CHAPTER III

PERFORMANCE REVIEWS (CIVIL)

FOOD AND CIVIL SUPPLIES DEPARTMENT

3.1 Food Security, Subsidy and Management of Foodgrains

Well functioning Public Distribution System (PDS) is vital in the Government's overall food management strategy to ensure availability of foodgrains at affordable prices to the poor. The PDS in the State was however unable to ensure food security by providing foodgrains under the scheme to the targeted beneficiaries. There had been delays in distribution of ration cards to the identified BPL families; expansion in number of AAY beneficiaries had been delayed. Lack of monitoring leaves the system prone to leakages and diversions.

Highlights

No buffer stock of foodgrains was maintained by the State FCS department.

(Paragraph 3.1.6)

Due to incorrect identification of the poorest of the poor amongst the State's BPL households, the Central Government was subjected to a loss of subsidy of Rs.1.92 crore.

(Paragraph 3.1.8)

Despite claims of State Government for distributing rice of 35 kg per month per household to each AAY family in the State at the rate of Rs.3.47 per kg, survey of AAY beneficiaries indicates that 99 *per cent* were not receiving foodgrains regularly. Quantity of rice issued per month varied from 5 kg to 35 kg as against the norm of 35 kg per month per beneficiary. 43 *per cent* reported charging of rate higher than the end retail price of Rs.3.47 per kg fixed by the State Government.

(Paragraph 3.1.11)

The State Government fixed the respective end retail price for BPL and AAY rice 6 paise and 47 paise higher than the prescribed limits and overcharged the beneficiaries by Rs.3.13 crore during the period 2001-06.

(Paragraph 3.1.18)

The Department failed to pass on the benefit of reduced interest rates on the cash credit account to the beneficiaries by correspondingly reducing the prices of APL, BPL and AAY rice and thus imposed on them an extra financial burden of Rs.90.15 lakh.

(Paragraph 3.1.19)

Monitoring of PDS was ineffective leaving ample scope for leakage of foodgrains.

(Paragraphs 3.1.21, 3.1.22 & 3.1.23)

3.1.1 Introduction

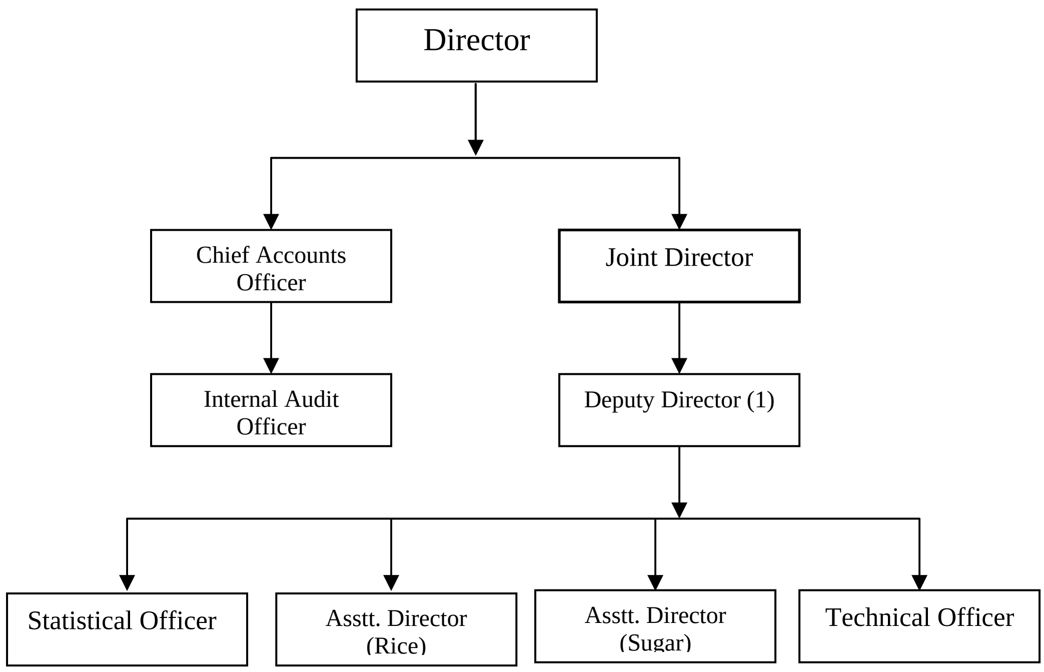
Implementation of a well targeted and properly functioning Public Distribution System (PDS) is a major component of the Government's overall food management strategy for ensuring availability of foodgrains at affordable prices and enhancing food security for the poor. The Department of Food and Civil Supplies (FCS) is the nodal Department entrusted with the management of the PDS in Manipur.

For purchase and distribution of rice under PDS, no budget allocation is made. However, the funds required for lifting of rice from the Central pool for distribution under Targeted Public Distribution System (TPDS) in the State are arranged by obtaining Cash Credit Account (CCA) amounting to Rs.4 crore from the Reserve Bank of India (RBI) through the State Bank of India, Imphal Branch at an interest rate of 9.35 *per cent* per annum. The CCA is used as a revolving fund for lifting of rice from the Central pool. The Department deposits the required amount with the Food Corporation of India (FCI), Imphal against which the monthly allocation to the State is released.

3.1.2 Organisational set up

The Commissioner, FCS is the administrative head of the Department. The Director, FCS Department, is in charge of the implementation of the PDS in the State. He is assisted by Joint Director/Deputy Directors/Assistant Directors at the Directorate level. The Deputy Commissioners are responsible for proper functioning of PDS in the districts. They are assisted by the District Supply Officers (DSOs), Assistant Directors, Civil Supply Inspectors and other ministerial staff of the Department. At the sub-division level, the SDOs are in charge of the PDS. The District Administration has to ensure proper distribution of the essential commodities through the network of Fair Price Shops (FPSs) manned by the rationing agents. These FPSs in turn sell the commodities to the beneficiaries at the prices fixed by the State Government.

The organogram of the FCS Department is given in the chart below:



3.1.3 Scope of Audit

The performance review covered the period from 2001-02 to 2005-06. It was conducted during the months of May-June 2006. There are nine districts in the State, out of which, four districts *viz*. Imphal West, Thoubal, Chandel and Ukhrul were selected for the review. Records of the Directorate of Food and Civil Supplies, Manipur and selected district offices were test checked.

3.1.4 Audit objectives

The review was conducted to assess whether:

- eligible beneficiaries were identified in a complete and correct manner as per the objectives of the scheme,
- the lifting and distribution of foodgrains under PDS was efficient and effective,
- the allotted foodgrains under the scheme were reaching the beneficiaries,
- the beneficiaries were being overcharged for foodgrains distributed under PDS,
- management of the scheme was transparent,
- monitoring of PDS in the State was effective and efficient,
- PDS has made any significant impact on the lives of the poor by ensuring food security.

