schools. There was no

Specific arrangement to check the quality and quantity of cooked meals served to students.

(Paragraph 3.1.13)

3.1.1 Introduction

The Mid-day Meal (MDM) Scheme was launched as a Centrally Sponsored Scheme on 15 August 1995 with the objective of boosting universalisation of primary education by increasing enrolment, attendance, retention and simultaneous improvement in the nutritional level of students of primary classes (I to V) of Government, local body and Government aided schools. From October 2002, it was extended to children studying in the Centres under Education Guarantee Scheme (EGS) and Alternative and Innovative Education (AIE). The scheme initially provided for distribution of fixed quantities of uncooked food to school children. This was replaced by cooked meals with effect from September 2004 after orders of Supreme Court. In Bihar, cooked meal Scheme was launched in 30 blocks under 10 educationally backward districts¹ (three blocks in each) since September 2003 and extended to all blocks of these districts from September 2004 onwards. From January 2005 onwards the scheme was extended for the entire State covering all primary schools.

The scheme laid (September 2004) special emphasis on disadvantaged groups with the additional objective of providing MDM in drought affected areas during summer vacation also. From September 2006, the caloric value of the meal was increased from 300 calories to 450 calories and protein content from 8-12 grams to 12 grams, while simultaneously providing essential micro-nutrients and de-worming medicines.

Central assistance for cooked MDM was provided by way of food grains at the rate of 100 grams of wheat/rice, transportation cost, cost of cooking, cost of Management, Monitoring and Evaluation (MME) and physical infrastructure such as kitchen-cum-store, adequate water supply, cooking devices and utensils.

3.1.2 Programme Management Structure

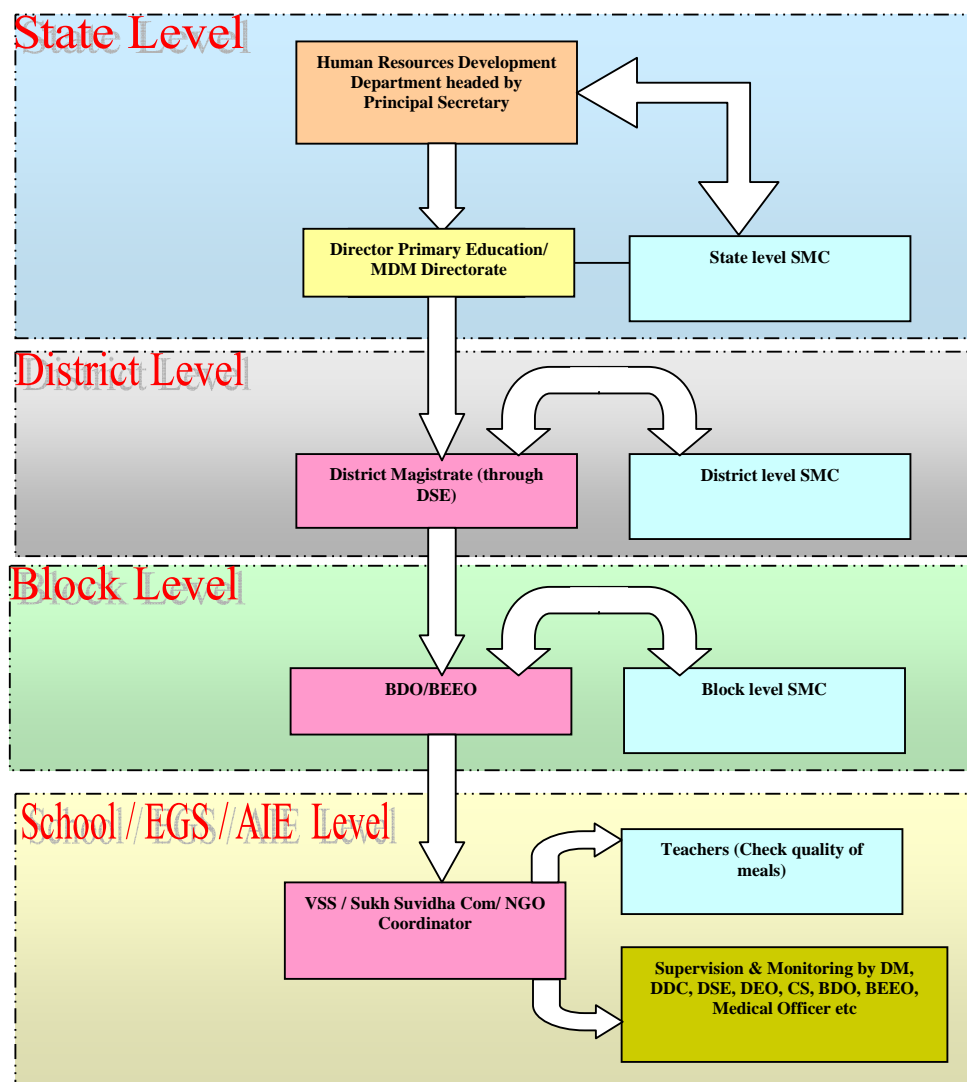
The scheme was implemented in the State by the Human Resources Development Department (HRDD) headed by the Principal Secretary to the Government. He was assisted by Director (Primary Education) up to March 2007 now Director (MDM) and a Deputy Director (MDM). A Steering cum Monitoring Committee (SMC) under the chairmanship of the Chief Secretary was to monitor the progress of the scheme. The District Magistrates, being the district nodal officers were responsible for implementation of the scheme in the districts with the assistance of District Superintendents of Education (DSE) and Block Education Extension Officers (BEEO). The funds were allocated to DSEs by the HRDD. Since April 2005, the funds were routed through Bihar

¹ Araria, East Champaran, Katihar, Kishanganj, Madhepura, Purnea, Saharsa, Sheohar, Sitamarhi and Supaul.

Education Project Council (BEPC)² a body constituted for implementation of Sarva Shiksha Abhiyan.

At district level, the scheme was to be overseen by SMC consisting of government officials and chaired by District Magistrate. Similar committees were also to be formed at Block level to supervise and monitor the scheme. The scheme at school level was to be implemented by Vidyalaya Shiksha Samiti (VSS), a body of parents constituted under the VSS Act, 2000 for development of schools and for ensuring community participation.

Programme Management Structure



² BEPC- is an agency under the Human Resources Development Department through which the government executes the Sarva Shiksha Abhiyan in the State. The MDM funds were routed through this agency for accounting purposes only.

3.1.3 Scope of Audit and Methodology

Implementation of the Programme for the period 2003-08 was reviewed between July and September 2007 and between April and July 2008 through test check of records of Directorate of Primary Education/ MDM Directorate, 10 (out of 38) districts³. In each selected district, records of 20 schools⁴ (Urban: 6; Rural: 14) were test-checked. Selection of districts and schools was done on Circular Systematic Sampling Method. Blocks (52) covering selected schools were also test-checked. The audit objective/ criteria were discussed with the Principal Secretary, Human Resources Development Department in entry conference held in July 2007. Audit findings and recommendations were communicated to the Government for their comments and also discussed during the exit conference (October 2008). Replies/ views furnished by Department/ Government have been incorporated at appropriate places.

3.1.4 Audit objectives

The objectives of the performance audit were to assess whether:

- data base/ base line survey, reports/ returns on enrolment, attendance and retention of children was reliable ;
- adequate funds were released and utilized properly;
- implementation of the scheme was as per guidelines of the scheme monitoring mechanism and internal controls were adequate and in place ; and
- implementation of the scheme did not have any unintended adverse impact on primary education.

3.1.5 Audit criteria

The audit criteria used were:

- Norms and conditions specified in the scheme guidelines;
- Financial rules and instructions issued by the Government of India (GOI) and Government of Bihar (GOB) ;
- Annual work plan and budget proposals and
- Review, monitoring and evaluation reports as prescribed in scheme guidelines and by the Government.

³ *Banka, Begusarai, Buxar, Khagaria, Kishanganj, Madhepura, Nawada, Patna, Purnea and Vaishali.*

⁴ *In addition, in 32 schools of Patna supply of cooked meals and in 55 schools in Buxar supply of food grains was also test-checked.*

3.1.6 Financial management

3.1.6.1 Expenditure incurred

State-Level

The scheme provided for (i) free supply of food grains by GOI through the Food Corporation of India (FCI)/State Government to the implementing agencies, (ii) transportation cost of food grains from the nearest FCI godown to the schools (iii) conversion cost of ingredients such as pulses, vegetables, cooking oil, condiments etc. and (iv) Management, Monitoring and Evaluation (MME) component.

Details of funds released by GOI/GOB and expenditure there against in the State during 2003-08 were as shown in **Table No 1:**

Table No. 1
Statement of funds received/ released and Expenditure

Year	Funds received as		Fund Released by State Government		Total release	Expenditure
	Central assistance	State share	Central share	State share		
2003-04	13.51	-	13.51*	-	13.51	13.51
2004-05	132.86	33.51	132.86	33.51*	166.37	166.37
2005-06	120.30	126.09	120.30	126.09	246.39	246.39
2006-07	370.64	161.77	364.64	161.77	526.41	526.41
2007-08	590.34	303.82	453.11	202.52	655.63	655.63
Total	1227.65	625.19	1084.42	523.89	1608.31	1608.31

(Source: HRD Department)

*(*Rs 13.51 Crore of Central share and Rs 24.17 crore out of Rs 33.51 Crore of State Share relate to PMGY fund)*

Table No. 1 and scrutiny of related records disclosed the following:

- The GOB did not release any fund during 2003-04 and short released its own share by Rs 101.30 crore in 2007-08. Reasons for short release were attributed to short release of Central share. However, reasons for short release of Central share by Rs 6.00 crore in 2006-07 and Rs 137.23 crore in 2007-08 were not available on record.
- The expenditure of Rs 1608.31 crore reported was not realistic (as shown in **Table No. 2** also) as Rs 1500.93⁵ crore released between April 2005 and March 2008 to BEPC for subsequent transfer to districts was shown as expenditure.
- The GOI allotted an additional amount of Rs 48.32 crore (September 2007) and 36238.83 MT rice (October 2007) for extending the scheme to children of class VI to VIII in educationally backward blocks of the state during October 2007 to March 2008. But Rs 56.84 crore (Central: Rs 48.32 crore and State: Rs 8.52 crore) was released only in March 2008 though the scheme was to be implemented from October 2007. Thus, late release of fund and non-lifting of food grains during October

⁵ Rs 1500.93 crore includes Rs 62.11 crore drawn by Director, Primary Education on 31 March 2005, Rs 0.39 crore of state fund for monitoring of MDM Scheme during 2006-07 and Rs 10.00 crore reimbursement of transportation cost by GOI during 2007-08.

2007 to March 2008 deprived 19.97 lakh children of class VI to VIII from cooked meal.

- Central share of conversion cost was revised from Rupees one to Rs 1.50 per student per school day since June 2006 and funds were released by GOI accordingly. The GOB revised the rate of conversion cost from Rs 1.64 (Central: Rs 1.00 and State: Rs 0.64) to Rs 2.14 (Central: Rs 1.50 and State: Rs 0.64) in November 2006 and further revised it to Rs 2.50 (Central: Rs 1.50 and State: Rs 1.00) in March 2007 but did not release fund corresponding to revisions. Funds for revised conversion cost (Rs 2.50 per meal per school day) were released in August 2007 and were transferred to districts in October 2007. Thus, schools / implementing agencies (NGOs) received less conversion cost up to September 2007. The records of test-checked schools however showed expenditure at the rate of Rs 2.14 from January 2007 and at the rate of Rs 2.50 from April 2007.

District Level

Fund routing agencies delayed in providing funds to schools

- Director, Primary Education (upto March 2007), and thereafter Joint Secretary/ Director (MDM) withdrew funds and transferred these funds to BEPC for onward transfer to districts. The BEPC transferred the funds to district offices of Sarva Shiksha Abhiyan which provided funds to offices of DSEs for onwards transfer to BEEOs/ VSS. Thus the complicated procedure of fund transfer resulted in delay ranging from 52 days to 148 days besides retention of Rs 72.11 crore by BEPC (**Table No. 2**) in all the test-checked districts. Reasons for delay were non-fixing of a prescribed schedule for transfer of funds by the Government/ BEPC and districts.

The details of available funds and expenditure incurred in test-checked districts are shown in **Table No 2:**

Table No. 2
Available fund and expenditure in test-checked districts

(Rupees in crore)

Sl. No	Districts	Year	Drawn by Director (PE/ MDM) and disbursed to BEPC	Received by districts (SSA/ DSE)	Balance with BEPC	Expenditure (DSE/ SSA)	Balance with DSE/SSA
1.	Banka	2004-08	32.14	26.73(83)	5.41	11.26 (42)	15.47
2.	Begusarai	2004-08	43.46	34.80(80)	8.66	32.29 (93)	2.51
3.	Buxar	2004-08	28.40	23.02(81)	5.38	20.42 (89)	2.60
4.	Khagaria	2004-08	27.07	15.84(59)	11.23	11.61 (73)	4.23
5.	Kishanganj	2003-08*	29.03	25.92(89)	3.11	14.69 (57)	11.23
6.	Madhepura	2003-08*	34.41	30.26(88)	4.15	14.77 (49)	15.49
7.	Nawadah	2004-08	32.15	26.03(81)	6.12	10.58 (41)	15.45
8.	Patna	2004-08	67.69	53.73(79)	13.96	40.33(75)	13.40
9.	Purnea	2003-08*	47.04	39.87(85)	7.17	25.66 (64)	14.21
1.	Vaishali	2004-08	54.29	47.37(87)	6.92	26.18 (55)	21.19
	Total		395.68	323.57 (82)	72.11	207.79 (64)	115.78

(Percentage in bracket)

(Source: DSE offices)

*(*Note: During 2003-04 the cooked meal scheme was operational in three blocks each in ten educationally backward districts of which three districts were selected for test check.)*

Rs 1.76 crore conversion cost was diverted towards transportation cost

Funds were transferred on lump sum basis instead of actual requirement

Expenditure figures were reported on the basis of fund transferred instead of utilization

- From **Table No. 2** it is seen that expenditure of Rs 207.79 crore was only 52.51 per cent of total amount of Rs 395.68 crore distributed to BEPC and reported as expenditure. Balance of Rs 187.89 crore was available with the BEPC/ DSEs at state, district level (March 2008).
- In five districts,⁶ Rs 1.76 crore relating to conversion cost was diverted by DSEs between December 2006 and March 2008 to transportation cost. Out of Rs 1.76 crore, Rs 87.24 lakh was recouped upto March 2008 leaving an amount of Rs 89.25 lakh unadjusted.
- In four districts⁷, Rs 46.97 crore was provided by DSEs to BEEOs/schools based on lump sum requirement submitted by schools though as per guidelines funds required to be provided on the basis of enrolment of students. Providing funds on lump sum basis resulted in blocking of Rs 4.36 crore with 21 test-checked BEEO's in the districts of Banka (Rs 2.80 crore), Kishanganj (Rs 0.18 crore) and Nawadah (Rs 1.38 crore).
- Bank interest of Rs 2.67 crore accrued on MDM funds in eight DSEs⁸ was not taken into account while in two districts (Begusarai and Khagaria) bank statement / pass book was not available and in Vaishali bank statement for partial period was only available resulting into understatement of unutilised balance.
- Bank reconciliation was not done by DSE offices in all test-checked districts. Cash balance as on 31 March 2008 appearing in bank column of cash books were short by Rs 9.02 crore⁹ against balance appearing in bank statement in seven out of 10 test-checked districts. Begusarai, Khagaria and Vaishali did not furnish bank statements. Non-reconciliation of bank balances with the balances in the cash book was fraught with the risk of fraud and misappropriation.
- The scheme guidelines prescribed provision of funds to schools one month in advance. There was abnormal delay of one month to 12 months in transfer of funds to test-checked schools (**Appendix-3.1.1**). The delay resulted in students being either not provided meals or provided meals for less than the prescribed number of days.
- In test-checked districts, though utilisation certificate for Rs 110.44 crore only was available, the entire amount of Rs 207.79 crore advanced by DSEs to BEEOs/VSS was shown as expenditure. A similar pattern of reporting expenditure on the basis of transfer of

⁶ Begusarai: Rs 47.28 lakh; Buxar :Rs 12.96 lakh; Khagaria: Rs 13.12 lakh; Kishanganj: Rs 62.62 lakh and Nawadah: Rs 40.51 lakh.