3.1.5 Audit criteria

Guidelines issued by the Government of India (GOI) through PDS (Control) Order 2001 and instructions issued by the State Government for identification of targeted beneficiaries, lifting and distribution of foodgrains to such beneficiaries and monitoring of the functioning of Public Distribution System formed basis for audit criteria. The audit criteria used for assessment of performance were:

- Guiding principles prescribed by the GOI for identification of Below Poverty Line (BPL) and Antyodaya Anna Yojana (AAY) families.
- Norms prescribed by the GOI for distribution of foodgrains to the poor and other targeted groups.
- State Government orders regarding fixing periodicity of meetings of Vigilance Committees at State, district, block and FPS levels.

3.1.6 Audit methodology

The State has nine districts divided into 35 blocks. The total number of FPS in the State is 2,551. Apart from examining the records in the FCS Directorate at the State level, four districts, *viz*. Imphal West, Thoubal, Chandel and Ukhrul, 10 blocks in these districts and 40 FPSs in these blocks were randomly selected for examination.

Audit methodology employed in conducting the Performance Audit included.

- Briefing the auditee management of the objectives of the review and seeking their co-operation in conducting the study through an Entry Conference (12 August 2005).
- Issuing questionnaires, holding meetings and discussions with the auditee management to seek information, clarifications and response to audit observations.
- Conducting a beneficiary survey of randomly selected Antyodaya Anna Yojana (AAY) households to ascertain the satisfaction level as to delivery of benefits under the scheme.
- Analysis of data, documentary evidence *vis-à-vis* audit criteria to arrive at audit findings, conclusions and recommendations.
- Communicating audit findings to the auditee management through review report and presentation on the findings in the exit conference (16 November 2006).

Audit findings

Manipur is a deficit State in terms of foodgrains production. The State Government therefore does not procure foodgrains from the farmers in the State under the decentralised procurement scheme. No buffer stock is maintained by the State FCS Department. Supplies of foodgrains under PDS are obtained from FCI as per allocation made by the GOI for various categories of beneficiaries. Performance Audit was, therefore, conducted for assessing the performance of the system of lifting of foodgrains from FCI and its distribution through the network of FPSs under PDS to the targeted beneficiaries in the State.

Major audit findings are discussed below:

Identification of beneficiaries

3.1.7 Delay in expansion of Antyodaya families

The GOI launched Antyodaya Anna Yojana (AAY) in December 2000 to ensure food security for all, create a hunger free India in the next five years, and to reform and improve the PDS. Its objective was to provide food security to the poorest of the poor in rural and urban areas who were not in a position to buy foodgrains even at BPL rates. Implementation of the AAY scheme was delayed by more than one year in Manipur and could only be implemented in the State with effect from January 2002.

It was initially stipulated in AAY guidelines that 15.33 *per cent* of the BPL families would qualify to receive subsidised foodgrains under AAY. This coverage was expanded by the GOI to 23 *per cent* in June 2003 (first expansion), to 30.36 *per cent* in August 2004 (second expansion) and finally to 38.31 *per cent* (third expansion) in April 2005.

Audit examination disclosed that the Department failed to implement the first expansion and delayed implementation of the second expansion by one year *i.e.* August 2005. Third expansion of the scheme was not implemented as of March 2006. Thus there were considerable delays in identification of AAY households as shown in the table below:

Table 1

	Period				
	December 2000 to December 2001	**January 2002 to May 2003**	**June 2003 to July 2004 (1st expansion)**	**August 2004 to July 2005 (2nd expansion)**	**April 2005 to March 2006 (3rd expansion)**
No. of BPL households in the State as per GOI (in lakh)	1.66	1.66	1.66	1.66	1.66
Percentage of AAY households in BPL households	15.33	15.33	23.00	30.36	38.31
Estimated number of AAY households in the State as per GOI	25,500	25,500	38,200	50,400	63,600
AAY households identified by the State Government	Nil	25,500	25,500	25,500	50,400
Uncovered/un-identified beneficiaries	25,500 (100%)	Nil	12,700 (33.25%)	24,900 (49.40%)	13,200 (20.75%)

(Source: Departmental records)

Due to the failure of the State Administration in promptly identifying all the AAY beneficiaries and issuing ration cards in time, the intended benefits under the scheme could not reach a large section (20.75 to 49.40 *per cent*) of targeted AAY population in the State during the last three years. The Department stated that identification of AAY beneficiaries was delayed because of late submission of lists of the selected beneficiaries by the district authorities. Thus, the targeted beneficiaries were deprived of Food security in the first year and the third year.

3.1.8 Incorrect identification of AAY households

Audit examination revealed that identification of AAY beneficiaries in Manipur was done on the basis of GOI's projection of 1,66,000 BPL households in the State. Accordingly, the number of AAY households in the State was taken by the State Government as 25,500, 38,200 and 50,400 being 15.33 *per cent*, 23 *per cent* and 30.36 *per cent* of the projected households in the initial identification, first and second expansions of the AAY scheme. However, the State Government has been able to identify only 1.30 lakh households as BPL households till date. Accordingly, the actual number of households under AAY should have been revised to 39,468 after second expansion instead of 50,400 taking into account the actually identified BPL households. This led to excess identification of AAY beneficiaries to the extent of 10,932 in contravention of GOI guidelines. The State, on the basis of inflated number of AAY households in the State, lifted rice in excess and distributed it at a lower price to these ineligible households. The Central Government has therefore, sustained a subsidy loss to the extent of Rs.1.92 crore due to excess identification of poorest of the poor amongst State's BPL households. Details are shown in *Appendix 3.1*.

3.1.9 Deletion of ineligible households

Above poverty line (APL), BPL and AAY families have been issued distinct ration cards as per the GOI guidelines. As per PDS (Control) Order 2001, State Governments are required to review lists of BPL and AAY families every year for the purpose of deletion of ineligible families and inclusion of new eligible families. Test-check in four selected districts revealed that none of the districts had conducted annual review for deletion of ineligible families during the last five years.

The survey of AAY beneficiaries also revealed that 96 questionnaires constituting 4.77 *per cent* of the 2,013 questionnaires were returned undelivered by the Department of Posts with the comments "incorrect address/addressee not found" indicating that either the addresses provided by FCS Directorate were incorrect/incomplete or the list of AAY beneficiaries provided by them had fictitious names. This indicates that identification as conducted by the Department was not reliable, leaving open the possibility of passing on of the benefits of the scheme to other than the targeted beneficiaries.

The Department did not address the issue and merely stated (December 2006) "the beneficiaries are card holders of AAY". Thus due to the State Government not adhering to the procedure and the time frame laid down in the PDS (Control) Order and related instructions issued by the Central Government, the purpose of providing food security to BPL and AAY beneficiaries was defeated.

3.1.10 Ration cards not issued to all beneficiaries

In order to provide access to eligible beneficiaries to the PDS, the Government is required to identify and issue Ration Cards to all the beneficiaries. The State Government intimated the Union Ministry of Consumer Affairs and Public Distribution in March 2005 that it had issued Ration Cards to a total of 4,06,593 households including 11,110 additional cards for BPL, 24,900 for AAY and 51,593 for APL categories of beneficiaries as of March 2005. The State Government accordingly requested for a corresponding increase in allocation of foodgrains from the existing 8,505 MT to 14,231 MT per month. The district-wise position of issue of ration cards under various categories (APL, BPL and AAY) as reported by the FCS Directorate was as under:

Table 2

Category	**BPL**			**APL**			**AAY**		
Name of district	**No. of house holds (initial)**	**Additional ration cards issued**	**Total No. of house holds**	**No. of house holds (initial)**	**Additional ration cards issued**	**Total No. of house holds**	**No. of house holds (initial)**	**Additional ration cards issued**	**Total No. of house holds**
(1)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Imphal West	21,683	2,395	24,078	39,022	5,979	45,001	5,310	4,769	10,079
Imphal East	18,302	1,813	20,115	33,004	7,314	40,318	4,530	4,840	9,370
Bishnupur	10,514	1,114	11,628	18,885	2,265	21,150	2,570	2,510	5,080
Thoubal	17,293	1,837	19,130	31,087	6,509	37,596	4,290	4,121	8,341
Chandel	4,272	451	4,723	8,946	2,923	11,869	1,050	1,025	2,075
Churachandpur	9,985	1,107	11,092	17,786	5,323	23,109	2,340	2,289	4,624
Ukhrul	6,364	678	7,042	11,402	2,862	14,264	1,550	1,513	3,063
Tamenglong	4,482	477	4,959	8,012	3,258	11,270	1,090	1,065	2,155
Senapati	11,605	1,228	12,833	20,856	15,160	36,016	2,840	2773	5,613
Total:	**1,04,500**	**11,110**	**1,15,600**	**1,89,000**	**51,593**	**2,40,593**	**25,500**	**24,900**	**50,400**

Source: Departmental records

Audit check of records in four districts *viz.* Imphal West, Thoubal, Chandel and Ukhrul, however, revealed that no additional Ration Cards were issued to beneficiaries belonging to BPL and APL categories in these districts as of March 2006. Only first and second expansion of AAY scheme had taken place in these districts and Ration Cards issued to beneficiaries. Therefore, eligible BPL beneficiaries were denied access to PDS on account of non-issue of Ration Cards.

Adequate importance was thus not given for expeditious issue of Ration Cards within the prescribed time frame laid down in PDS guidelines.

3.1.11 Beneficiary survey of AAY households to assess the impact of PDS

FCS Manipur claimed to have lifted 32,030.60 MT of rice for distribution to 25,500 AAY beneficiaries in the State during the period 2002-05. At this rate, every AAY household in the State should have received the prescribed quantity of AAY rice every month.

(A) Objectives of the survey: A postal survey of AAY beneficiaries was therefore undertaken by Audit to obtain direct responses of the target group regarding implementation of the scheme and thereby ascertaining whether benefits of the scheme were actually reaching the poorest of the poor *i.e.* all beneficiaries were receiving the prescribed quantity of rice (35 kg per household per month) at the prescribed rate of Rs.3.47 per kg.

The scope, sample size and survey methodology are given in *Appendix 3.2*. A sample questionnaire is annexed as *Appendix 3.3*.

(B) Survey response: 439 beneficiary households (21.81 *per cent*) returned the questionnaires with their responses despite adverse law and order conditions, and frequent bandhs and strikes during the period of the survey. In addition, 4.77 *per cent* of the questionnaires were returned undelivered by the Department of Posts with comments — 'incorrect address/addressee not found' indicating that either the list of AAY beneficiaries provided by the Department had fictitious names which do not exist or the addresses provided by the Government were incorrect/incomplete.

(C) Survey findings: Analysis of the responses disclosed the following facts:

Overall 37 *per cent* of the beneficiary households stated that they had not been issued ration cards.

99 *per cent* of the respondents of the Survey reported that they were not receiving foodgrains (rice) regularly as per the scale prescribed in the scheme.

The survey figures indicate that beneficiaries were receiving rice once in ten months on an average during the period 2002 to 2005.

43 *per cent* of the respondents complained of being overcharged by the FPS agents. They were being charged at rates between Rs.4 and Rs.8 per kg for the AAY rice as against the prescribed end retail price of Rs.3 per kg as per PDS guidelines and Rs.3.47 per kg fixed as end retail price by the State Government.

The quantity of rice received by beneficiary households varied between 5 kg to 35 kg per month as against the prescribed norm of 35 kg per month. The average quantity of AAY rice received by beneficiaries every month worked out to only 7,352 kg. Thus the beneficiaries were deprived of 79 *per cent* of the foodgrains allocated and lifted for them under the scheme.

Of the ration card holders, 28 *per cent* stated that they had not received any rice at all during the entire period of the last four years (2002 to 2005).

Some of the general comments offered by the AAY beneficiaries in the Survey on the implementation of the scheme were (i) Irregular supply and rate difference (ii) Non implementation of the scheme in their area/village (iii) Receipt of less quantity at higher price (iv) Good scheme but not regular.

Results of the Survey indicate that though the State Government has lifted almost full quantity of 32,030.60 MT of AAY rice from FCI during the last four years, most of the beneficiaries have received little or no rice at all. Quantity of rice actually received by AAY households is much less than the prescribed quantity of 35 kg per month per household. The beneficiaries are also being charged much higher rates than the prescribed rate of Rs.3.47 per kg of rice. The survey figures also indicate that the average annual leakage of AAY foodgrains was 8,460 MT costing Rs.2.85 crore. For the entire PDS, the leakage would be enormous. Therefore, the implementation of the scheme in the State has been grossly deficient and its impact almost insignificant.

Lifting and distribution of foodgrains

3.1.12 Incorrect identification of APL beneficiaries and requirement of rice thereof

The Department lifted only 1,172.51 MT (0.75 *per cent*) of APL rice against an allocation of 1,55,452 MT during 2001-02 to 2005-06.

Audit examination disclosed that against the 1,172.51 MT of APL rice lifted during the last five years, only 280 MT (24 *per cent*) of APL rice was distributed through PDS system and the balance quantity (76 *per cent*) was utilised for relief and rehabilitation, distribution to para-military organisations, individuals, shradh ceremonies *etc*. Thus not only did the State incorrectly identify number of APL beneficiaries but also short-lifted rice and short supplied the same. This defeated the objective of distribution of APL rice under TPDS.

Against the central issue price of Rs.8.30 per kg, the State Government fixed the end retail price at Rs.8.95 per kg at fair price shops for APL rice since 2001. Since in the open market the APL rice was available at Rs.9.00 to Rs.9.50 per kg, the Department stated that the consumers naturally purchased the rice from the open market. Hence the realistic identification of APL beneficiaries, the short-lifting of APL rice against the number of APL beneficiaries (Table 2) and the end retail price vis-à-vis market price needs to be reviewed by the State Government.