⁷ Banka: Rs 10.76 crore; Kishanganj :Rs 13.48 crore; Madhepura: Rs 13.05 crore and Nawadah: Rs 9.68 crore

⁸ Banka: Rs 0.40 crore; Buxar: Rs 0.12 crore; Kishanganj: Rs 0.30 crore; Madhepura: Rs 0.42 crore ; Nawadah: Rs 0.53 crore; Patna: Rs 0.54 crore; Purnea: Rs 0.02 crore and Vaishali: Rs 0.34 lakh.

⁹ Banka: Rs 3.85 crore; Buxar :Rs 0.75 crore; Kishanganj: Rs 0.31 crore; Madhepura: Rs 0.88 crore; Nawadah: Rs 2.15 crore; Patna: Rs 0.65 crore and Purnea: Rs 0.43 crore

funds without seeking its utilisation cannot be ruled out in other districts in respect of reported expenditure of Rs 1,608.31 crore.

3.1.7 Enrolment, Attendance and retention of children

One of the primary objectives of the scheme was to improve enrolment, attendance and retention of children at primary level to boost the national objective of universalisation of primary education. The scheme guidelines envisaged that the MDM authority would furnish to the GOI the number of children enrolled in class I to V to release the food grains and cash components of the scheme. The GOI directed (December 2004) that a base line study be conducted for 2004-05 in respect of enrolment for capturing a realistic picture of enrolment of children. Records in respect of survey though called for was neither produced to audit nor was available on record.

3.1.7.1 Enrolment

The details of enrolment during 2003-08 are shown in **Table No.3** and (*Appendix-3.1.2, 3.1.3 and 3.1.4*)

Table No. 3
Difference noticed in enrolment of students

(Figures in lakh)

Year	2004-05	2005-06	2006-07	2007-08
Enrolment as reported to GOI for food grain allocation	97.92	126.38	134.93	126.38
Enrolment as per fund release order	96.10	96.10	126.38	126.38
Difference	1.82	30.28	8.55	Nil

(Source: HRD Department)

Reliability of data was not checked at any level. Scrutiny of records revealed that different enrolment data were used/ reported for different purpose e.g. release of fund and release of food grains as shown in **Table No. 3**.

- Records of test-checked districts disclosed that enrolment data furnished by DSEs to MDM Directorate were not based on school level records and there were variations between the enrolment data as reported to GOI and those collected by Audit from DSEs. The enrolment data appearing in the records of DSEs in 10 test-checked districts was cross verified with the corresponding enrolment records of MDM Directorate and it was found that in three districts the enrolment data was inflated by 0.71 lakh while it was understated by 10.10 lakh in the remaining seven districts during 2005-08 (*Appendix-3.1.2*)
- Position of enrolment in test-checked schools (*Appendix-3.1.3*) indicate that though the overall enrolment has increased; but in urban schools under Banka, Kishanganj, Madhepura and Patna enrolment decreased during 2005-07, Begusarai and Purnea during 2007-08, Buxar during 2006-08, and Nawada during 2004-06. In rural schools

under Nawada and Begusarai enrolment decreased during 2007-08, Patna during 2005-07, Khagaria, Madhepura during 2004-05.

- Out of 200 schools selected for test check, differences were noticed (152 schools) in actual number of students enrolled and that reported to audit. The reported numbers of students enrolled were excess by 4222 students in 47 schools while it was less by 6451 in 105 schools in eight¹⁰ test-checked districts. Enrolment data of 40 schools in Kishanganj and Madhepura districts were not furnished by DSEs. In remaining eight schools the enrolment data were same as per schools and DSEs records. The details are given in **Appendix-3.1.4**.
- Specific data for enrolment of children belonging to disadvantaged sections was not maintained in any schools/ districts test-checked.

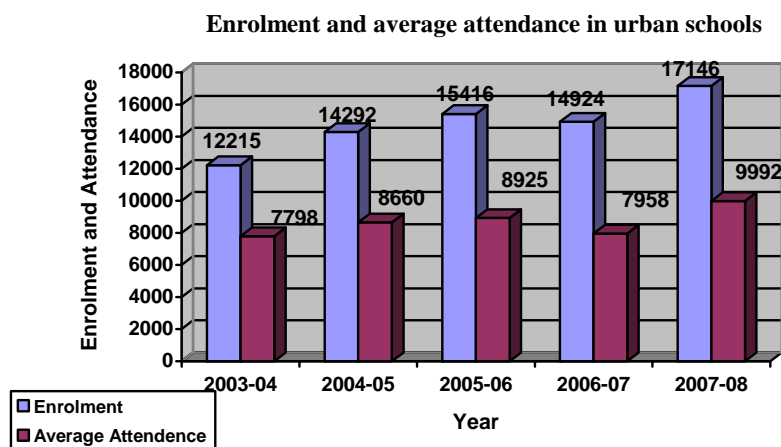
Proper system of reporting of enrolment not followed

From the facts narrated above, it would be seen that a proper system for reporting of enrolment of children from schools to BEEOs, from BEEOs to DSEs and to apex level was not followed. The DSEs obtained figures of enrollment from BEEOs without any supporting school level records though scheme guidelines provided for various forms like **Ka, Kha and Ga** for recording the same. Non-adherence to the reporting mechanism with regard to enrolment resulted in communication of incorrect / unreliable figures at each level including the figures reported to GOI by the MDM Directorate.

3.1.7.2 Attendance

The details of enrolment and average attendance of students their against in 200 test-checked schools were as shown in chart No.1 and 2

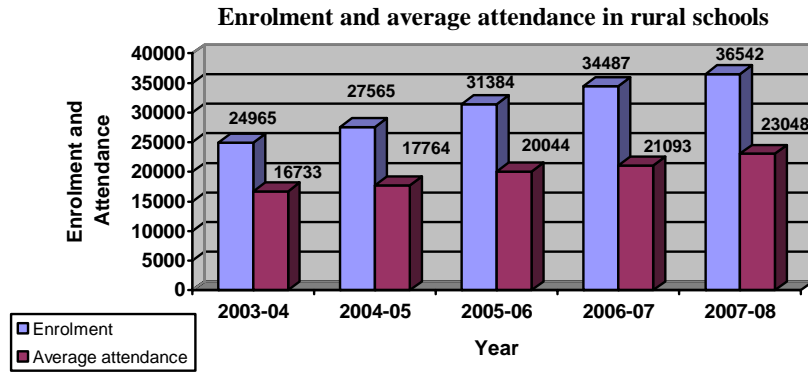
Chart No. 1



(Source: School Records)

¹⁰ Banka, Begusarai, Buxar, Khagaria, Nawada, Patna, Purnea and Vaishali.

Chart No. 2



(Source: School Records)

Chart No.-1 and 2 and test check of school records disclosed the following:

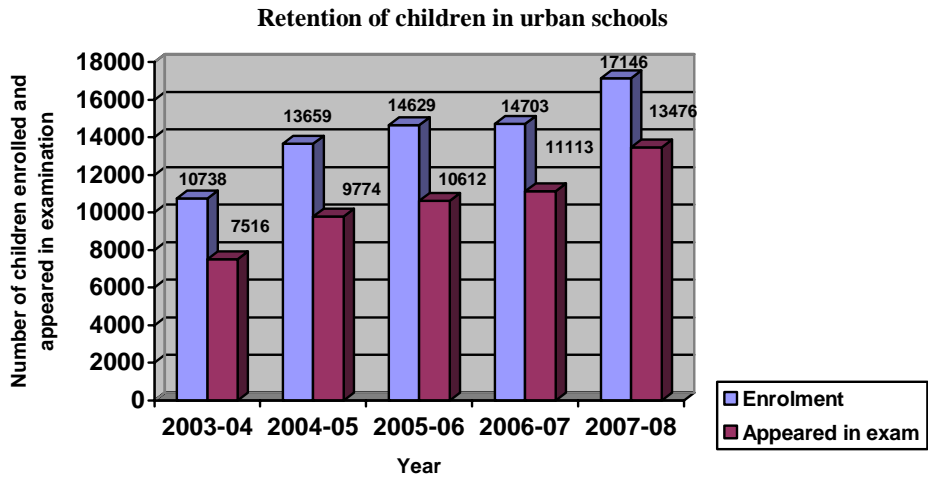
Average attendance decreased though enrolment were reported to have increased

- There was no system of reporting of attendance by the schools to higher authority and therefore records relating to attendance were not available at any level other than schools.
- In contrast to the yearly increase in enrolment, the average attendance declined from 64 per cent (2003-04) to 58 per cent (2007-08) in urban schools and from 67 per cent (2003-04) to 63 per cent (2007-08) in rural schools.

3.1.7.3 Retention of students

The system for recording/ reporting retention of children in primary schools was not prescribed by the State Government. Further norms for evaluating retention of students were also not defined. Therefore average retention rate of students in test-checked districts was tallied with enrolment and the number of students appearing in examination as shown in Chart No. 3 and 4.

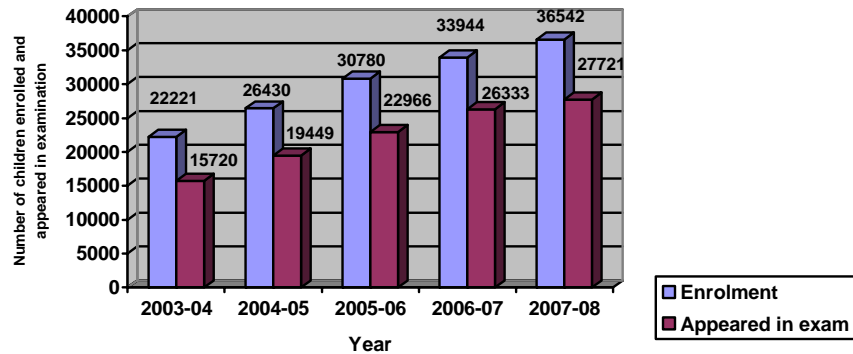
Chart No-3



(Source: School Records)

Chart No.-4

Retention of children in rural schools



(Source: School Records)

(Note: Enrolment in 167 schools during 2003-07 and 188 schools during 2007-08 for which results were available were taken as basis for chart No.3 and 4)

Average retention of students was 74 and 75 per cent in urban and rural schools respectively

The retention of students increased from 70 per cent (2003-04) to 79 per cent (2007-08) in urban schools and from 71 per cent (2003-04) to 76 per cent (2007-08) in rural schools.

Records relating to number of students present in the school after having meals were also not maintained. As per existing practice there was provision of only one time attendance at beginning of the school every day and no other records of students depicting that students were staying full time in the school or up to the time of mid-day meal were maintained by the state/school. Hence, year wise and class wise data were not available in any schools test-checked.

However, information furnished by headmasters of test-checked schools revealed that students ranging between 10 per cent and 80 per cent leave the schools after getting mid-day meal in 47 urban schools and 108 rural schools. This indicated that though the scheme was able to provide nutritional support to children, but boosting education by retaining the enrolled children after the meal could not be ensured.

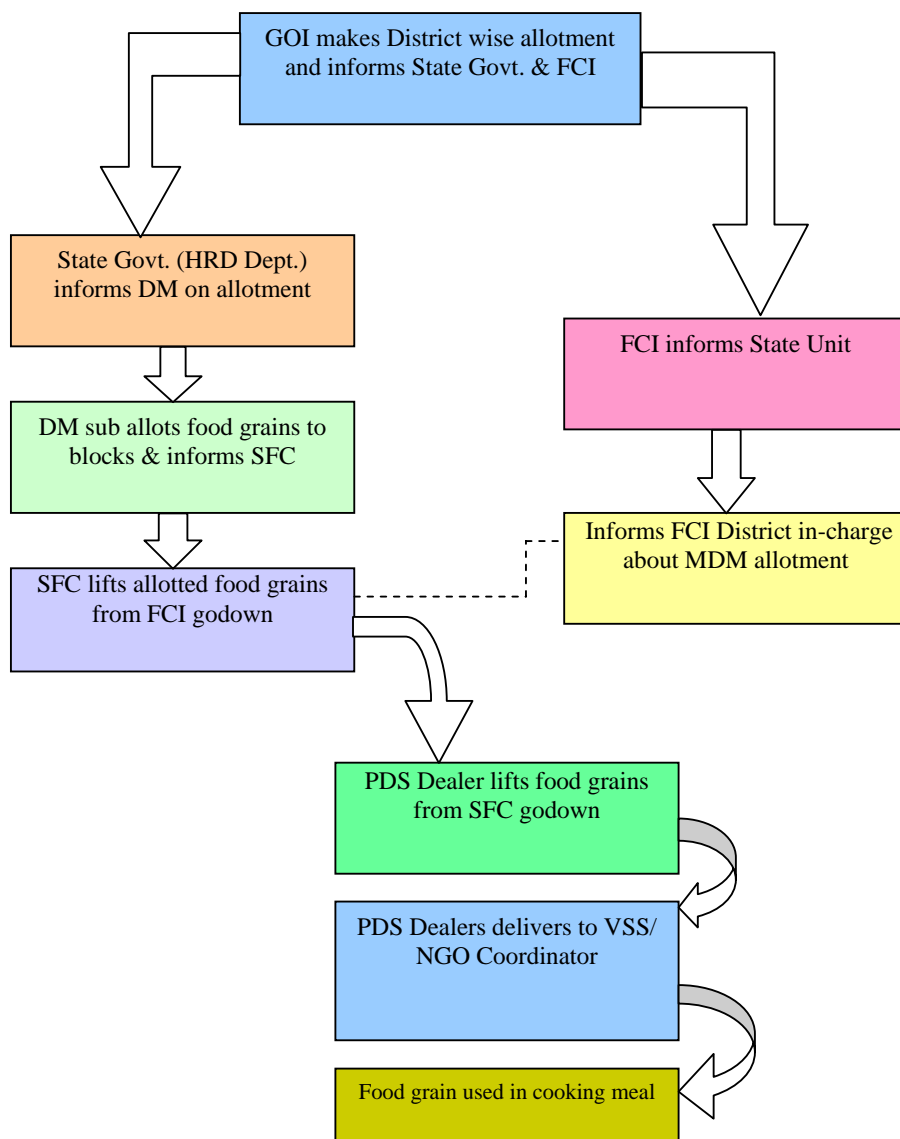
3.1.8 Food grains management

The MDM scheme provided for supply of food grain free of cost by GOI at the rate of three kg per month per child for ten months in a year under the uncooked food grains scheme and 100 gm per child per school day under the cooked meal scheme. Allocation of food grain by GOI / FCI was to be made as per the annual work plan. The nodal agency had logistical responsibility to ensure accurate projection of requirement, timely lifting of food grain allocated from nearest FCI depot, monitoring of their distribution to each primary schools besides ensuring fair average quality of food grains.

In Bihar, State Food Corporation (SFC) was appointed (March 2005) as nodal transporting agency for lifting of food grains from nearest FCI godown and its distribution to schools through Fair Price Shops (FPS). Initially (March 2005),

SFC distributed food grains through BDOs and later on distribution was done on different dates through FPS in the test-checked districts. However, from February 2008, lifting from SFC and distribution to schools was done through BEEOs.