3.1.13 Lack of demand for APL wheat

FCS Department, Manipur lifted only 63,208.965 MT (66.5 *per cent*) of APL wheat against an allocation of 95,047.979 MT by the GOI under TPDS for the State during the period 2001-02 to 2005-06. The State Government sub-allocated the APL wheat to 9 to 12 private stockists cum transport and handling agents with the condition that 60 *per cent* of the wheat should be converted into whole meal *atta* and the remaining 40 *per cent* should be sold as grain through FPSs or through permits issued by the FCS Directorate.

The District Authorities based on indents received from FPSs were required to place further indent on stockists through FCS Directorate for supply of APL wheat and *atta* for distribution to APL beneficiaries. Audit examination in FCS Directorate disclosed that none of the District Authorities ever placed indents on stockists for supply of APL wheat or *atta* during the five years 2001-02 to 2005-06. Thus, the purpose of lifting of APL wheat/*atta* was completely frustrated and only private stockists reaped the benefits of the scheme.

Despite rice being the staple food in Manipur and no demand being placed by district authorities for issue of APL wheat and wheat products, the FCS Directorate continued to lift APL wheat during 2002-06. Year-wise details of allocation, lifting and quantity of wheat issued to individuals, hostellers *etc*. are shown below:

Table 3

(In Metric Tonne)

Year	Allocation	Quantity lifted	Quantity distributed to individuals, hostellers *etc*.
2001-02	20,520.000	—	—
2002-03	18,450.000	9,250.000	9,250.000
2003-04	17,760.000	17,760.000	17,760.000
2004-05	17,760.000	16,724.571	16,724.571
2005-06	20,557.979	19,474.394	13,432.397
Total:	**95,047.979**	**63,208.965**	**57,166.968**

Source: Departmental records

Due to lack of demand from the DCs of the districts, FCS Department, Manipur asked the FCS Directorate to issue wheat and wheat products to individuals, hostellers, ceremonial functions, NGOs and mobile sales *etc*. The short-lifting of APL wheat indicates that the APL numbers identified (Table 2) was not realistic, and the Government should re-examine the need for continuing the scheme.

3.1.14 Non supply and irregular distribution of levy sugar

As against GOI's allotment of 1,09,727 MT of levy sugar to the State during the period from 2001-02 to 2005-06 for distribution under PDS to targeted beneficiaries (APL, BPL and AAY), para-military forces, individuals and others, the FCS Department could lift only 29,852 MT (27.2 *per cent*). Low off take of levy sugar and its low distribution under PDS deprived a large part of the beneficiaries of the availability of sugar at affordable prices. The Department has not intimated the reason for low off take of the sugar.

Further examination disclosed that the distribution of levy sugar to various categories was not as per the prescribed norms as discussed hereunder.

As per allocation of GOI, 96 *per cent* of the levy sugar was to be distributed to targeted beneficiaries under PDS and 3 *per cent* and 1 *per cent* to para-military forces and individuals respectively.

Scrutiny of records however revealed that during 2001-06 the Department deprived the PDS beneficiaries of 36 *per cent* of their share as shown below:

Table 4

Category of beneficiaries	Quantity due as per norm (MT)	Quantity issued (MT)	Excess (+)/ Less (-)
PDS beneficiaries	28,658 (96)	17,947 (60)	(-) 10,771 (36)
Para-military forces	896 (3)	1,536 (5)	(+) 640 (2)
Individuals	298 (1)	10,369 (35)	(+) 10,071 (34)
Total:	**29,852**	**29,852**	

Figures in brackets are in percentages

Audit examination also revealed that more of the levy sugar was allocated to individuals and others for ceremonies and festivals. Least priority was accorded to the targeted beneficiaries under PDS thereby violating the norms for distribution of levy sugar. No reasons for this irregular distribution were on record.

3.1.15 Non-submission of claims for reimbursement of transport charges

The FCS Department of the State Government is responsible for transporting foodgrains and levy sugar up to ten Principal Distribution Centres (PDCs) in five hill districts as well as up to district headquarters of the four valley districts of Manipur. The cost of transportation from FCS godown to PDCs of hill districts is initially to be borne by the Department and is subsequently reimbursed by the Central Government through FCI.

While submitting the reimbursement claims on fortnightly basis, the Department was to give full details with supporting documents of movement of foodgrains so that the same are verifiable and FCI would scrutinise and pass the same for payment within 10 working days. The Department should not allow their bills to accumulate and should not delay for more than a fortnight.

The claims in prescribed *proforma* must be supported by (i) Completed/Executed Release Order, (ii) delivery certificate from the depot delivering the stock, (iii) a certificate from the State Government that the stock lifted had been received at the destination (iv) road distance certificate and (v) a certificate indicating the truck numbers, payment voucher numbers and cheque number & date and amount paid.

Audit examination revealed that during 2001-02 to 2005-06, the FCS Department, incurred an expenditure of Rs.38.13 lakh towards transportation charges of foodgrains from FCS godown to PDCs (as detailed in *Appendix 3.4*) but did not prefer any claim on FCI for reimbursement till March 2006. The Department stated (June 2006) that the claim could not be raised as the District Supply Officers were yet to submit Stock Receipt Certificates. Thus due to lack of effective monitoring and follow up action during 2001-06, the Department failed to submit reimbursement claims of Rs.38.13 lakh to the Central Government (June 2006).

3.1.16 Issue of BPL rice not as per prescribed scale

The GOI fixed the scale of issue of rice to the BPL families at 20 kgs per month (April 2000 to June 2001), 25 kgs per month (July 2001 to March 2002) and 35 kgs per month (April 2002 to March 2006).

Audit examination of records in the Directorate revealed that issue of BPL rice to District agencies for distribution during April 2002 to March 2006 never achieved the prescribed monthly scale. It distributed rice to the District agencies at an average rate of 30.22 kg (April 2002 to July 2005), 21.10 kg (August 2005 to January 2006) and 14.48 kg (February 2006 to March 2006) per family per month as shown in *Appendix 3.5*.

Tamenglong was the worst affected district where the shortfall was as high as 62.22 *per cent*. The shortfall in the districts varied between 5.96 *per cent* in Ukhrul to 62.22 *per cent* in Tamenglong as shown in the *Appendix 3.6*.

Further test-check of records in the four selected districts revealed that issue of rice for distribution was much lower than the prescribed rate. The quantities issued ranged from 11.94 kg to 33.07 kg per month per household in Imphal East, 7.74 kg to 30.79 kg in Thoubal, nil to 34.00 kg in Chandel and 9.00 kg to 35.00 kg in Ukhrul (*Appendix 3.7*). In Chandel despite existence of 3247 to 3300 BPL families, no rice was issued for the period August 2005 to March 2006. Thus there was little impact of the Scheme of food security on BPL beneficiaries as neither did the State Government lift the allocated quantities of food nor distributed the prescribed quantities of foodgrains.

3.1.17 Less issue of foodgrains to AAY beneficiaries

The GOI has fixed the scale of issue of AAY rice at the rate of 35 kgs per family per month with effect from April 2002.

Audit check of records in four selected districts revealed that during 2002-05, issue of rice to district agencies for distribution to AAY families was often below the prescribed scale. The average issue per family per month varied from 15.62 kg to 34.60 kg during 2005-06 as shown below:

Table 5

Name of district	Year		No. of AAY families	Quantity issued to district agencies as per district account (In quintal)	Prescribed scale	Average issue per family per month (In kg)
Imphal West	2002-05		5,310	67,338.18	35	35.23
	2005-06	4/2005 to 7/2005	5,310	4,340.46	35	20.43
		8/2005 to 3/2006	10,079	17,929.92	35	22.24
Thoubal	2002-05		4,220	52,389.75	35	34.49
	2005-06	4/2005 to 7/2005	4,220	5,781.34	35	34.25
		8/2005 to 3/2006	8,341	16,685.09	35	25.00
Chandel	2002-05		1,050	12,742.00	35	33.70
	2005-06	4/2005 to 7/2005	1,050	1,472.00	35	35.05
		8/2005 to 3/2006	2,075	2,593.60	35	15.62
Ukhrul	2002-05		1,550	19,556.00	35	35.00
	2005-06	4/2005 to 7/2005	1,550	1,692.00	35	27.29
		8/2005 to 3/2006	3,063	8,478.00	35	34.60

Source: Departmental records

Though the Imphal West district account showed issue of AAY rice at prescribed scale of 35 kg per family per month in the district during 2002-05, cross verification with block/constituency level accounts maintained in the district for the period from August 2003 to March 2005 disclosed that only 24.63 kg to 32 kg of rice per family per month was issued to blocks/constituencies indicating possible leakages of 374.852 MT valuing Rs.12.63 lakh in the distribution system at the district level. Block-wise details for Imphal West district of possible leakages in distribution system are shown below:

Table 6

Name of block	Number of beneficiaries	Period of distribution	Requirement as per prescribed scale of 35 kgs per month per household	Quantity issued during the period	Shortfall in quantity issued	Average issue of rice per household
			(In MT)			
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Haorang Sabal	1,780	August 2003 to March 2004	498.400	458.099	40.301	32.17
	1,780	April 2004 to March 2005	747.600	526.118	221.482	24.63
Wangoi	1,690	August 2003 to March 2004	473.200	420.649	52.551	31.11
	1,690	April 2004 to March 2005	709.800	649.282	60.518	32.02
Total:			**2429.000**	**2054.148**	**374.852**	

Source: Departmental records

The AAY beneficiary survey conducted by Audit also disclosed that the percentage of beneficiaries getting no benefit was high. Thus there was little impact of the scheme of food security on AAY beneficiaries as not only did the State short-lift foodgrains against allocation, it short supplied the stipulated quantities, thus defeating the purpose of providing food security. The findings are discussed in Para 3.1.11.

3.1.18 Overcharging of foodgrains distributed to the targeted groups

According to GOI's instructions, the end retail price of AAY rice should not exceed Rs.3 per kg. Ignoring these instructions, the State Government fixed a rate of Rs.3.47 per kg for AAY rice in the State. Thus, instead of providing subsidised rice, the Government put extra financial burden on the poorest of the poor by increasing the end retail price by 47 paise per kg. The total overcharging of AAY beneficiaries worked out to Rs.2.16 crore for 45,983.318 MT of AAY rice issued during 2001-02 to 2005-06. The Government kept Rs.2.16 crore in the revolving fund. Thus the purpose of giving concessional rice to the AAY beneficiaries as stipulated by GOI was defeated.

Similarly, the State Government was to keep the end retail price of BPL rice at not more than 50 paisa per kg over the central issue price of Rs.5.65 per kg. However, the State Government fixed it at Rs.6.21 per kg of rice, 6 paisa per kg higher than the prescribed limit. This resulted in overcharging the BPL beneficiaries by Rs.97.18 lakh during 2001-02 to 2005-06 for 1,61,959.024 MT of rice issued for this category. Details are shown in *Appendix 3.8*. The overcharging of rice distributed under BPL and AAY categories defeats the very purpose of providing foodgrains to the poorest of the poor at affordable prices.

The survey of AAY beneficiaries also disclosed that a majority of them were being issued rice at exorbitantly higher rates ranging from Rs.4 to Rs.8 per kg. Details are discussed in Para 3.1.11.

3.1.19 Failure to pass on benefit of lower interest rate to the beneficiaries

The FCS Department was to pass on the interest servicing burden of operating CCA obtained from RBI to the beneficiaries as part of pricing of APL, BPL and AAY rice. It was observed in Audit that the RBI progressively reduced the interest charged on operation of CCA from 12.34 *per cent* to 9.35 *per cent* per annum over the past five years. However, the Department failed to pass on the benefit of reduced interest rates to the beneficiaries by correspondingly reducing the prices of APL, BPL and AAY rice thereby frustrating the objective of providing rice to beneficiaries at more affordable rates. The extra financial burden imposed on the beneficiaries on this account works out to Rs.90.15 lakh. Details are shown in *Appendix 3.9*. Thus the purpose of providing foodgrains to the targeted groups at affordable prices was defeated as Rs.90.15 lakh was kept in revolving fund by the Government.

3.1.20 Non-maintenance of records by FPS agents

According to Public Distribution System Control Order 2001, FPS agents are required to maintain records of ration card holders, stock registers of the foodgrains sold, display information on notice boards about entitlement of essential commodities, scale of issue, retail issue price, timings of opening and closing of the shop, stock of commodities *etc*.

However Audit examination in the selected districts revealed that the FPS agents

- did not maintain any records relating to ration card holders;
- did not maintain stock registers and sale registers. It was therefore, impossible to verify actual quantity of foodgrains sold and the actual rates charged by the FPS agent;
- did not display any information on availability of stock, issue price, number of beneficiaries *etc*.

Monitoring of PDS

3.1.21 Non-implementation of Vigilance committee mechanism

According to PDS (Control) Order 2001, meetings of the Vigilance Committees on the PDS at the State, District, Block and FPS level are required to be held on a regular basis for monitoring the public distribution system including the functioning of fair price shops. The dates and periodicity of meetings are to be notified by the State Government. However, the periodicity shall not be less than one meeting per quarter at all levels.

Audit examination disclosed that the monitoring mechanism envisaged in the PDS (Control) Order has not been established. No committees have been constituted at State and District levels. In the four selected districts, no meetings of Vigilance Committees were held at any of the levels during the period from 2001-02 to 2005-06. Thus, the monitoring system was deficient leaving ample scope for leakage and diversion of foodgrains.