FLOW CHART OF FOOD GRAINS



The details of allocation and lifting of food grains by the State were as shown in **Table No. 4**

Table No. 4
Allotment and Lifting of food grain at state level

Year	Allocation	Lifting/Percentage
2003-04	245300	169906 (69)
2004-05	195835	158435 (81)
2005-06	218070	158673 (73)
2006-07	248030	113381 (46)
2007-08	184367	96615 (52)
Total	1091602	697010 (64)

(Quantity in MT)

(Source: HRD Department and SFC)

The **Table No. 4** above and scrutiny of records disclosed the following:

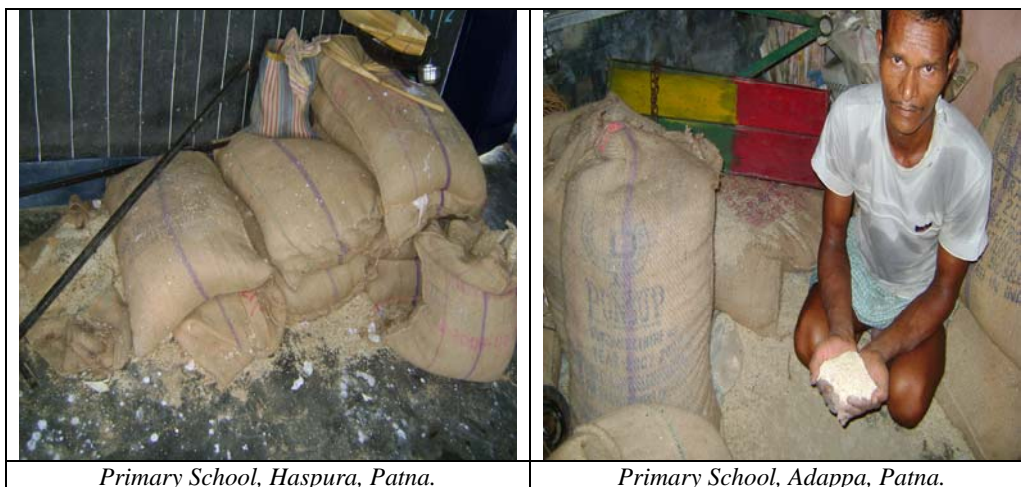
3.1.8.1 Lifting and utilisation of the food grains

During 2003-08, food grains in range of 46 per cent to 81 per cent of allocated quantity were lifted. Reasons for short lifting of food grains was not available on record. The details of food grains allotted, lifted and supplied to test-checked districts are shown in **Appendix- 3.1.5**.

- The utilisation certificates for the food grains received by the districts to State Government and by the State Government to GOI were not submitted on a regular basis. The account of actual lifting and utilisation of food grains was to be monitored through submission of information in prescribed form ("*Ka*", "*Kha*" and "*Ga*") by school level, block level and district authorities respectively. It was seen that information in prescribed forms were not compiled hence quantity of food grains lifted by these authorities from SFC/ FCI could not be ascertained.
- Lifting of food grains by SFC against allotted quantity in 10 test-checked districts ranged between 36 per cent (Madhepura) and 74 per cent (Patna) during 2005-08 as shown in **Appendix- 3.1.5**. However, no data for the the same for period prior to 2005 was on record. The SFC supplied 88 per cent of lifted quantity of food grains during 2003-08. This resulted in retention of 11946.24 MT rice valuing Rs 7.09 crore by SFC. Less lifting of food grain at Madhepura during 2006-08 was due to non-attachment of Fair Price Shops (FPSs) to schools. Reasons for less lifting of food grain in other test-checked districts was not available on record.
- 116.51¹¹ MT rice valuing Rs 6.91 lakh diverted under the orders of District Magistrate (November 2006) to flood relief work was not recouped (July 2008).

¹¹ Buxar:78.22MT and Begusarai:38.29 MT

- 50.96 MT uncooked rice (valuing Rs 3.02 lakh) instead of cooked meals was distributed by 33 VSS during March 2005 to October 2005 in three districts¹² due to receipt of more than one months requirement at a time.
- 393.70 MT rice lifted by SFC during August 2006 to March 2007 remained undistributed in Madhepura district because FPSs were not attached with schools during May 2006 to March 2007. Rs 4.86 crore advanced to schools on this account remained blocked and therefore the Programme was not implemented in Madhepura district during May 2006 to March 2007. The adjustment/refund of such advance was not shown to audit (July 2008). This indicated lack of co-ordination between the executing authorities and agencies involved in providing cooked meal to the children of the concerned schools.
- As per BEEOs and school report, 563.75 MT rice valuing Rs 90.20 lakh¹³ rotted during July 2005 to March 2008 at various schools in four test-checked districts (10 BEEOs and 136 schools). The reasons given for rotting of rice was due to its storage on earthen floor. After enquiry a committee was set up by DSE Buxar where in 15 quintal rotten rice (cost Rs 0.24 lakh) was disposed of without recovery of cost or write off. At other places no enquiry or recovery was done (July 2008).



- As per orders of GOB, all EGS centres (3682) were closed in September 2006 but allotment of food grains in seven districts¹⁴ was not reduced by the districts authority. Thus 2519.29 MT excess rice valuing Rs 1.49 crore was lifted during October 2006 to March 2007.

¹² Begusarai:30.28 MT; Khagaria:13.30 MT and Kisanganj: 7.38 MT.

¹³ Calculated @ Rs 16,000 per MT as fixed by GOB.

¹⁴ Banka:89.08MT;Buxar:174.26MT;Khagaria:205.10MT;Madhepura:518.31MT; Nawada:625.70MT;Purnea:836.10MT and Vaishali:70.74MT.

In other three districts¹⁵ records of lifting of food grain by EGS Centres were not made available to audit.

- Rupees 38.11 lakh was advanced (during January to December 2005 Rs 37.62 lakh and during August 2006 Rs 0.49 lakh) to 1221 EGS Centres by DSEs in three districts¹⁶ which remained unutilised due to closure (October 2006) of EGS centres. The unutilised fund and utensils (Rs 4.48 lakh) of these EGS centers remained with Panchayat concerned till July 2008 though it was required to be transferred to nearest schools as per MDM guidelines.

3.1.8.2 Supply of food grains to schools

Against the requirement of 2865.77 MT food grains during 2005-08, only 997.50 MT food grains was supplied by the DSEs concerned to 547 schools. Therefore, 1868.27 MT food grains was supplied less than the required quantity by the DSEs as shown in **Table No. 5**

Table No. 5

Requirement and receipt of food grain in test-checked schools

(Quantity in MT)

Year	Urban/ Rural	No. of schools	No. of students enrolled	Food grain required per year	Actually received	Less supplied
2005-06	Urban	58	15214	304.28	98.60	205.68
	Rural	135	30598	611.96	257.46	354.50
2006-07	Urban	59	14813	296.26	113.89	182.37
	Rural	135	33853	677.06	251.33	425.73
2007-08	Urban	46	14154	311.39	92.26	219.13
	Rural	114	30219	664.82	183.96	480.86
Total	Urban	163	44181	911.93	304.75	607.18
	Rural	384	94670	1953.84	692.75	1261.09

(Source: school records)

(Note: - During 2003-05, the scheme was launched on pilot basis in 30 blocks of 10 educationally backward districts only)

Reasons for short supply of food grains by the district level executing authorities were not available on record. Less supply of food grains had the effect of interruption in supply of cooked meals to children.

3.1.8.3 Disposal of empty bags

The scheme guidelines issued (December 2004) by GOI envisaged that empty jute bags should be disposed of by the VSS/ School Management in a transparent manner so as to fetch the best possible price and their sale proceeds are utilised for further enrichment of MDM scheme. During 2005-08, 18.29 lakh empty jute bags (of 50 kg capacity) valuing Rs 91.45 lakh was available on supply of 91449.37 MT rice by SFC. These bags were retained by the VSS/ Schools and were not disposed of as per scheme guidelines. Non

¹⁵ Begusarai, Kisanganj and Patna.

¹⁶ Banka:Rs 0.49 lakh; Madhepura:Rs 30.22 lakh and Purnia:Rs 7.40 lakh.

disposal of empty bags was fraught with loss of government money as the bags are perishable article (**Appendix- 3.1.6**).

3.1.8.4 Food grains accounting

The Scheme guidelines provide for maintenance of food grains records by the implementing agencies. It was, however, observed that proper and effective accounting procedure for recording of food grains was not enforced by implementing agencies from schools level to directorate level resulting in acceptance of the data furnished by the FCI and SFC. Audit appraisal revealed the following:

- As per records of BEEO, Buxar 463.72 quintal rice was shown as distributed to 12 schools during January 2005 to March 2008 where as only 391.74 quintal were shown received as per school records. Thus availability of 71.98 quintal rice (Rs 1.15 lakh) was not accounted for as per records. Scrutiny of BEEO's records further revealed that distribution figures were manipulated by overwriting the existing figures (**Appendix- 3.1.7**). Similar manipulation in distribution figures in respect of 527.96 quintal of rice by two BEEOs (Buxar 336.28 quintal and Chausa 191.68 quintal) valued at Rs 8.45 lakh was noticed in the records of BEEOs concerned. Further, 39 schools (Buxar: 23 and Chousa: 16) out of 57 schools test-checked (Buxar: 34 and Chousa: 23) had accounted for less quantity of rice by 628.71 quintal (Buxar: 446 quintal and Chousa: 182.71 quintal) valued at Rs 10.06 lakh) during January 2005 to March 2008. (**Appendix- 3.1.8**)
- In 105 out of 200 schools test-checked, the headmasters concerned intimated that there was shortage of five to 15 kg rice in each bag (50 kg). A test check by audit in two schools¹⁷ revealed that out of 11 bags each bag contained an average of only 32 kg. rice as against requirement of 50 kg. rice per bag. However, for less receipt of rice neither the school authorities lodged any complaint nor the MDM authorities have taken any action to stop/check the practice.
- The BEEO (Itadhi) supplied 51 quintal rice for 225 enrolled students for period between August and November 2007 on 29 February 2008 to Primary School, Jaipur (Itadhi), Buxar having no storage facility. The requirement of school was 4.5 quintal per month. This indicated that the implementing agencies were not able to ensure periodic supply of food grains as per actual requirement resulting in dumping of excess quota in advance since the schools lacked proper/ adequate storage facility, the food grains stored was fraught with the risk of misappropriation/ rotting.

¹⁷ Primay Schools Jhuggi Jhopari, Beur, Patna and Rajkiya Buniyadi Vidyalaya, Buxar.

3.1.9 Cooked meal management

The MDM scheme guidelines envisaged provision of mid day meal with prescribed calorific value and protein content to each student of all primary schools on each school day for a minimum of 200/220 days in a year.

3.1.9.1 Coverage of schools for MDM

Details of coverage of MDM in the state are shown in **Table No. 6**

Table No. 6

Coverage of schools for MDM at State level

Year	Total number of schools/EGS	Covered under MDM	Percentage of coverage
2004-05	61495	28170	46
2005-06	61495	56295	92
2006-07	65250	53209	82
2007-08	66793	48903	73

(During 2003-04, the scheme was operational in three blocks of 10 districts only)

The table No 6 indicates that since 2005-06 though there was increase in the number of schools and new schools were opened, however, the extent of coverage of the MDM scheme decreased from 92 per cent (2005-06) to 73 per cent (2007-08).

Records in 10 test-checked districts also disclosed that 481 schools and 1283 EGS/ AIE centers were not covered for MDM during 2006-08. Thus 0.83 lakh students were deprived from availing cooked meals, though the scheme intended to cover all primary schools/ EGS/ AIE centres since January 2005 onwards.

New schools were not covered under scheme

After closure of EGS centres (September 2006) in 10 test-checked districts 3708 new schools were opened in October 2006 under MDM Scheme. However, the scheme was not implemented in any new schools till date of audit (July 2008). Reasons for non-implementation of scheme were attributed to lack of infrastructure and non-formation of VSS. The non-implementation of the scheme deprived 3.32 lakh children enrolled in these new schools of cooked meals. This indicated that the implementing agencies were not able to keep pace in organizing/arranging cooked meal for the all students/schools in the State.

3.1.9.2 Meals for prescribed number of days

The MDM directorate did not have any consolidated record to indicate the number of days on which mid day meals were supplied in schools during a year. Records in test-checked schools however revealed that the average number of days on which cooked meal was served ranged between 92 to 108 days and 94 to 106 days in Urban and Rural schools respectively. Out of 200 schools test-checked no meal was served in nine to 17 schools during 2005-08. The details are given in **Appendix- 3.1.9**.

The reasons for not providing cooked meal for prescribed number of days as per scheme guidelines were mainly attributed by the schools to non-availability of food grain/conversion cost at school level. The reasons provided were indicative of failure of state level/ district level authorities in implementation/monitoring and utilisation of available resources.

3.1.9.3 Payment for inflated number of meals

Scrutiny of records of 33 out of 52 test-checked schools (20 selected and 32 additional) at Patna where supply of cooked meal was entrusted (May 2007) to an NGO (SWERA) revealed that the number of meals received by schools concerned during July 2007 to March 2008 was inflated by 31220 meals in NGO's copy by addition/ manipulation which was not verified by DSE at the time of payment, resulting into excess payment of Rs 1.28 lakh (Rs 0.78 lakh of conversion cost and Rs 0.50 lakh for cost of rice) to SWERA, Patna.

3.1.10 Quality and quantity of cooked meals

Quality of cooked meals were never checked

The scheme guidelines stipulate provision of cooked meals with minimum 300 calories (450 calories from September 2006) and 8-12 gm (12 gm from September 2006) of protein to each student for each school day (minimum 200 revised to 220 days from September 2006). The meal menu with revised calorific value was initiated by the GOB in November 2006 (delayed by four months after GOI revised the menu in July 2006), however, the same could be implemented from April 2007 onwards. Thus there was delay of 10 months in implementation and providing meal as per revised menu.

- No monthly inspection of cooked meal was done by any medical officer in the test-checked schools during 2003-08. This indicated absence of monitoring of cooked meal provided to students.
- Identification of under-weight children and regular health check up at school level was never done.
- De-worming medicines etc was also not provided at any time though required six monthly.

Thus, the MDM authority could not ensure cooked meal supplied to students have adequate calories, protein content etc as per guidelines.

- In test-checked schools, no records were available which would indicate that quality and quantity of food was ever checked at school level (weighing machines were not available) or by any other authority. This indicated that quality and quantity of served cooked meal was not ensured.
- No provision of extra nutrient in form of gram/ gur/ vegetable/ fruit etc. were noticed in any school till date of audit (July 2008) though expenditure of Rs 59.87 crore was incurred on providing extra nutrient to 166.31 crore students during July 2007 to March 2008 in the State. Thus indicating that benefit of providing extra nutrient did not reach the targeted students.

3.1.11 Infrastructure

The scheme guidelines envisaged that kitchen sheds should be constructed in each school to facilitate cooking in schools itself so that fresh and hot cooked meal is served to children. Each school was required to have proper drinking water facility apart from keeping the kitchen area hygienic. 61 schools (Urban: 28 and Rural: 33) (31 *per cent*) of 200 schools test-checked had no clean drinking water facility. The details are mentioned in **Appendix-3.1.10**.

3.1.11.1 Construction of Kitchen sheds

Only 10 per cent kitchen sheds were constructed though funds were available

During 2004-2008, Rs 207.24 crore was provided for construction of 35226 Kitchen sheds in all districts of the State. Of this, only 3599 Kitchen sheds (10 *per cent*) were reported as completed.

Following observations made:

- Against available fund of Rs 29.67 crore, Rs 13.23 crore was advanced to 2653 VSS in 10 test-checked districts for construction of 2653 kitchen sheds. Of this only 297 kitchen sheds (11 *per cent*) were actually completed upto 2007-08 and Rs 1.49 crore adjusted leaving unutilised balance of Rs 11.74 crore blocked with VSS on incomplete work. Thus, against actual completion of only 297 kitchen shed, a wrong information about completion of 933 kitchen sheds was reported (March 2008) to GOI. Scrutiny further revealed that out of 2356 incomplete kitchen sheds, advance of Rs 57 lakh was given to 44 landless schools, 12 schools having land dispute and 65 schools having VSS dispute which caused delay in completion. The details are given in **Appendix-3.1.11**.
- 182 schools (91 *per cent*) (Urban: 52 and Rural: 130) out of 200 schools test-checked had no Kitchen shed though Rs 29.67 crore was available in these districts during 2005-08.

3.1.11.2 Utensil and Kitchen devices

Scrutiny revealed that in 186 schools (93 *per cent*) (Urban: 56 and Rural: 130) of 200 test-checked schools did not have adequate cooking and serving utensils though Rs 2.98¹⁸ crore was available with DSEs in these districts but the DSEs did not provide funds to schools during 2003-08. Gas/ smokeless *chullah* were not available in any schools test-checked. The details are mentioned in **Appendix-3.1.10**.

¹⁸ Banka: Rs 30.47 lakh, Begusarai: Rs 22.44 lakh, Buxar: Rs 21.73 lakh, Khagaria: Rs 15.21 lakh, Kishanganj: Rs 25.27 lakh, Madhepura: Rs 19.89 lakh, Nawada: Rs 26.98 lakh, Patna: Rs 68.25 lakh, Purnea: Rs 29.36 lakh and Vaishali: Rs 38.15 lakh.

3.1.11.3 Teaching time used for cooking/ distribution of meal

Teaching time was lost in scheme implementation

GOI had instructed (April 2003) that teaching time should not be used for the cooking and serving meals. This was reiterated by the State Government in August 2005. The MDM Programme was to be implemented through VSS/ Mata Samiti and NGOs but in practice it was observed that the scheme was actually implemented by the teachers of the schools concerned which took an average time of 13-18 out of 30 teaching hours in a week in test-checked schools. Thus, the implementation of the Scheme was affected due to decrease in teaching hour during implementation of Scheme.

This indicated that there was lack of efforts/ initiative on the part of MDM authorities/ implementing agencies in creating the required infrastructure for overall success of the Programme.

3.1.12 Internal control / internal audit

- Internal control is a management tool used to provide reasonable assurance that the objectives are being achieved in an economical, efficient and effective manner. The deficiencies noticed in test-checked districts were as under:
- The stock register of food grains, ingredients, meal cooked and served was not maintained in any test-checked schools.
- Periodic physical verification was not conducted at school level though instructions for inspections at the time of cooking, tasting and serving meals were issued by HRD. Records in this regard were not maintained in any test-checked schools.
- Accounting records of food grains as well as funds were not maintained properly at school, blocks and district levels. Separate cash book for MDM funds was not maintained in three test-checked districts (Banka, Begusarai and Nawadah).
- The department did not have internal audit wing and no manual for the same was prepared and enforced.

3.1.13 Management, Monitoring and Evaluation

SMCs were to be set up at State, District and Block level to provide guidance, monitoring, co-ordination and for taking proper remedial action to overcome deficiencies/complaints in its periodical meetings.

SMCs were not able to provide desirable value addition to the scheme

In test-checked districts, though such committee/ SMCs were constituted but its meetings were seldom held. The attendance of children and quality of the meal, its regularity, non-discrimination against children of weaker sections, cleanliness in cooking, serving and consumption of meal, implementation of varied menu etc. were not monitored by any state level committee as per guidelines of the scheme. The minutes of meetings of SMCs in this regard were not on record. The GOI instructed (March 2007) strict adherence of 25 per cent inspection of schools in every quarter which was not complied at all.

A MDM monitoring cell was created (December 2006) with a view to monitor and evaluate the scheme from Block level to State level. The cell consisting of 625 Resource Persons¹⁹ (headquarters: 16 and field: 609) was to be appointed on contract basis by March 2008.

Monitoring and accounting through RPs were yet to take off

Test check revealed that against 154 posts of Resource Person (RP) in 10 districts including blocks, only 126 RPs (82 *per cent*) were appointed between July 2007 and February 2008 and Rs 18.77 lakh was paid against available fund of Rs 1.09 crore. Delay in appointment of RPs has an effect on non preparation of information in Form "Ka, Kha & Ga " from school level to district level resulting in delayed and unreliable progress reports to MDM Directorate.

Rupees 2.07 crore was earmarked during 2006-08 for annual evaluation of the scheme by an external agency but no such evaluation was undertaken which resulted in lack of identification of cases of malnutrition, assessment of nutritional status of children and identification of weak areas in functioning of scheme.

3.1.14 Action taken on previous Audit Reports

Paragraph 3.4 of the Report of Comptroller and Auditor General of India for the year ending March 1999 on a similar topic was placed in Public Accounts Committee (PAC) of the Bihar Legislative Assembly. Deficiencies pointed out in the earlier Audit Report relating to budget allocation, expenditure, scheme implementation etc. persisted during 2003-08 (*Appendix-3.1.12*). Action Taken Report was not issued till July 2008 though Recommendation Report of PAC was presented in the State Assembly on 22 March 2004.

3.1.15 Conclusion

The MDM scheme was characterised by delays in providing funds and food grains to schools resulting in interruptions in the smooth running of the scheme. Accounts of food grains were not reconciled resulting in short receipt of food grains in the schools. Reporting of facts and figures by the districts was without any credible data as availability of basic information in proforma prescribed were not ensured. There was absence of norms for timely release of fund to implementing agencies. The steering and monitoring committee was not functional and the quantity and quality of food was never checked. Kitchen shed, Kitchen device, Cooking and serving utensils were not adequately provided to schools though funds were available with DSEs, Drinking water facility was also not available to all schools. However, increase in retention and learning level was a positive indication of the Programme.

¹⁹ *Resource Person is a computer skilled contractual appointed person for 11 months (two in each district) and 10 months (one in each block) on fixed honorarium of Rs 3500/- per month for monitoring and evaluation work of the scheme and also for preparation and submission of different report/ returns.*

3.1.16 Recommendations

The Government may examine and consider the following:

- effective mechanism for ensuring timely supply of food grains and providing funds at school level should be devised.
- system of monitoring and inspection of quality, nutrients of cooked meal should be strengthened.
- accounts of food grains should be maintained as per guidelines and reconciled at all levels to prevent diversion/misappropriation of food grains.
- maintenance of separate accounting records on regular basis for funds from school level to Directorate level should be ensured.

RURAL DEVELOPMENT DEPARTMENT

3.2 SWARNJAYANTI GRAM SWAROZGAR YOJANA

Highlights

The Swarnjayanti Gram Swarozgar Yojana was launched by Government of India from 1 April 1999 as a single holistic programme to cover all aspects of self employment for the rural poor. The programme was launched by integrating all components of erstwhile rural employment and poverty eradication programmes. The scheme suffered adversely due to poor utilisation of fund, large scale diversions and misutilisation of fund, inadmissible/ doubtful payments, injudicious selection of NGOs etc. None of the special projects taken up could be completed by the target date. The operational aspects of the scheme such as marketing support, infrastructure development and skill upgradation were not adequately strengthened as per target. The programme was also inadequately monitored and the implementation on important issues lacked the initiative for upliftment of poor families.

The central funds were short released by Rs 213.60 crore due to poor utilization of funds.

(Paragraph 3.2.6)

Rupees 4.06 crore were diverted for inadmissible expenses and Subsidy of Rs 62.82 lakh was given by banks in excess of prescribed limit.

(Paragraph 3.2.6.1 & 3.2.7.1)

Rupees 13.52 crore meant for bridging small gaps in infrastructure was spent on creation of new infrastructure of general nature against the provision of scheme guidelines.

(Paragraph 3.2.7.2)

Against the target of covering at least 30 per cent of BPL families in five years, since inception (1999-2000) the coverage was only 5.83 lakh BPL families against the total number of 60.26 lakh BPL families till March 2008.

(Paragraph 3.2.8.2)

Double/ Multiple payments of Rs 9.80 lakh was made to the Individual Swarozgaries having same BPL number and 81 Self Help Groups had same BPL family in more than one SHG.

(Paragraph 3.2.8.4)

Against target for credit mobilization of Rs 2,191.87 crore achievement was Rs 1,016.30 crore (46 per cent). The credit mobilization suffered due to lack of co-operation by the banks and non-disposal of loan applications by bank.

(Paragraph 3.2.8.5)

Monitoring and evaluation was inadequate.

(Paragraph 3.2.13)

3.2.1 Introduction

Swarnjayanti Gram Swarozgar Yojana (SGSY) is a self-employment programme. It was launched on 1st April, 1999. The programme aimed to be holistic programme for micro-enterprises development in rural areas. It also aimed to address deficiencies of earlier self employment programmes through the integration of various agencies *i.e.* District Rural Development Agencies (DRDAs), Banks, line Departments, Panchayati Raj Institutions (PRIs), Non-Government Organisations (NGOs) and other organisations which were to work together. The programme envisaged monitoring through the SGSY committees at Central, State, District and Block levels. The SGSY envisaged target of covering at least 30 *per cent* of the below poverty line (BPL) rural families in each block of five years since inception.

3.2.2 Organisational set-up

At state level, Principal Secretary of Rural Development Department assisted by Additional Secretary and Joint Secretary, at district level, District Magistrates (DMs) / Deputy Development Commissioners (DDCs) through DRDAs and at block level, Block Development Officers (BDOs) were responsible for the implementation of the programme.

3.2.3 Audit Objectives

The audit objectives were to assess whether:

- selection of key activities was appropriate and best suited for the beneficiaries;
- the programme was focused on poor at the grass root level and the vulnerable groups among the rural;
- funds provided for SGSY were economically, efficiently and effectively utilised;
- flow of credit and other institutional support to the beneficiaries were smooth and adequate.
- the programme was monitored closely at various levels and evaluated from time to time.

3.2.4 Audit Criteria

The criteria used for performance audit of the scheme were:

- the guidelines issued by GOI for implementation of SGSY;
- Bihar Financial Rules;
- circulars and orders issued by State/Central Governments from time to time;
- target, fixed and achievement thereagainst.

3.2.5 Scope of Audit and Methodology

Performance Audit for implementation of SGSY for the period 2003-08 was conducted during March 2008 to December 2008 through test check of records in the Rural Development Department, 10¹ out of 38 DRDAs and 38 out of 151 Blocks covered by these DRDAs besides banks² and line departments³ concerned. The DRDAs and Blocks were selected by applying Simple Random Sampling without Replacement (SRSWOR) method. The audit objectives and audit criteria were discussed with the Principal Secretary, Rural Development Department in Entry Conference held in June 2008. Exit Conference was held in November 2008 to discuss the audit findings. Replies/ views of the department have been incorporated at appropriate places.

3.2.6 Provision and utilisation of fund

Funds to be shared between the Centre and the State in the ratio of 75:25 were to be released directly to DRDAs in two instalments *i.e.* in the month of May and December of each year. Devolution of fund by DRDA to the blocks was to be based on incidence of poverty and other local factors. For special projects, 15 *per cent* of the funds under SGSY were to be set aside by the Ministry of Rural Development Department.

The scheme fund consists of four components *i.e.* Central share, State share, other receipts *i.e.*, interest on amounts deposited in bank and unspent balances under erstwhile programmes.

The details of fund allocated, released and expenditure incurred are shown in table No.-1:

Table No.-1
Allocation, release and expenditure of fund during 2003-08

Year	Allocation of fund			OB# (Percent age of allocated fund)	Fund released			OR#	Total available funds	Expendi- ture (per cent)	Unspent balance (per cent)
	Central	State	Total		Central	State	Total				
2003-04	100.85	33.62	134.47	75.60 (56)	56.66	13.35	70.01	8.92	154.53	112.09 (73)	42.44 (27)
2004-05	126.24	42.08	168.32	42.44 (25)	82.03	14.34	96.37	14.16	152.97	134.43 (76)	18.54 (12)
2005-06	126.24	42.08	168.32	18.54 (11)	124.98	52.99	177.97	1.21	197.72	158.75 (65)	38.97 (20)
2006-07	139.98	46.66	186.64	38.97 (21)	124.46	36.00	160.46	3.11	202.54	155.23 (55)	47.31 (23)
2007-08	213.63	71.20	284.83	47.31 (17)	105.21	44.75	149.96	2.11	199.38	151.74 (47)	47.64 (24)
Total	706.94	235.64	942.58	-	493.34	161.43	654.77	29.51	759.88*	712.24	47.64

(#OB: Opening Balance, OR: Other Receipts)

(Source: Rural Development Department).*(Rs 759.88 crore includes opening balances, funds released and other receipts as per progress report during 2003-08)

Note: OBs have been taken from unspent balances of previous years (2003-04 to 2006-07), as OBs intimated by RDD were inconsistent.

¹ Bhagalpur, East Champaran, Gaya, Jehanabad, Kishanganj, Munger, Patna, Saharsa, Samastipur and Siwan.

² State Bank of India, Bhagalpur Gaya and Jehanabad, UCO Bank, Bhagalpur Kishanganj and Patna Indian Bank, Bhagalpur, Punjab National Bank, Gaya.

³ Animal Husbandry, Social Welfare and Industries Department.

The Table no.-1 indicates that:

Short release of
Rs 213.60 crore
Central share

- The department could not ensure optimal utilization of the GOI allocation of Rs 706.94 crore and hence GOI short released Rs 213.60 crore (30 per cent) during 2003-08.

3.2.6.1 Diversion of fund

Rupees 4.06 crore
diverted from SGSY
fund not recouped

During 1999-2009 in seven out of 10 test-checked DRDAs, SGSY fund of Rs 4.06 crore was diverted for other schemes/purposes⁴ not permissible under the SGSY guidelines. Diverted amounts were not recouped till the date of audit (July 2008) (*Appendix –3.2.1*).

On being pointed out, the department stated (November 2008) that districts have been directed for recoupment.

3.2.6.2 Erstwhile Scheme balances not transferred to SGSY

- In two out of 10 test-checked DRDAs, unutilised old scheme fund (prior to April 1999) of Rs 79.66 lakh⁵ were not transferred to present SGSY scheme against the instructions of department. In its reply the concerned DRDA stated (August 2008) that instructions to deposit erstwhile scheme balances to SGSY fund have been given to concerned blocks.
- A sum of Rs 10.26 lakh under TRYSEM and IRDP schemes was kept in civil deposit March 1992 by DRDA Bhagalpur though scheme guidelines provided for utilizing it for SGSY.

3.2.6.3 Misutilisation of fund

SGSY fund Rs 1.42
crore misutilised for
other purposes.

In all 10 test-checked DRDAs, Rs 1.42 crore of SGSY fund was misutilised on purchase of furniture/mobile phones/ books, providing lunch, hiring vehicles/generator/tent-house items, printing, stationery and payment on account of corporation tax, advertisement etc. during 2003-08 (*Appendix – 3.2.2*).

3.2.6.4 Unadjusted outstanding advance

In eight out of 10 test-checked DRDAs, it was seen that advance of Rs 26.53 lakh made to persons/agencies during the year 2003-08 were not adjusted /recovered till the date of audit (December 2008) (*Appendix-3.2.3*).

On being pointed out, the concerned DRDAs stated (December 2008) that outstanding advances would be recovered.

⁴ General election, SGRY handling, DRDA administration, transporting mid day meal food grains, BPL survey and Block strengthening.

⁵ Patna- R. 35.79 lakh and Munger-Rs 43.87 lakh.