3.1.22 Non-implementation of Computerised monitoring system

PDS (Control) Order issued by the Ministry of Consumer Affairs, Food and Public Distribution Department in August 2001 requires the State Governments to ensure monitoring of PDS at the FPS level through the computer network of the NIC installed in the District NIC centres. For this purpose, each FPS in the district was to be assigned computerised codes to facilitate automation and monitoring.

Till March 2006 FCS Department, Manipur did not procure and install any computer hardware/software at State/District/Block level for monitoring purposes.

3.1.23 Absence of surprise checks and monitoring over the functioning of FPS

No reports of surprise check were made available to Audit. However, district level authorities of the selected districts stated that surprise checking and monitoring over the functioning of FPS agents were done only on complaints received from the consumers. This indicates that the Department did not conduct surprise checks regularly.

3.1.24 Conclusion

The PDS in the State lacked ability to distribute foodgrains to the targeted beneficiaries as per the scale, rates, quantity and periodicity prescribed by the GOI. There have been delays in distribution of ration cards to identified BPL families. Expansion in number of AAY beneficiaries has been delayed. The poorest of the poor and people below poverty line are purchasing foodgrains at rates higher than the prescribed rates despite huge allocation from GOI through the FCI every year for distribution to target groups at subsidised rates. There is lack of monitoring of the system, which leaves scope of leakages and diversions in the PDS.

3.1.25 Recommendations

- PDS system needs revamping with proper management controls.
- Identification of AAY households should be reviewed with reference to actual BPL households identified by the State Government.
- Monitoring of PDS system at various levels should be strengthened. Computerised monitoring system should be introduced immediately. Fictitious ration cards should be weeded with after proper verification. Vigilance Committees should be constituted and their meetings regularly held. Stocks should be physically verified quarterly.
- FPS agents may be instructed to maintain prescribed records showing foodgrains distributed to beneficiaries regularly at prescribed scale and approved rates with no diversion.
- In view of lack of demand for APL wheat and rice, continuance of scheme for supply of these foodgrains through PDS system in the State should be re-examined.

- The implementation of PDS should be reviewed to ensure that the benefits of the scheme reach the intended beneficiaries and leakages are plugged. Results should be publicised while giving publicity to the PDS.
- The FCS, FPS, PDS should display information as required under the Right to Information Act.

POWER DEPARTMENT

3.2 ENERGY MANAGEMENT

The performance review of the functioning of the Power Department during 2001-06 revealed that the Department had not been able to meet the local demand by ensuring sufficient power supply to all. There were enormous transmission and distribution losses. The financial management was poor and revenue collection dismal. Power reforms remain stalled. Cent per cent rural electrification was still to be achieved. Material and Manpower management suffered from lack of oversight.

Highlights

The operational efficiency of heavy fuel based Power Project was very low resulting in loss to Government amounting to Rs.1.22 crore.

(Paragraph 3.2.7)

The Department failed to clear its liabilities for payment of outstanding dues for power purchase and the liabilities stood at Rs.519.80 crore.

(Paragraph 3.2.10)

The Department purchased Static CT operated Trivector meters prior to finalisation of project report leading to blocking of Government money amounting to Rs.2.72 crore.

(Paragraph 3.2.22 (B))

Recovery of an advance of Rs.13.78 lakh to a supplier for purchase of 745 kilometres of ACSR (weasel) without bank guarantee has become bleak.

(Paragraph 3.2.23 (A))

Failure to pay balance amount of an advance of Rs.0.71 crore led to closure of the contract for erection and stringing of 33 KV double circuit line from Leimakhong to Iroisemba.

(Paragraph 3.2.25)

3.2.1 Introduction

Availability of sufficient, reliable and quality power supply are cornerstones of sustained economic growth. These require efficient and effective management of generation, transmission and distribution of energy. The Electricity Act 2003, the National Electricity Policy, and the power reforms envisaged under Accelerated Power Development and Reforms Programme

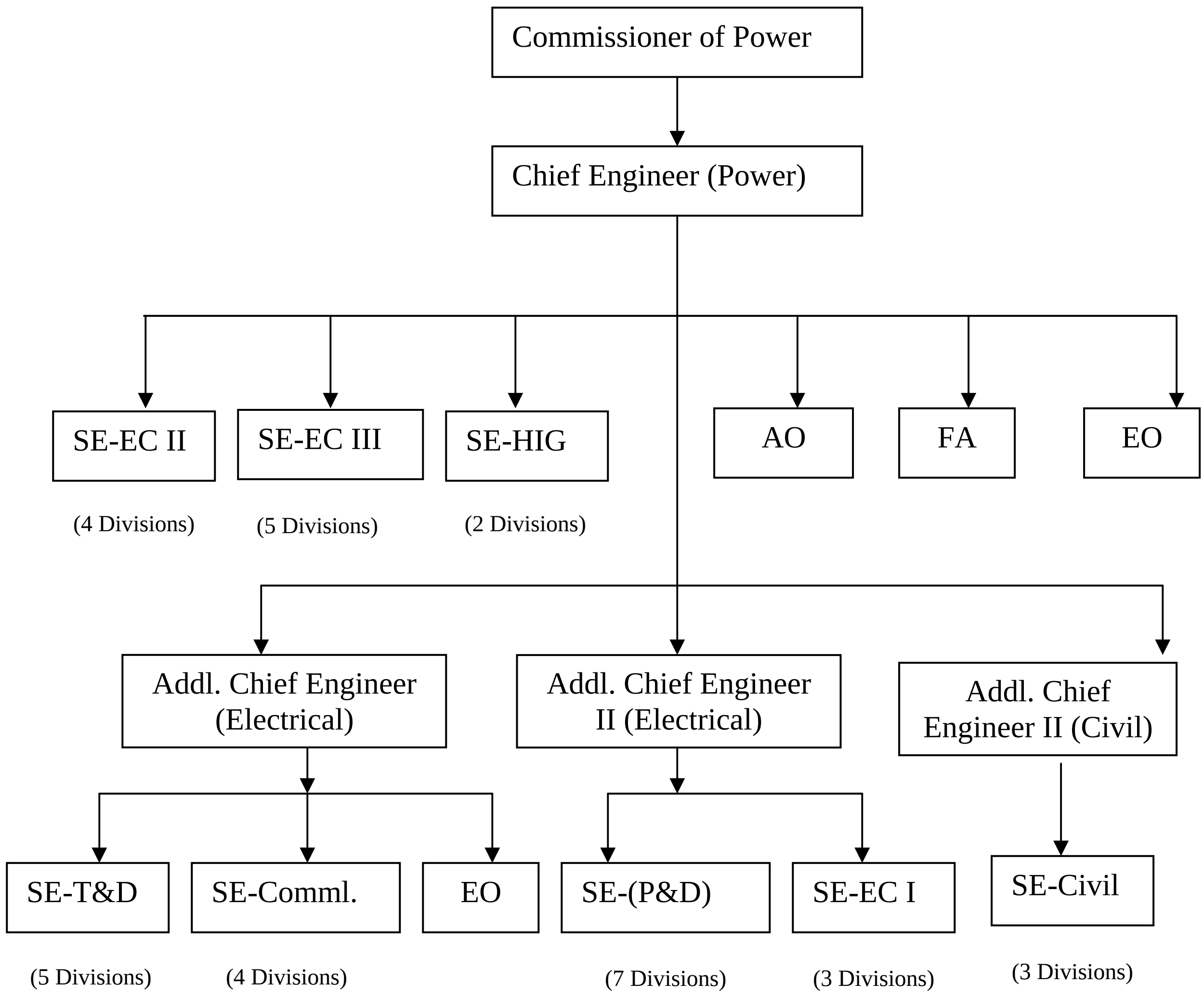
(APDRP) lay down guidelines and action plan for a complete overhaul of the functioning of State Power Utilities. The State entered into a Memorandum of Agreement (MOA) with the Union Government committing itself to a time bound reforms package.