3.2.6.5 *Improper maintenance of cash book*

In four test-checked DRDAs, cash book balances were in excess by Rs 10.81crore⁶ as compared to pass book balance of banks. On the contrary in Jehanabad pass book bank balance was in excess by Rs 58.49 lakhs as compared to cash book figure (31st March 2008).

3.2.7 *Components of expenditure under SGSY*

In seven⁷ out of 10 test-checked DRDAs, it was seen that separate accounts of fund for each component under SGSY was not maintained. Therefore, the correctness of fund available and excess/savings of fund in each component could not be ascertained.

The available SGSY funds were to be utilised for providing subsidy on economic activities (60 per cent), expenditure on infrastructure (20 per cent), training (10 per cent) and revolving fund (10 per cent). The overall position of component wise resource utilization during 2003-08 is given in table No.-2.

Table No.-2
Components of expenditure under SGSY during 2003-08

(Rupees in crore)

Year	Total available fund	Subsidy	Infrastructure development fund	Revolving fund	Training	NGO/ Facilitators	Risk fund	Total expenditure
2003-04	154.53	84.22	16.09	5.47	4.57	1.72	0.02	112.09
2004-05	152.97	101.54	17.77	7.17	5.41	2.54	0.00	134.43
2005-06	197.72	110.64	26.82	10.14	8.50	2.65	0.00	158.75
2006-07	202.54	107.35	22.49	12.28	9.38	3.57	0.16	155.23
2007-08	199.38	95.53	29.34	12.80	10.21	3.81	0.05	151.74
Total	759.88*	499.28	112.51	47.86	38.07	14.29	0.23	712.24

(Source: Rural Development Department) *(Rs 759.88 crore From Table No.1)

Test check of records revealed the following:

3.2.7.1 *Subsidy*

(a) *Subsidy claimed by bank was in excess of the norms*

Under the scheme the banks were required to initially provide loan to the beneficiaries and report it to the DRDA concerned to claim subsidy through their monthly report. The DRDA in turn was required to credit the amount to bank account and debit the account of subsidy in their cash book.

- It was seen that Rs 455.93 crore (60 per cent) of fund was available for payment of subsidy. Against this, the subsidy claimed by banks during 2003-08 was Rs 499.28 crore. As the claims of the banks were not scrutinized either at state or district level, banks disbursed excess

⁶ Munger -Rs 455.00 lakh, Kishanganj -Rs 133.00 lakh, Siwan -Rs 86.71 lakh and Samastipur - Rs 406.26 lakh.

⁷ Bhagalpur, Munger, Jehanabad, Kishanganj, E. Champaran, Samastipur and Siwan.

subsidy (Rs 43.35 crore) over prescribed limit of 60 per cent of available fund.

- Rupees 6.14 lakh was paid during 2003-07 as subsidy to the individual *Swarozgaris* having no BPL numbers in Gaya district.

(b) In three out of 10 test-checked DRDAs, it was seen that banks credited subsidy amount of Rs 20.19 crore⁸ to their own account without submitting monthly reports to the concerned DRDA. The DRDAs were in turn maintaining the cash book on the basis of pass book entries. Where as para 4.15 of guide lines depicts that cash book should be maintained on the basis of subsidy deducted by bank and intimated to DRDA/Block through their monthly reports. In the absence of monthly reports, the DRDAs were not in a position to ascertain the correctness of amount debited and details of actual amount of loan and subsidy released to the beneficiaries. This resulted in subsidy of Rs 3.39 crore refunded by bank during 2003-08 in five⁹ DRDAs. This practice further indicated that subsidy was paid to banks during 2003-08 without ensuring disbursement of loan to the beneficiaries.

(c) ***Subsidy payment norms not adhered by DRDAs***

- It was observed that four DRDAs had given Rs 5.66 crore¹⁰ to banks/institutions out of subsidy fund but these institutions kept the amount unutilised with them for one to nine years, which resulted in loss of interest of Rs 17.83 lakh¹¹. The department stated (December 2008) that concerned district have been directed to take corrective action.
- The guidelines prescribed payment of subsidy at the rate of 50 per cent of project cost subject to Rs 10,000 per beneficiary or Rs 1.25 lakh per SHG, whichever is less. In seven out of 10 test-checked DRDAs, Rs 62.82 lakh¹² was given by banks out of subsidy account to 258 SHGs during 2003-08 in excess of prescribed limit of Rs 10,000 per beneficiary and Rs 1.25 lakh per SHG.

3.2.7.2 Infrastructure Fund

(a) 20 per cent of SGSY fund for each DRDA was to be set aside for providing infrastructure in a separate bank account. The infrastructure created should be fully utilised by the *Swarozgaris*. The funds available for providing infrastructure support under SGSY are primarily to bridge small gaps in

⁸ Bhagalpur –Rs 12.31crore during 2003-08, Jehanabad- Rs 4.33 crore during 2003-08 and Patna –Rs 3.55 crore during 4/04 to 12/05.

⁹ Bhagalpur –Rs 244.65 lakh, E. Champaran -Rs 17.51 lakh, Jehanabad- Rs 38.87 lakh, Patna – Rs 24.95 lakh, and Siwan – Rs 13.07 lakh.

¹⁰ Bhagalpur(Bank)-2.75 crore, Munger(Bank)- Rs 2.07 crore, Patna(COMFED)-0.82 crore and Saharsa(Animal Husbandry)-0.02 crore.

¹¹ Bhagalpur-4.57 lakh, Munger-3.84 lakh, Patna-9.14 lakh and Saharsa-0.28 lakh

¹² Bhagalpur –Rs 20.15 lakh(68SHGs), Gaya –Rs 12.55 lakh(47SHGs), Kishanganj – Rs 16.02 lakh(72SHGs), Munger –Rs 2.39 lakh(19SHGs), Patna –Rs 0.65 lakh(3 SHGs), Saharsa-Rs 5.90 lakh(30SHGs), and Siwan Rs - 5.16 lakh(19SHGs).

infrastructure and not for creation of a new/general infrastructure facility in the area.

Out of Rs 151.98 crore (20 per cent) of total available fund for development of infrastructure, Rs 112.51 crore (14.81 per cent) was spent leaving the remaining Rs 39.47 crore (5.19 per cent) of fund unspent.

The irregularities noticed in utilisation of the fund were as follows:-

(b) Misutilization of infrastructure fund

Records of nine out of 10 test-checked DRDAs revealed that Rs 10.09 crore of SGSY infrastructure fund was misutilised on construction/repair and maintenance etc. of buildings/ roads/ ponds/ pathology centre/ water supply facility/ drainage and culvert etc. during the year 2003-08 (**Appendix –3.2.4**).

The construction work for infrastructure was to be completed within three month from the date of inception. In two out of 10 test-checked DRDAs, records revealed that construction work like training-cum-production centre and workshop-cum-godown taken up during 2000-06 remained incomplete till date (July 2008) though expenditure of Rs 2.22 crore¹³ was incurred. Besides delay, construction of these facilities was not covered under para 2.1 of programme guidelines also.

(c) Irregular expenditure

During 2003-08, expenditure of Rs 3.43 crore was incurred in three out of 10 test-checked DRDAs on construction of production-cum-sales centre, training centre and artificial insemination centre out of SGSY fund. It was, however, seen that buildings were used as offices of other Government departments instead of facilitating SHGs. (**Appendix – 3.2.5**).

3.2.7.3 Revolving fund

- Against the norms of 10 per cent (Rs 75.9 crore), only 6.30 per cent (Rs 47.86 crore) of fund was spent under revolving fund and the total no. of SHGs which started economic activity during 2003-08 was 25 per cent (Refer table No.4). This indicated that capacity building mechanism for SHGs were less effective.
- Revolving Fund at the rate of Rs 25 thousand per SHG was not provided by banks to 562 numbers of SHGs in five blocks¹⁴ of Patna district. This led to deprivation of the *Swarozgaris* from capacity building.

¹³ Bhagalpur - 8 schemes Rs 21.76 lakh and Gaya - 9 schemes Rs 200.25 lakh.

¹⁴ Athmalgola -Rs 2.50 lakh, Barh -Rs 3.94 lakh, Danapur – Rs 18.28 lakh, Dhanarua - Rs 3.21 lakh, Khushrupur –Rs 2.95 lakh.

3.2.7.4 Training

Development of technical and managerial skills in *Swarozgaris* are essential for their success for which SGSY guidelines emphasised on two types of training; basic orientation (after formation of SHG) and minimum skill development (before disbursement of loan). The skill development training is to be given after selection of key activity and clearing grade-I of groups. The duration of skill development training was to be decided by State Government. It was seen that against 10 per cent available fund (Rs 75.9 crore) for training of *Swarozgaris*, only five per cent (Rs 38.07 crore) was utilised (**Table No.2**). This indicated that *Swarozgaris* were not adequately trained.

Scrutiny of records in test-checked DRDAs revealed:

- Expenditure of Rs 1.66 crore¹⁵ incurred in six blocks of Bhagalpur district on skill development programmes during 2003-08 became unfruitful as the training programme was taken up without identification of key activities and grading of groups as per scheme guidelines (Para No. 1.4 and 3.11).
- Loan of Rs 12.81 crore was distributed to 520 SHGs during 2003-08 without skill development training in seven¹⁶ out of 10 test-checked DRDAs. On being pointed out, the department stated (December 2008) that more emphasis is being given on training component from this year onwards.
- An excess payment of Rs 9.70 lakh was made on training programmes in six blocks¹⁷ of Patna district and in five blocks¹⁸ of Kishanganj district during 2003-08. The expenditure was in excess of the prescribed limit¹⁹ on account of honorarium, boarding/lodging and materials.

¹⁵ Nathnagar - Rs 17.05 lakh, Bihpur - Rs 63.07 lakh, Sabour - Rs 24.84 lakh, Pirpaiti - Rs 10.54 lakh, Goradih- Rs 29.45 lakh, Jagdishpur - Rs 21.50 lakh.

¹⁶ Patna - Rs 417.30 lakh, (187 SHGs), E. Champaran - Rs 15.07 lakh (8 SHGs), Kishanganj - Rs 606.31 lakh (239 SHGs), Munger - Rs 28.98 lakh (17 SHGs), Saharsa - Rs 56.45 lakh (23 SHGs), Gaya - Rs 47.40 lakh (16 SHGs) and Siwan - Rs 109.26 lakh (30 SHGs).

¹⁷ Athmalgola- Rs 0.12 lakh,, Barh – Rs 0.85 lakh, Danapur - Rs 3.68 lakh, Dhanarua - Rs 0.83 lakh, Khushrupur - Rs 0.66 lakh and Masaurhi - Rs 1.39 lakh.

¹⁸ Bahadurpur - Rs 0.13 lakh, Kishanganj - Rs 0.29 lakh, Dighal Bank - Rs 0.75 lakh, Kochadhaman - Rs 0.38 lakh, Pothiya - Rs 0.62 lakh.

¹⁹ Institutional training center Rs 15/- per day per trainee, Rs 35/- per day per trainee, in case the institution provides boarding and lodging with training, Rs 25/- per trainee per day to meet the cost of boarding and lodging if the institution does not provide boarding and lodging, one time to and fro traveling cost from place of residence to the institution (fixed by the DRDA), Rs 200/- per trainee per month to master craftsman and as honorarium Rs 100/- per month per trainee for raw material.

- In addition, no training was imparted to 1.14 lakh²⁰ (20 per cent) *Swarozgaris*. As such sustainability of all assisted *Swarozgaris* for self employment was not ensured.

3.2.8 Programme performance

3.2.8.1 Planning and Selection

Non-preparation of project report for each activity for block

Guidelines of SGSY lay stress on the cluster approach. Instead of funding diverse activities, each block is required to concentrate on a few selected activities known as key activities and attend to all aspects of these activities. The Block level SGSY Committee has very important role in selection of key activity. The choice of key activity should be based on the local resources, the aptitude as well as the skill of the people and the products that have ready market.

It was noticed that key activities were not selected during the period of 2003-08 in any of the 10 test-checked DRDAs. Project reports were also not prepared for each activity for each block separately.

3.2.8.2 Coverage of BPL families

The SGSY envisaged a target of covering 30 per cent of BPL family in five years of its operation which translates to 18.08 lakh families in Bihar.

Only 9.68 per cent of BPL family benefited

Information provided by the department revealed that only 5.83 lakh families could be covered (assisted) during the period 2003-08, constituting only 9.68 per cent of the total 60.26 lakh BPL families which was insignificant, as shown in the table No.-3.

**Table No.3
Swarozgaris assisted, trained and brought above BPL**

Year	BPL families	Swarozgaris assisted	Swarozgaris imparted training	(In number)	
				Swarozgaris assisted (Percent)	Swarozgaris brought above BPL
2003-04	60,25,631	1,11,492	65,876	1.85	NA
2004-05	60,25,631	1,28,075	93,740	2.13	NA
2005-06	60,25,631	1,31,033	1,06,781	2.17	NA
2006-07	60,25,631	1,09,350	92,591	1.81	NA
2007-08	60,25,631	1,03,560	1,10,039	1.72	6076
Total		5,83,510	4,69,027	9.68	

(Source: Rural Development Department)

- No information of *Swarozgaris* who were brought above BPL under the scheme as of March 2008 was available except 6076 families for the year 2007-08 in 20 districts.

3.2.8.3 Assistance to SHG

Only 25 per cent SHGs formed given assistance

The scheme focused on formation of SHGs, rather than individual beneficiaries. Accordingly, as per departmental instructions (November 2006)

²⁰ Assisted 583510 - trained 469027 = untrained 114483.

not more than 25 per cent individual swarozgaris should be assisted under the scheme. The SHGs were to pass through three stages: first stage comprised of group formation, second stage linked to capacity building and third/ final stage being the income generating stage. The purpose of stage-wise evolution of SHGs was to ensure their development into groups fit to undergo grading exercise to be conducted six monthly by BDO and bank.

SHGs formed and Status of there grading in the State was shown in table No-4

Table No.-4
Position of SHG formed and grading thereof during 2003-08

Year	No. of SHGs formed	No. of SHG passed grading stages		No. of SHGs taking up economic activity and received assistance
		Grade I	Grade II	
	During the year			
2003-04	19,801	8,944	2,693	2,052
2004-05	15,765	9,946	4,533	2,486
2005-06	20,692	10,299	4,201	4,017
2006-07	17,977	10,843	6,567	6,540
2007-08	13,936	10,826	6,559	6,786
Total	88,171	50,858	24,553	2,1881

(Source: Rural Development Department)

The table No.4 indicated that out of 88,171 SHGs formed during 2003-08, 50,858 (58 per cent) and 24,553 (28 per cent) SHGs passed grade I and grade II stage respectively. The economic assistance was, however, given to only 21,881 (25 per cent) of the SHGs formed. The department attributed this shortage to lack of cooperation by the lending banks. This indicated that the efforts to achieve the target of converting the identified beneficiaries into economically viable and sustainable enterprises were not adequate.

- Records of DRDA, Siwan for the year 2007-08 revealed that subsidy of Rs 1.34 crore was provided to 1,544 (44 per cent) individual Swarozgaris while Rs 1.01 crore was paid as subsidy to 99 SHGs having 1,937 members. This indicated that focus was more on individual Swarozgaris against the departmental instruction to focus on SHGs.

3.2.8.4 Identification of Swarozgaris/ formation of SHGs

The beneficiaries of SGSY known as Swarozgaris could be either individual or Self Help Group. In all cases BPL families for assistance were to be identified by team consisting of BDO or his representative, the bankers and the concerned Sarpanch (Mukhiya).

Test check of records revealed the following:

- Team for identification of Swarozgaris was not constituted in any test-checked DRDAs during 2003-08 by concerned BDO.

- Achievement of credit disbursement to 459 SHGs was low (14.32 per cent) against target of 3,205 SHGs during 2003-08 in East Champaran district. Records in respect of other test-checked districts were not provided.
- District level report is prepared on the basis of block level reports. The block reports of Kishanganj district for the year 2007-08 depicted that block figure of SHGs was 1,643 where as the report shown by district was 3,442. The discrepancy in the reporting of number of SHG in the district was attributed to inclusion of names of beneficiaries of district literacy mission as SHGs.
- It was seen that out of subsidy of Rs 17.50 lakh, double/ multiple payments of Rs 9.80 lakh²¹ by concerned BDO and bank during 2003-07 was made to the individual *Swarozgaris* having same BPL number. In reply the concerned DRDA stated (November 2008) that information of double payment was being sought from BDO and bank.
- Though only one member from each BPL family was to be selected for formation of SHG, 81 SHGs formed during 2004-07 in three²² districts contained beneficiaries having same BPL member in more than one SHG. Besides 40 SHGs²³ possessed office bearers from APL family which is not permissible as per SGSY guidelines.

3.2.8.5 Credit mobilizations by banks

SGSY is credit driven and subsidy supported programme. Against the targets for credit mobilization of Rs 2,191.87 crore during 2003-08, the credit mobilization was Rs 1,016.30 crore (46 per cent). Thus *swarozgaris* were not supported adequately. The department stated that credit mobilization was affected due to non-cooperation of banks.

Scrutiny of records revealed as under:-

- Less distribution of loan by bank to 93 SHGs (Rs 1.20 crore) under three blocks²⁴ of Patna district against sanctioned loan of Rs 2.55 crore during 2003-08 resulted in delay in completion of projects. In reply the concerned BDOs stated that instruction had been given to bank for full payment of sanctioned loan.
- In four blocks²⁵ of Patna district loan of Rs 1.32 crore sanctioned by banks between December 2005 and May 2007 was not released to 49 SHGs despite the fact that subsidy of Rs 51.50 lakh was paid. In reply, DRDA stated that despite reminders bank had not given loan to the SHGs.

Loan amount of Rs 131.50 lakh not released to SHGs despite availability of Rs 51.50 lakh in subsidy Account

²¹ E. Champaran - Rs 0.96 lakh and Gaya - Rs 8.84 lakh.

²² Gaya - 31 SHGs, Jehanabad - 25 SHGs and Saharsa - 25 SHGs.

²³ Gaya-35 SHGs and Jehanabad - 5 SHGs.

²⁴ Athmalgola - 6.19 lakh, Danapur- 90.35 lakh and Dhanarua - 23.24 lakh.

²⁵ Athmalgola -Rs 17.50 lakh, Barh -Rs 55.25 lakh, Dhanarua – Rs 21.00 lakh, Khushrupur –Rs 37.75 lakh.

- Loan paid to SHGs were recoverable in five, seven and nine years depending upon the project from the date of sanction. The records of State Bank of India (Gaya Bazar) in Gaya district revealed that all 359 loanee SHGs/Individuals were defaulters during 2003-07 while in case of Punjab National Bank, Gaya out of 7,028 loanee (SHGs/Individuals), 5,077 SHGs/Individuals (72.23 per cent) were not benefited upto March 2008.

3.2.8.6 *Physical verification of assets*

Physical verification of assets not conducted

Under the scheme, assets will be procured by the *Swarozgaris* within one month from the date of release of loan amount by bank and the fact of procurement of quality assets will be informed to the BDO and the Bank by submitting the receipt of the items purchased. The assets were to be verified physically by the bank authorities and maintained by BDO/DRDA etc. In case of failure to procure assets, civil as well as criminal proceeding may be initiated by the bank in consultation with the BDO.

In all 10 test-checked DRDAs, no such physical verification was conducted either by bank or by concerned BDO/DRDA. In reply the department stated that due to non cooperation of banks, physical verification of assets was not conducted. The reply is not tenable as the guidelines (para no. 10.7) prescribed for 10 to 40 field visits and verification of assets of beneficiaries by different officers.

3.2.8.7 *Processing of loan applications by Banks*

The loan applications of *Swarozgaris* forwarded by blocks were required to be disposed of by the banks within 15 days from the receipt of application. The applications on which loans were not provided were to be returned stating reasons for rejection of loan.

It was seen that out of 54 thousand loan applications received from SHGs were forwarded during 2003-08 in the state, 24 thousand applications (44 per cent) were pending for disposal by banks. Similarly, 7.79 lakh loan applications received from individual *Swarozgaris*, 4.27 lakh applications were pending (55 per cent) with banks upto March 2008 for disposal (**Appendix-3.2.6**).

Reasons for non- disposal of loan applications were not intimated by banks either to the applicants or to the DDO/DRDAs concerned.

3.2.9 *Marketing research and Development*

The SGSY guidelines (Para No.9.2) envisaged that amount up to Rs five lakh may be spent by each DRDA from the funds available on marketing research, value addition etc. to facilitate marketing of the produce so that beneficiaries generate additional income. It was noticed that no marketing research was conducted in eight out of ten test-checked DRDAs. In Kishanganj and Jehanabad DRDAs, Rs 0.25 lakh and Rs 2.15 lakh respectively was spent on this account during 2007-08. This indicated that adequate attention was not

paid towards marketing and research to facilitate the beneficiaries to generate additional income.

3.2.10 Risk fund for weaker section

To render support to weaker section of the society *i.e.* small and marginal farmers, landless agriculture workers, carpenter, barber, washer man, one *per cent* of the SGSY fund was to be allocated for creation of a risk fund. This fund was intended to enable bank to initially provide consumption loan not exceeding Rs 2,000/- per *Swarozgaries*. Against the requirement of Rs 7.60 crore only Rs 0.23 crore was incurred for risk fund.

Test-checked of records of ten DRDAs revealed that total SGSY fund received during 2003-08 was Rs 163.03 crore. Out of this, one *per cent* *i.e.* 1.63 crore²⁶ were to be allocated for creation of risk fund but no such fund for weaker section of society was created. Failure to create Risk Fund indicated that the weaker section of the society were denied the benefit of this fund. On being pointed out, all test-checked DRDA stated that efforts were being made to create the risk fund (July 2008).

3.2.11 Role of NGO

Considering the experiences of the NGOs involved in the development of SHGs, the scheme guidelines (Para No. 3.2.1) provided for payment of Rs 10 thousand for facilitating formation of each group and development of SHG. The payment was to be staggered in four instalments; 20 *per cent* at the beginning for group formation and opening bank account of the group so formed; 30 *per cent* after the group qualifies for Revolving Fund, 40 *per cent* after economic activity and remaining 10 *per cent* after commencement of economic activity by the group and adherence to repayment schedule of loan.

In three (Bhagalpur, Jehanabad and Munger) out of 10 test-checked DRDAs and two blocks (Sabour and Goradih), the following deficiencies were noticed:

3.2.11.1 Irregularities in payments to NGOs

- An NGO²⁷ claimed Rs 9.10 lakh as incentive for formation of 91 SHGs²⁸ during 2003-04 which had reached the last stage *i.e.* generation of economic activities. The DDC directed (February 2004) the concerned BDOs Sabour and Goradih for payment of the amount and accordingly the BDOs made the payment (March 2004). It was, however, seen that the monthly progress reports in respect of SHGs sent by BDOs to the DRDA, Bhagalpur had no indication of existence of such SHGs. The BDO offices or DRDA, Bhagalpur could not

²⁶ Bhagalpur-Rs 23.96 lakh, E. Champaran - Rs 21.08 lakh, Gaya-Rs 23.52 lakh, Jehanabad- Rs 9.03 lakh, Kishanganj - Rs 10.94 lakh, Munger-Rs 8.68 lakh, Patna-Rs 21.82 lakh, Saharsa-Rs 8.63 lakh, Samastipur - Rs 24.23 lakh and Siwan-Rs 11.49 lakh.

²⁷ Srijan Mahila Vikas Sahyog Samiti Ltd. Sabour, Bhagalpur.

²⁸ 47 SHGs in Sabour Block and 44 SHGs in Goradih Block.

furnish any evidence for SHGs formed and having achieved the final stage of income generation, though called for. It was also seen that payment to the NGO was made in one installment instead of staggered payment as prescribed in the scheme guidelines. This indicated that formation of SHGs were not ensured by BDOs before release of payment.

- Records of DRDA Munger and BDO Dharahara revealed that payments of Rs 10.77 lakh on account of providing training to SHGs during 2007-08 was made to six²⁹ NGOs. The records of training programme i.e. venue, time schedule, faculty members, supervision and vouchers in support of expenditure were not maintained either in DRDA or in blocks. In absence of proper records proper utilisation of fund for the purpose for which it was released could not be ensured.
- Double payment of Rs 0.12 lakh was made (2006-07) to an NGO³⁰ in Jehanabad for formation six groups. On being pointed out the concerned DRDA stated that amount will be recovered immediately (December 2008). Further irregular payment of Rs 0.69 lakh was made to three NGOs³¹ on account of incentive for capacity building of 30 SHGs to enable them to receive revolving fund. The records however indicated that the 24 SHGs had not reached the required stage.

3.2.11.2 Misutilization of subsidy fund

- The DRDA, Bhagalpur released funds of Rs 2.05 crore as subsidy and Rs 14.60 lakh as revolving fund respectively to Indian Bank, Bhagalpur for payment of subsidy for projects run by SHGs formed by an NGO³² during 2005-06. On scrutiny of bank records, it was noticed that the bank had transferred Rs 2.05 crore as subsidy and Rs 14.60 lakh as revolving fund in the different accounts of the NGO during March 2004 to March 2006. The projects run by the said NGO were, however, closed by DM, Bhagalpur in April 2006 with direction to refund the amount. The bank, however refunded Rs 1.58 crore only in April 2006. The balance amount of Rs 62.30 lakh of the funds was not refunded till the date of audit (November 2008).
- In another case, the BDOs of Sabour and Goradih blocks made payment of subsidy of Rs 16 lakh to Indian Bank, Bhagalpur in February 2004 for three projects undertaken by an NGO (Rs 10 lakh for two projects by BDO, Sabour in March 2004 and Rs Six lakh for one project by BDO, Goradih) in March 2004. Subsequently, the bank refunded (October 2004) Rs four lakh to BDO, Sabour but retained the rest amount of Rs 12 lakh. The monthly progress reports

²⁹ Gayatri SHG-27000/-, Jagdamba SHG-27000/-, Mira Kumari Asha Mission- 2000/-, Adharshila Gramin Vikas Sansthan- 451030/-, Resource Development Sansthan, Monger-452159 and Pankaj Kr. Singh-117504/-.

³⁰ Gram Swaraj Samittee .

³¹ Jyoti Kalyan Kendra- Rs 0.30 lakh and Puja Mahila Seva Sansthan - Rs 0.30 lakh and Gram Swaraj Samittee - Rs 0.09 lakh.

³² Srijan Mahila Vikas Sahyog Samiti Ltd., Sabour .

(2003-04) furnished by the BDOs concerned to DRDA had no indication of such projects. Since the projects were not in existence, amount of Rs 12 lakh also stood recoverable from the Indian bank, Bhagalpur. This also indicated that existence of projects was not ensured before payment of subsidy.

3.2.12 Special Projects

Special Project is a time bound programme for bringing a specific number of BPL families above poverty line through self employment. As per the programme guidelines, at least 80 *per cent* of the beneficiaries under special project were required to be from BPL family. In order to take up such projects 15 *per cent* of the funds under SGSY were to be set apart by the Ministry of Rural Development Department, Government of India. State Government was required to send proposal of special project to Central Government for approval.

It was seen that 11 Special Projects (costing to Rs 111.85 crore) were taken up by Rural Development Department, Government of Bihar during the period 2003-08. Of which, one project remained incomplete upto June 2008, one sanctioned in March 2007, was in progress, another one was ordered to be closed (by GOI, March 2008), the reports of eight projects were not available despite the fact that Rs 5.92 crore was incurred on one project as detailed in *Appendix-3.2.7*.

In remaining two projects, the following points were noticed.

Expenditure of Rs 9.37 crore incurred on Tea Processing Unit was unfruitful

- In Kishanganj district a special project (Tea Processing and Packing Unit) was under-taken by Project Director (DRDA Kishanganj) in November 2003. The Central Government while sanctioning the project (Rs 14.56 crore) in July 2002 stipulated that project be completed in three years and management of the project be given to a co-operative society with adequate representation of BPL family. However, the Department did not ensure formation of co-operative society with adequate representation of BPL families. The unit was meant for production of CTC, Orthodox and green tea in first and second phase respectively. The 1st phase completed in October 2004 and 2nd was completed in July 2006. The production of tea had not commenced due to the fact the project was not propagated through adequate representation of BPL family and hence the project was not operational till the date of audit (November 2008). Thus purpose of Special Project was not served as benefit to BPL members did not reach even after expenditure of Rs 9.37 crore³³. The department in their reply stated that the project machinery are in good condition. The reply of department is not tenable as the project was not in operation.

³³ Advertisement-0.70 lakh, Land acquisition-5.23 lakh, Consultancy-5.00 lakh, Registration-0.64 lakh, Marshal jeep- 4.56 lakh, Construction of shop (at silliguri)-17.55 lakh, Insurance of factory & vehicle-7.68 lakh, Factory inspection- 0.05 lakh, Electricity board- 5.63 lakh and Vikram India Ltd.- 889.91 lakh.

- To uplift the livelihood of women a special project under SGSY for “Livelihood of Rural Women” (Jeevika Sadan) was sanctioned for Rs 5.09 crore by Government of India in December 2004 to be completed in four years. The 1st instalment of Rs 22.78 lakh was released by GOI in December 2004 to Managing Director of Women Development Corporation Ltd, Bihar which was authorised to implement the project through Sewa Bharat, an NGO. In March 2008, the GOI, however, directed for closure of the project and refund the amount of Rs 22.78 lakh along with interest as the performance of the project was not satisfactory. The amount was not refunded till the date of audit (July 2008). Thus neither the project took off, though to be completed within four years nor was the amount refunded. This resulted in denial of benefits to women for whom the project was initiated. Besides blocking of government fund of Rs 22.78 lakh.

3.2.13 *Monitoring and evaluation*

Absence of proper monitoring

The State level Monitoring Committee was responsible for quarterly monitoring of the implementation of programme at State level. It had to provide a forum for a meaningful dialogue between the policy makers at the State level and the implementers at the field level as well as the bankers apart from reviewing the district wise progress and suggesting remedial action. Officers dealing with SGSY at the State headquarters were required to visit districts regularly to ascertain the extent to which the programme had been satisfactorily implemented. Similar monthly monitoring was required to be done by the district and block level committees. The details of committees are given in *Appendix-3.2.8*. The block level officers were required to visit, verify the assets and ensure that qualitative assets were procured by SHG and also ensured income generation by SHG/Individual.

Test check of agenda/minutes of meeting, meeting register, asset register at the State level as well as field level revealed that despite the elaborate monitoring mechanism, monitoring and periodical review of the programme was ineffective and inadequate as evident from poor coverage of BPL beneficiaries. Action taken as per minutes of meetings were not ensured and field inspections were not conducted. The Department was only compiling data on physical and financial achievements based on the progress report sent by the DRDAs which in turn were preparing their reports on the basis of data received from field offices. During test check it was observed that against the actual closing balance of Rs 9,29,350/- in the cash book of BDO, Sabour as on March 2008, the closing balance as per the monthly progress report was shown Rs 1,47,650/- indicating that reporting of expenditure was inflated to the extent of Rs 7,81,700/-.

Similarly, DRDA, Munger exhibited (March 2008) expenditure of Rs three lakh under the head marketing, research and development though the amount was spent on training.