The Department of Power (DOP) is responsible for efficient management of energy in the State. It is also responsible for planning and execution of the reforms package and constituent APDRP projects in the State.

3.2.2 Organisational set-up

The Commissioner of Power is the administrative head of the Department. The Chief Engineer (Power) is the executive and technical head of the Department. He also functions as the Electrical Inspector of the State as provided for in the Electricity Act. He is assisted by three Additional Chief Engineers, eight Superintending Engineers on technical matters and one Financial Advisor. There are 33 Divisions under eight circles including five Transmission Divisions, all headed by Executive Engineers.

The organisational set-up of the DOP is given below:



SE-EC—	Superintending Engineer (Electrical Circle)
SE-HIG—	Superintending Engineer (Hydel Investigation & Generation)
SE-T&D—	Superintending Engineer (Transmission & Distribution)
SE-Comml—	Superintending Engineer (Commercial)
SE (P&D)—	Superintending Engineer (Planning & Design)
AO—	Administrative Officer
FA–	Financial Advisor
EO–	Engineering Officer

3.2.3 Scope of audit

The performance review of energy management covered the period from 2001-02 to 2005-06. It focused upon generation and purchase of energy and its transmission and distribution in the State and overall management and performance of the Power Department. For this purpose, a test check of records was carried out in the offices of the Chief Engineer (Power), five Superintending Engineers, five Revenue Divisions, two Store Divisions, one Generation Division, two Transmission and Construction Divisions and two Sub-station Construction Divisions during April to July 2006.

3.2.4 Audit objectives

Audit objectives were to assess whether:

- the Department has been able to bridge the demand and supply gap in the State.
- the Department has taken concrete steps to reduce the crippling transmission and distribution losses to permissible levels.
- the material management practices adopted by the Department were economic and efficient.
- the rural electrification in the State is progressing as per schedule.
- the power reforms under APDRP are on track.

3.2.5 Audit criteria

The performance of the Power Department was assessed *vis-à-vis* the objectives of the National Electricity Policy, the Central and State Electricity Acts and the objectives and targets set out as part of the ongoing power reforms at the national level to which the State is a signatory.

3.2.6 Audit methodology

The audit methodology included:

- Briefing the auditee management of the objectives of the review and seeking their cooperation in conducting the Audit through an entry conference (19 April 2006).
- Collecting data and documentary evidence by scrutiny of departmental files and records maintained by the Power Department, and the various Electrical divisions in the State.
- Issuing questionnaires, holding meetings and discussions with the auditee management to seek information, clarifications and response to audit observations.
- Analysis of data and documentary evidence to arrive at audit findings, conclusions and recommendations.
- Communicating audit findings to the auditee management through review report and a presentation on the findings in the exit conference (18 November 2006).

Audit findings

3.2.7 Inadequate generation and supply of power

The number of consumers in the State increased from 1,64,034 in 2001-02 to 1,74,334 in 2005-06. During the same period, the demand for energy increased from 643 MU[1] (2001-02) to 857 MU (2005-06). The State however could not generate even one *per cent* of its total energy requirement. To meet the gap between demand and supply, the State depends primarily on power allocated from Central Sector Projects in the North-Eastern Region. During the period 2001-06, the power purchased from the Central Power Plants rose from 379.5550 MU to 520.9862 MU. The demand outstripped the supply by 31 to 41 *per cent* during 2001-2006 as shown in *Appendix 3.10.*

To address the power shortages, the Department had taken up in 1997-98, a Heavy Fuel based Power Project (6x6 MW) at Leimakhong. The project was completed at a total cost of Rs.125.38 crore and commissioned in October 2002. Audit scrutiny revealed that during its four years of operation from 2002-03 to 2005-06, the project could generate only 9.756 MU[2] incurring a total expenditure of Rs.4.29 crore. As per the Project Report, the sale tariff of this power plant was assumed to be Rs.3.15 per KWH[3] for the first year of operation. For the next four years, the average sale tariff was worked out to be Rs.3.08 per KWH. It was stated that due to energy deficit in the State, the plant would run at a higher plant load factor bringing down the fixed costs and sale tariff considerably. However, audit examination has revealed that the generation cost had ranged from Rs.3.45 to Rs.7.48 per unit during the period under review. The hike in cost of generation was due to price hike in fuel, additives and spares, and increased labour cost. Given the existing average power tariff of Rs.3.15 per unit, the loss to the Government on account of poor operational efficiency of the power project alone worked out to Rs.1.22 crore during the period from 2002-03 to 2005-06. (*Appendix 3.11)*

Besides, only one hydel project at Leimakhong Stage I with installed capacity of 2x0.300 MW is in operation to supplement power generation in the State. Other four projects at Leimakhong Stage II, Nungshangkhong, Lokchao and Gelnel Stage I were shut down before 2001-02 due to paucity of funds and poor yield.

It was discernible that negligible domestic power generation combined with high generation cost had increased the State's dependence on external power sources over the period under review.

[1] MW means Megawatt, a unit of power. It is equal to one thousand Kilowatts
[2] MU stands for Million Units.
[3] KWH stands for Kilowatt - Hour.

Financial management

3.2.8 Persistent savings and higher expenditure at the end of the year

Audit examined the financial outlay and expenditure of the Department for the past five years 2001-02 to 2005-06. The total budget allocation and expenditure of the Department during these years were as follows:

Table 1

(Rupees in crore)

Year	Budget allocation	Expenditure	Savings (–)	Percentage of savings
2001-02	159.55	118.11	(-) 41.44	26
2002-03	203.43	104.65	(-) 98.78	49
2003-04	382.47	137.42	(-) 245.05	64
2004-05	206.52	172.68	(-) 33.84	16
2005-06	304.49	219.98	(-) 84.51	28
Total	**1256.46**	**752.84**	**(-) 503.62**	

Source: Departmental records

Availability of funds was not a constraint to the working of the Department whether to control T&D losses or to make payments to suppliers of power to the State. The analysis revealed that there were persistent savings in all the five years. The extent of savings ranged between 16 to 64 *per cent* which indicated that budget allocation was not justified and based on inflated estimates. Reasons for savings were not furnished to audit.