These indicated that accuracy in reporting mechanism was not ensured. On being pointed out the department stated (November 2008) that concerned DRDAs were directed to review the audit objections and send the report.

Vikas Patrika: - As a measure of follow up the projects undertaken by Swarozgaris, each *Swarozgari* was to be provided with *Vikas Patrika* containing details of health of the project, income generated, a copy of which was to be kept by the block office.

It was however, observed that *Vikas Patrika* were not prepared by DRDA during 2003-08 despite the fact that the *vikas patrika* would be kept up-dated which will state the health of project. Concerned DDC in their reply stated that arrangement to prepare *Vikas Patrika* is being taken up.

Evaluation Studies: - No evaluation studies on the implementation of the scheme either by State Government or by reputed institution and organisation was conducted till May 2008. Since the evaluation studies were not conducted the remedial action could not be ascertained which hamper the smooth propagation of scheme as well as the beneficiaries.

The monthly progress reports of March 2008 in three blocks³⁴ of Patna district indicated formation of 716 SHGs while the records of NGO/ LEO/EO³⁵ indicated formation of 414 SHGs only. This indicated that report was incorrect in respect of formation of SHG.

3.2.14 Technology

Recognizing the need for appropriate technologies for the sustainable development of micro enterprises, the scheme sought to ensure technology up gradation for the identified activity clusters. This included identification of appropriate institutions, use of local resources etc.

In test check districts, it was observed that no efforts were made to identify and upgrade technologies required for specific key activities selected for *Swarozgaris* for their early upliftment. The department in their reply stated (December 2008) that wherever necessary, suitable technology is being adopted by the SHGs/ Swarozgaris, as traditional activities are in-built with local technology.

3.2.15 Action taken by Government on earlier Audit Report

Mention was made in Paragraph 3.4 of the Report of the Comptroller and Auditor General of India for the year ended 31st March 2002 regarding SGSY in the State. The Report was laid on the table of legislative assembly on 23rd March 2004 and presented to PAC for discussion in November 2008 but could not be discussed due to postponement of meeting. The system deficiencies pointed out in the earlier Audit Report such as misutilisation of funds, incomplete works and non-maintenance of asset register etc. persisted during 2003-08 (**Appendix-3.2.9**).

³⁴ Athmalgola - 117 SHGs, Barh -137 SHGs and Khushrupur - 160 SHGs.

³⁵ NGO (Non Government Organisation), LEO (Lady Extension Officer), EO (Extension Officer).

3.2.16 Conclusion

Implementation of SGSY Programme during 2003-08 was not satisfactory. The Central fund allocated could not be utilized by DRDAs optimally due to poor implementation of the scheme. Target for credit mobilisation also could not be achieved as the implementing agencies failed to pursue the loan applications forwarded by them to the banks. Selection of groups, their training for skill upgradation and monitoring upto sustainable income generation was not ensured. Expenditure on infrastructure was also beyond the norms of scheme guidelines resulting in misutilisation of infrastructure funds besides the scheme fund were diverted, misutilised. Physical verification of assets of *Swarozgaris* was not done. In the absence of proper monitoring, assurance regarding reliable data and gainful utilisation of fund under SGSY could not be ensured.

3.2.17 Recommendations

The Government may examine and consider the following which may provide impetus to implementation of scheme:

- Selection of suitable key activities should be made for *Swarozgaris* as per local needs, skill availability and meaningful support to rural poor;
- Smooth flow of credit and subsidy to *Swarozgaris* must be ensured;
- Adequate infrastructure, training, technology and marketing support should be provided to *Swarozgaris*;
- Implementation of the programme should be monitored closely at various level and evaluated properly from time to time for corrective measures;
- Synergy in efforts of programme implementers and Banks/institution should be ensured to achieve the aims of the scheme.

WATER RESOURCES DEPARTMENT

3.3 Accelerated Irrigation Benefit Programme

Highlights

Accelerated Irrigation Benefit Programme (AIBP) was launched in 1996-97 by Government of India to accelerate the completion of ongoing irrigation projects which remained incomplete due to financial constraints. Implementation of the programme during 2003-08 was reviewed to assess its effectiveness.

Against targeted irrigation potential of 4,30,137 hectare (ha), 3,22,070 ha has been created but the implementation of the programme suffered due to non-compliance with pre-project activities as envisaged in the guidelines, misutilisation and diversion of funds, unplanned execution of works and unauthorised expenditure which led to manifold increase in cost of projects under AIBP. Further, utilisation of irrigation potential was not in proportion to irrigation potential created and investment made.

Against the targeted completion of projects within four agricultural seasons, none of the projects taken up under AIBP could be completed even after 10 to 12 years.

(Paragraph 3.3.7)

The utilisation of irrigation potential as compared to total available potential ranged between 20 to 65 per cent.

(Paragraph 3.3.8)

The construction of Western Parallel Link Canal remained incomplete despite expenditure of Rs 17.53 crore. As a result, additional need of 8000 cusec water could not be fulfilled.

(Paragraph 3.3.9.2)

As against requirement of 4195.37 acres of land for Western Kosi Canal, the land acquired was only 883.13 acre as of March 2008.

(Paragraph 3.3.9.3)

There was an inadmissible expenditure of Rs 72.20 crore on road works in violation of AIBP guidelines.

(Paragraph 3.3.10.4)

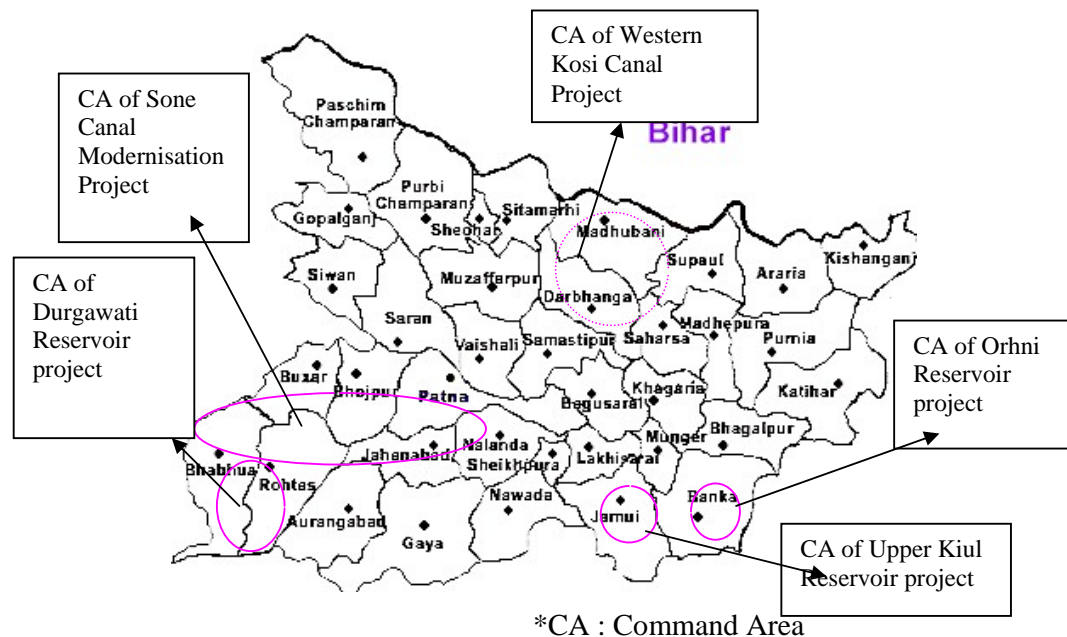
3.3.1 Introduction

Bihar has a geographical area of 93.6 lakh hectares with 59.36 per cent of cultivable land. More than 90 per cent of the total population (8.3 million) live in rural areas in Bihar hence this area is heavily dependent upon agriculture for survival of agricultural based families. For agriculture to prosper, irrigation is a key factor determining its health and prosperity.

Government of India (GOI) launched Accelerated Irrigation Benefit Programme (AIBP) during 1996-97 to provide Central Loan Assistance (CLA) for Major and Medium irrigation Projects to accelerate the completion of ongoing projects on which substantial progress had been made. AIBP was for projects which were beyond the resource capability of the State and were at an

advanced stage of completion and were expected to yield irrigation benefits in the next four agriculture seasons. Irrigation Projects receiving any other form of financial assistance were not to be included under AIBP.

In Bihar, five projects¹ received assistance under AIBP during 2003-08. Out of five projects, four projects² had been started in 1996-97 while Sone Canal Modernisation Project was started in 1998-99. The work on Durgawati Reservoir Project is stopped for want of forest clearance. Four minor projects received allotment of Rs 3.55 crore Central share and Rs 0.43 crore State share at the fag end of the financial year (2007-08) (February 2008) and no expenditure was incurred as of March 2008. These projects envisaged providing irrigation in districts as indicated in the map.



3.3.2 Organisational set-up

The Secretary, Water Resources Department (WRD) is responsible for implementation of AIBP in the State. He is assisted by two Engineers-in-Chief and one Chief Engineer (CE) at Secretariat level. Five Chief Engineers and 16 Superintending Engineers (SE) supervise the execution of work of 67 Executive Engineers (EE) at Division level. (*Appendix-3.3.1, Organisational chart*)

¹ Durgawati Reservoir Project (DRP), Orhni Reservoir Project (ORP), Sone Canal Modernisation Project (SCMP), Upper Kiul Reservoir project(UKRP) and Western Kosi Canal (WKC) Project.

² Durgawati Reservoir Project, Orhni Reservoir Project, Upper Kiul Reservoir project and Western Kosi Canal Project.

3.3.3 Scope of Audit

Implementation of AIBP during 2003-08 was reviewed between December 2007 to August 2008 through test check of records of four Chief Engineers³ and 18 Divisions⁴ out of 67 covering two Major Projects⁵ out of three and two Medium⁶ Irrigation Projects.

3.3.4 Audit Objective

The audit objectives were to assess whether:

- planning for projects and prioritisation for funding and execution of work of ongoing projects was done in a systematic manner
- adequate funds were released in time and the same were utilised properly
- the programme achieved its objectives of creating adequate and targeted irrigation potential
- the potential created was utilised fully and effectively
- projects were executed in an economic, efficient and effective manner; and
- monitoring mechanism was adequate and effective.

3.3.5 Audit criteria and Methodology

The implementation of AIBP was benchmarked against the following criteria:

- AIBP Guidelines issued by Ministry of Water Resources (MoWR), Government of India.
- Guidelines issued by Central Water Commission (CWC) for preparation of Detailed Project Report (DPR).
- Provisions of Bihar Public Works Code, Bihar Financial Rules and Bihar Treasury Code.
- Other circulars, instructions issued by MoWR, GOI and Government of Bihar (GOB).

The audit methodology involved different forms of evidence, information and data collection as also scrutiny of DPRs, CWC monitoring reports, impact assessment/evaluation and other reports detailing physical and financial achievements. Field visits, photographs, personal discussions with the executing officers of the project were also part of audit methodology.

³ Chief Engineer, Aurangabad, Chief Engineer, Darbhanga, Chief Engineer, Bhagalpur and Chief Engineer, Dehri.

⁴ Sone Canal Division Ara, Sone modernisation Division, Piro, Nasriganj, Ramgarh Camp-Nuaow, Dehri Division Dehri, Sone Uchhastriya Canal Division Sasaram, Bhabua, Sone Barrage Division Indrapuri, Upper kiul Reservoir Project :- Irrigation Division Garhi, Irrigation Division No. 3 Jamui, Western Koshi Canal Division Keoti, NO.1 Jainagar, Jhanjarpur, Benipatti, Khutauna, Baheri, No.-2 Madhubani.

⁵ Sone Canal Modernisation Project and Western Kosi Canal Project.

⁶ Orhni Reservoir Project and Upper Kiul Reservoir Project .

An Entry conference was held in May 2008 with Secretary, WRD in which the modalities for review were discussed. The Exit conference was held in November, 2008 and replies furnished by the Government have been incorporated at appropriate places.

3.3.6 Financial Management

As per AIBP guidelines, the Central Loan Assistance (CLA) for Major/medium projects was to be given in the form of loan in the ratio of 2:1 (Centre: State) till March 2005. Revised guidelines effective from April 2005 specified that the Central Assistance was to be in the form of grant in the ratio of 2:1(Centre: State). From December 2006 onwards only 25% of the project cost was provided by GOI as grant and the balance was to be met through State's own resources. The sanctioned grant for schemes was to be released in two installments, the first based on project outlay and second after confirmation of 70 per cent expenditure from the first installment and receipt of its utilisation certificates.

The project wise CLA/Grant received from GOI, State Share required, the fund made available by the State and the expenditure during 2003-08 are given in **Table No 1**. The Finance Department and WRD did not have separate figures for Central and State share released during 2003-08. The State share required has been arrived at by audit on the basis of CLA/grant figure and the funding pattern for AIBP. Year wise and project wise breakup has been given in *Appendix-3.3.2*.

Table No. – 1
Available Resources and Expenditure during 2003-08

(Rupees in crore)

Name of the Project	CLA/ Grant received	State Share required	Funds allotted by State	Total Funds released by the State	Expenditure		Saving (-)/ Excess (+)
					Central	State	
1	2	3	4	5	6	7	8
MAJOR PROJECTS							
Western Kosi Canal Project (WKC)	82.36	99.98	387.61	305.25	82.36	302.77	(-)2.48
Sone Canal Modernisation Project (SCMP)	75.42	110.51	324.54	249.12	75.42	231.44	(-)17.68
MEDIUM PROJECTS							
Upper Kiul Reservoir Project (UKRP)	3.49	1.74	15.04	11.55	3.49	10.39	(-)1.16
Orhni Reservoir Project (ORP)	-	-	0.70	0.70	-	1.99	(+)1.29
Total :-	161.27	212.23	727.89	566.62	161.27	546.59	(-)21.32 (+)1.29

(Source: - Column: - 2: CWC, Column: - 4, 6, &7: WRD, Column: - 3, 5&8 by Audit)

Table No.-1 above disclosed the following:

- Rs 212.23 crore was required against State share for the schemes however Rs 566.62 crore were released by the State during 2003-08 where as year wise CLA/grant released by GOI was Rs 56.58 crore, Rs 37.22 crore, Rs 14.82 crore and Rs 49.41 crore respectively.

- Rs 21.32 crore is shown as saving, the Department failed to spend the amount assigned for the Major, Medium Projects between 2003-08 due to delay in execution of work.
- An amount of Rs 1.29 crore as excess expenditure was made without allotment during 2003-08 in Orhni Reservoir Project.

3.3.7 Physical Performance of different Projects upto March 2008.

Component wise physical progress of major/medium projects is given in Table No. 2.

Table No. 2

Physical performance of projects upto March 2008

Name of Project/ Taken up in AIBP / Stipulated date of completion	Dam/ Head works	Main and branch Canal	Distri- butaries	Water Courses	Structures ⁷	
					Completed	Proposed
Western Kosi Canal Project/ 1996-97 / March 2009 (Revised)	100	99.50	70.00	32	2098	1404
Sone Canal Modernisation Project/ 1998-99 /December 2008 (Revised)	100	96.53	88.12	Nil	10733	6750
Upper Kiul Reservoir Project/ 1996-97/Completed (March 2007)	100	99.00	95.00	Nil	624	642
Orhni Reservoir Project/ 1997-98/Completed (March 2007)	100	99.95	95.00	60	327	341

(Source: - CWC) Numbers are in terms of percentage except structures

AIBP envisaged the completion of irrigation projects within four agricultural seasons. However, none of the projects were completed even after 10 to 12 years. In medium projects, although completion report of UKRP and ORP had been sent by the department in March 2007, the physical progress (as per CWC Monitoring Report) revealed that five *per cent* work of distributaries was still to be completed. Factors delaying the completion of the Major projects have been analysed in the succeeding paragraphs.

In case of medium projects, the physical achievements were not in line with the targets set. As against target for construction of 642 structures in UKRP and 341 in ORP, only 624 and 327 structures respectively were constructed despite these schemes declared as completed in 2006-07.

In case of ORP, 60 *per cent* and in case of WKC Project, 32 *per cent* of watercourses have been completed, while in SCMP and UKRP, work of watercourses has not been taken up. Thus, due to non-completion of distributaries, required irrigation potential could not be created and created IP could not be utilised by the intended beneficiaries due to non-completion of watercourses.

⁷ Structures include Single lane bridge, Double lane bridge, cross drainage, head regulator, escape channel etc.

3.3.8 Irrigation Potential created and its utilisation

The creation of irrigation potential targeted in four test-checked projects, vis-a-vis potential created up to March 2008 and utilisation of irrigation are given in Table No. 3.

Table No. – 3

Irrigation potential created and utilisation in four projects during 2003-08

Name of the Project	Targeted		Created		Available I.P. during 2003-08 (hectare)	Utilization during 2003-08 (hectare)
	Ultimate on completion	Under AIBP	Upto 2002-03	Under AIBP (2003-08)		
	1.	2.	3.	4.	5.	6.
Western Kosi Canal Project	234800	205320	29480 (13)	147070 (72)	503540	101268 (20)
Sone Canal Modernisation Project	900000	218600	681420 (76)	169000 (75)	3889100	2530754 (65)
Upper Kiul Reservoir Project	19500	3000	16500 (85)	3000 (100)	96500	54214 (56)
Orhni Reservoir Project	9717	3217	6500 (98)	3000 (93)	47500	10249 (22)
Total:-	1164017	430137	733900 (63)	322070 (74)	4536640	2696485 (59)

(Irrigation Potential in hectare and figures in bracket indicate percentage)(For details refer: Appendix-3.3.3)

Irrigation potential created was only 74 per cent as against the target of 4.30 lakh ha

The Table No.-3 indicates that under AIBP only 74 per cent of targeted irrigation potential was created. As compared to the irrigation potential available (pre AIBP + under AIBP), only 20 to 65 per cent could be utilized for irrigation.

The scrutiny of records of Chief Engineer, WKC Project, Darbhanga disclosed that out of five branch canals, four (downstream canals) could not be made operational due to delayed completion (June 2008) and non-operation of Kamala Syphon. In the fifth (upstream) canal of Jhanjharpur, water reaches upto 100 RD only out of total length 137 RD. However, irrigation potential of the latter could not be utilised due to siltation, ongoing construction of Dhauri syphon (since 1997-98) and delayed completion and operation (June 2008) of Kamla Syphon.

Thus the IP (1.77 lakh ha) created in WKC was under-utilised due to non-completion of desiltation work in upstream which badly affected the water carrying capacity of canals. In downstream of WKC Project, the IP created could not be treated as actual creation since neither the source of water was ensured (October 2008) nor was the canal system upto the water course level completed.

Work was delayed due to non-acquisition of land (3312.24 ha) and public protest (September 2006) which resulted in delayed completion of project.

Similarly in SCMP the reported IP created under AIBP (1.69 ha) was also unrealistic as the source of water through Western Parallel Link Canal (WPLC) was not ensured due to non-completion of WPLC as discussed in paragraph.3.3.9.2.

3.3.9 Planning

3.3.9.1 Planning/Project formulation/Cost and time over-run

Deficient Planning

Adequate planning is the key factor for effective implementation and timely completion of projects. As per guidelines issued by MoWR, the project investment clearance involves a preliminary project survey at the formulation stage and a detailed survey/investigation and design at project planning stage. Pre requisites such as acquisition of land, forest and environment clearance etc. were to be completed before taking up execution of the projects. The aforesaid guidelines issued by MoWR were not followed by the State Government in any of the projects reviewed.

The deficiencies at planning stage resulted in delay in completion of projects and time and cost overruns as shown in Table No. 4.

Table No. – 4

Time and cost overrun

(Rupees in crore)

Name of Project	Estimated cost	Latest revised cost	Cost over-run	Due date of completion	Revised date of completion	Time over-run
WKC Project	326.61	830.69	504.08	2001	2009	8 Yrs
SCMP	493.17	745.75	252.58	2006	2008	2 Yrs

WKC Project remained incomplete and is still awaiting approval for fourth revised estimate at Rs 1115.71 crore which may result in further cost over-run. The execution of work in WKC was badly affected due to inherent locational problems like non-acquisition of land, siltation etc. The construction of the parallel link canal in SCMP has been delayed due to non-receipt of clearance for road cutting from the Road Construction Department (RCD) and non-shifting of electric poles by the State Electricity Board.

3.3.9.2 Project taken up without proper survey and investigation

The construction of Western Parallel Link Canal (WPLC) (10 KM) of SCMP was taken up (December 2001) parallel to the existing Western Link Canal to create an additional irrigation potential of 2,18,600 ha. This link canal aimed to carry additional 8000 cusecs water required in consequence of the completion of existing Sone canal network.

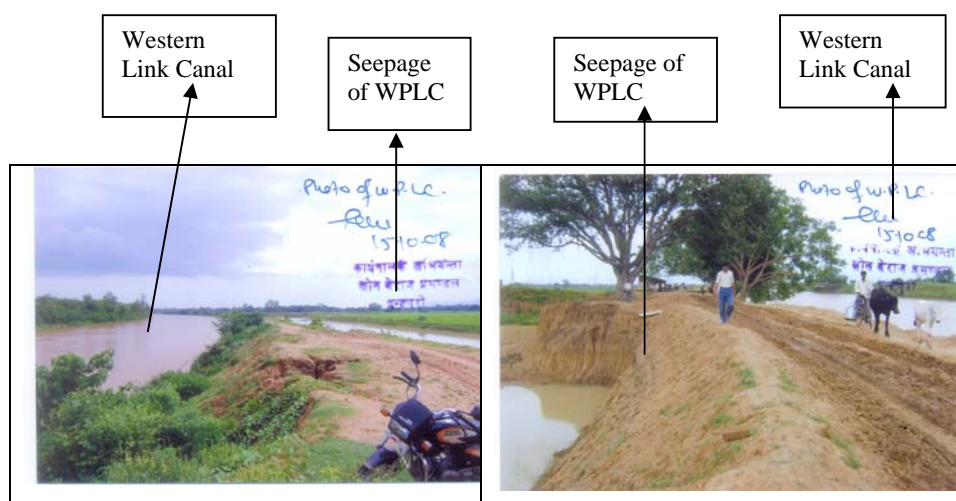
Despite expenditure of Rs 17.53 crore WPLC remained incomplete due to improper estimate

The earthwork of WPLC from 0.09 KM to 10.04 KM (divided into five groups) was allotted to contractors in January 2002 at an agreement value of Rs 20.30 crore with due date of completion by March 2003. Though, Rs 17.53

crore has already been spent as of March 2008, 27 per cent work remained incomplete as of July 2008.

Scrutiny of records revealed that no test of geographical strata was carried out by the divisions and provision for dewatering was also not included in the estimate. In the absence of provision for dewatering, heavy seepage of water via the sandy strata found during digging hindered the work of groups II and III. The progress of work in WPLC was also hindered due to delay in obtaining clearance from RCD for road cutting. The Secretary attributed the delay to RCD.

The reply was not acceptable since the letter for obtaining permission from RCD was sent in May 2008, six years after the award of work (January 2002). The second head regulator to augment the capacity of canal by 8000 cusecs has been in place since 1978 despite this, the irrigation potential created in SCMP under AIBP remains un-utilised due to non completion of WPLC.



Incomplete Western Parallel Link Canal under Sone Canal Modernisation project.

3.3.9.3 Acquisition of land

Acquisition of land was only 21 per cent of target set

As per AIBP guidelines, any work of canal system should be started only after acquisition of land to ensure smooth progress of work. Scrutiny of records disclosed that in contravention of the above, in WKC the Chief Engineer submitted a demand of 4195.37 acres of land between 1997 and 2007. Of this, possession of only 883.13 acre land could be obtained as of March 2008 in WKC Project.

During the period 2003-04 to 2006-07 in seven test-checked divisions of WKC 2206.77 acres of land was requisitioned. Of this only 380.48 acre could be acquired mainly due to lack of pursuance from the department and poor response of the Special Land Acquisition Officers (SLAOs).

Thus, the slow and tardy efforts of land acquisition authorities contributed in slow progress of work, non-completion of tendered work and non-achievement of targets of irrigation potential creation.

3.3.10 Execution

In a number of cases, AIBP fund was used for ineligible and unapproved components of the project as discussed below:

3.3.10.1 Payment on Extra Work

Payment of Rs. 7.35 crore beyond the scope of approved estimate

Scrutiny of records of Executive Engineer, Western Kosi Canal Division, Khutauna during April 2008 disclosed that 107 regulators, one fall, 60 cross drainages and 37 bridges were constructed at a cost of Rs 7.35 crore with the approval of Chief Engineer Darbhanga during 2003-08. These structures were neither included in the third revised estimate (1999) nor approval for the same was obtained from CWC and MoWR resulting in payment of Rs 7.35 crore by the Division on extra item of works. Execution of these works has been banned by the Secretary (WRD). The Secretary replied that the extra structures constructed by unauthorised approval of the then Chief Engineer, Darbhanga which were not included in 3rd revised estimate.

3.3.10.2 Inclusion of new projects

AIBP guidelines also do not allow inclusion of new project without completion of previous one.

Submission of completion report without actual completion in order to include new Project

Scrutiny revealed that the Chief Engineer sent the completion report of UKRP without its actual completion (February, 2007) in order to include Bateshwarsthan project under AIBP. Gideshwar pyne which was a part of the UKRP Project remained incomplete (August 2008). The CE accepted the finding and replied that it had been done on the orders of the Secretary, WRD.

3.3.10.3 Expenditure on desiltation work

Slow implementation of desiltation work

Kosi is the second highest silt depositing river in the world. Therefore, removal of silt is a crucial part of the WKC project. AIBP guidelines, however, do not provide for expenditure on desiltation being made from AIBP fund.

In contravention to this, the tender for desiltation work (removal of one to two metre deep silt) in WKC from 0.00 RD to 86 RD was finalised on 7.3.2008 at an agreement value of Rs 12.22 crore with stipulated date of completion by 15 June 2008. Although, irrigation through the canal system was stopped in November 2007 for early completion of desiltation work, the work could actually start only in April 2008. Earth work of 7.44 M³ was completed upto October 2008 against total required earthwork of 13.86 M³. Payment of Rs 4.10 crore was made as of October 2008. Taking up desiltation work out of AIBP fund violated its guidelines.

Further, scrutiny showed that the contractor could not complete work within stipulated period for which no action was initiated. Slow implementation of desiltation work substantially reduced the water carrying capacity of the canals.

3.3.10.4 Diversion of Fund

Expenditure on Road Works

As per the AIBP guidelines, fund made available under AIBP should be used for creation/restoration of irrigation potential.

Scrutiny of records disclosed that during 2003-04 metalling of service roads (939 KM at estimate cost of Rs 200.07 crore) was included under the Sub-head 'Earthwork' in the estimate of SCMP was approved by CWC in April 2003.

Inadmissible expenditure of Rs 72.20 crore on road works by diversion of AIBP fund

Against this, Rs 72.20 crore was spent upto March 2007 on metalling of 621 KM service road (268 KM completed and 353 KM partially completed). The second revised estimate for SCMP was submitted to CWC in 2005-06 which also included these road works. However, the Secretary, WRD excluded the road works from annual works plan for 2007-08 realising its wrong inclusion. The fact of wrong inclusion was also pointed out (October 2007) by CWC while considering the second revised estimate.

Thus expenditure of Rs 72.20 crore was incurred on works (metaling of roads) which was not covered under the scope of AIBP.

Expenditure on Motor boats

WRD purchased four motor boats for surveillance during flood in 2005-06 at an expenditure of Rs 26.44 lakhs from AIBP fund though not covered under the AIBP guidelines and included in the approved estimates. It did not in any way contribute towards creation of irrigation potential also.

Blockage of fund

Unauthorised diversion of fund Rs 1.15 crore for unintended purpose

Sone Barrage Division, Indrapuri advanced Rs 1.15 crore to Bihar State Hydel Power Corporation (BSHPC) in March 2004 for facilitating smooth functioning of (4 x 1.65) MW hydel electricity production unit by constructing mechanised tilting gate (fall cum regulator gate). The work had not started (July 2008) and Rs 1.15 crore remained blocked.

3.3.11 Participatory Irrigation Management

Non formation of PIM Committees

As per Government order (1997) Participatory Irrigation Management was to be ensured through formation of Water User's Associations (WUA) and the canal system was to be handed over for operation and maintenance to these Associations as envisaged under National Water Policy. These Associations were also responsible for collection of water rent. Thirty *per cent* of water rent realised by the Association was to be deposited in government account and the rest was to be spent on operation and maintenance.

It was seen that by August 2008 no WUA except one in Khutauna was formed in WKC Project while only 13 WUAs could be formed in SCMP against the required 144.

Annual targets for revenue collection were not fixed by the divisions despite order of the department (July 2005). Rs 56.76 lakh was required to be deposited by the WUAs on realisation of water rent but only 22.48 lakh was deposited in Government account as of March 2008. Besides, Rs 10.60 lakh (Ara Division, SCMP) and Rs 1.19 lakh (Dehri division, SCMP) were unauthorisedly spent by the divisions on repair and maintenance of canals already handed over to these Associations.

3.3.12 *Monitoring*

Inadequate monitoring system

The AIBP guidelines envisage a two tier detailed monitoring mechanism, one at the state level and another at Project level. The Monitoring committee at the state level was to meet quarterly while the committee at project level was to meet every month. Reports of meetings held at project level were to be submitted to state committee. The committee members were also required to visit sites of projects at least twice in a year to monitor physical progress of the projects.

Scrutiny showed that no such committees were formed either at State or Project level. A monitoring cell at Secretariat level was in place but, its role was confined to compilation of information furnished by the divisions. There was no system to verify the authenticity of the information compiled. The Chief Engineer, Dehri conducted 48 field inspections during 2003-08 but the Chief Engineer intimated that with the limited infrastructure proper records have not been maintained. In the absence of proper records and follow up action the very purpose of conducting inspections was defeated.

Further, CWC was also responsible for monitoring progress through field visits as per AIBP guidelines but the monitoring report prepared for each year were based on the information furnished by WRD. The cases of diversion of AIBP fund in violation of guidelines indicated inadequate monitoring by CWC.

3.3.13 *Conclusion*

Despite significant investment under AIBP, utilisation of targeted irrigation potential was not achieved and potential created ranged between 20 to 65 *per cent* of available IP. The under utilisation of irrigation potential created was mainly attributable to non-construction of Sone Parallel Link Canal to feed the need of water discharge and slow and tardy implementation of incomplete work of distribution system due to non acquisition of land. Cases of diversion of fund for unintended purposes showed poor monitoring of the AIBP schemes. The unsystematic and unplanned execution of projects also marred the utilisation of irrigation potential already created. No project could be completed in four agricultural seasons as envisaged under the scheme.

3.3.14 *Recommendations*

The Government may examine and consider the following:

- Efforts need to be made towards desiltation work for optimum utilisation of irrigation potential created;

- Land acquisition should be completed in a time bound manner;
- Ensure completion of SPLC on priority basis to increase IP and its utilization;
- Ensure completion of distributaries and water courses to step up utilisation of irrigation potential;
- Comprehensive long term modalities need to be worked out for intended benefits to flow, to the targeted beneficiaries;
- The state government should provide funds for the completion of the partially constructed roads;
- Effective monitoring and evaluation system should be ensured as envisaged in the AIBP guidelines.