3.2.9 Large revenue deficit in power sector

Audit examination revealed that the Power Department had a persistent revenue deficit all through the period 2001-05. Its inability to meet its current expenditure out of its current revenue was a significant factor in overall revenue deficit in the State. The position of revenue deficit in the Power Department *vis-à-vis* deficit in the State over these years were as follows:

Table 2

(Rupees in crore)

Year	Revenue deficit(-)/ Surplus (+) of the State	Revenue deficit(-) of the Power Department	Percentage of revenue deficit(-) of Power Department to that of the State
2001-02	(-) 161.18	(-) 78.86	48.93
2002-03	(-) 87.12	(-) 42.18	48.42
2003-04	(-) 43.75*	(-) 64.74	147.98
2004-05	(+) 91.57	(-) 71.38	—
2005-06	(+) 404.44	(-) 143.41	—

Source: Finance Accounts

This analysis reveals that in 2003-04, the revenue deficit of the Department was 148 *per cent* of the overall revenue deficit of the State. The State had a revenue surplus of Rs.91.57 crore and Rs.404.44 crore during 2004-05 and

* The revenue deficit (Rs.64.74 crore) of Power Department had been offset by revenue surplus of other departments to some extent and therefore the overall revenue deficit of the State was lower than that of the Power Department.

2005-06. These could have been higher had it not been offset by the revenue deficit of the Power department.

The main reasons for the large revenue deficit in the Department were abnormal T&D losses, non-providing of electricity meters for correct billing and low revenue collections against the revenue billed/collectable. Thus, the revenue deficit heavily affected the overall performance of the Department in all areas of its activities.

3.2.10 Huge outstanding liabilities

There was an outstanding balance of Rs.519.80 crore yet to be cleared on account of purchase of power by the end of March 2006. The year-wise details of outstanding bills are as follows:

Table 3

(Rupees in crore)

Name of the Agencies	2001-02	2002-03	2003-04	2004-05	2005-06	Total
PGCIL[4]	40.78	43.62	12.04	17.02	5.78	119.24
NHPC[5]	4.90	8.94	16.75	16.67	7.13	54.39
NEEPCO[6]	122.53	14.26	57.02	87.92	48.50	330.23
ASEB[7]	3.58	2.82	3.18	3.18	3.18	15.94
Total:	**171.79**	**69.64**	**88.99**	**124.79**	**64.59**	**519.80**

Source: Departmental records

Audit examination revealed that the Department had failed to clear these liabilities for very long periods due to funds constraint due to non-recovery as pointed out in Para 3.2.15, 3.2.18, 3.2.19 and 3.2.20, resulting in further financial burden to the Government. Its present and future resources were committed towards discharging present liabilities. The resultant paucity of funds also contributed significantly towards negligible development of Power sector in the State.

3.2.11 Loss incurred on account of belated payment of power purchase bills

The Department purchased power from Central Sector power projects in the North Eastern Region and other Eastern States' power utilities to meet the gap between local demand and power supplied from its own power plants. As per the terms and conditions laid down in the Power Purchase Agreements (PPAs), if the energy charges were paid within due dates, rebate of one *per cent* is allowed to the Department. Further, interest/surcharge at the prescribed rate is levied for delayed payments.

Audit examination revealed that during the period from 2002-03 to 2004-05 the Department paid an amount of Rs.18.77 crore as surcharge to the NEEPCO alone for belated payment of energy charges as detailed below:

[4] Power Grid Corporation of India.
[5] National Hydel Project Corporation
[6] North Eastern Electrical Power Corporation
[7] Assam State Electricity Board

Table 4

(Rupees in crore)

Year	Energy purchased in MU	Amount payable	Amount paid	Surcharge paid
2002-03	314.5595	48.12	27.03	0.96
2003-04	333.9158	65.23	31.24	6.05
2004-05	455.4285	85.07	54.13	11.76
Total				**18.77**

Source: Departmental records

While the due date of payment was 60 days from the date of billing, the delays ranged from 33 days to 195 days as shown below:

Table 5

Date of billing	Due date	Date of payment	Delay in days
19.5.2002	18.8.2002	20.9.2002	33
16.7.2002	14.9.2002	27.3.2003	193
12.6.2003	11.8.2003	22.10.2003	72
12.7.2003	10.9.2003	23.3.2004	195
20.5.2004	19.7.2004	28.9.2004	71
18.6.2004	17.82004	2.11.2004	77
14.7.2004	12.9.2004	2.3.2005	171

Source: Departmental records

Thus, Department's failure to pay the power purchase bills pertaining to NEEPCO led to an avoidable expenditure of Rs.18.77 crore.

3.2.12 Deductions in normal Central Assistance by the Central Government

Audit scrutiny revealed that during 2005-06, the Department of Expenditure, Union Ministry of Finance, GOI deducted Rs.27.62 crore directly from the normal Central Assistance for the State in the Annual Plan 2005-06 as the State Government was unable to clear the outstanding energy bills of various power supplying corporations and released the funds to National Hydel Project Corporation (NHPC) (Rs.5.47 crore), North Eastern Electrical Power Corporation (NEEPCO) (Rs.17.03 crore) and Power Grid Corporation of India Limited (PGCIL) (Rs.5.12 crore). As a result, of the Governments' failure to recover charges from consumers as well as control T&D losses and its inability to pay the suppliers the State has lost substantial plan assistance (Rs.27.62 crore) aggravating its already precarious financial position.

Transmission and Distribution losses

3.2.13 Unacceptably high Transmission and Distribution losses

Audit examination revealed that the Transmission & Distribution (T&D) losses during 2001-02 to 2005-06 ranged from 62.33 *per cent* to 68.19 *per cent*, significantly higher than the prescribed norm of 15.5 *per cent* laid down by the Central Electricity Authority (CEA). The year wise details of T&D losses in the State are depicted in the Table below:

Table 6

(In million units)

Item	2001-02	2002-03	2003-04	2004-05	2005-06
Total energy available from purchase and generation	447.94	496.40	494.79	507.62	591.04
Energy sold	168.72	166.86	165.38	176.60	188.00
Loss in Transmission and Distribution	279.22	329.54	329.41	331.02	403.04
Percentage of T&D losses	**62.33**	**66.39**	**66.58**	**65.21**	**68.19**

Source: Departmental records

The total losses in excess of permissible limit during the five years ending 31 March 2006 aggregated to 1278.88 MU with overall financial implication of Rs.259.80 crore. The annual average loss to the Department worked out to Rs.51.96 crore per year as detailed in *Appendix 3.12.*

The Department stated (April 2005) that the main reason for such abnormal T&D losses was rampant theft of energy by authorized as well as unauthorized consumers. Despite this services concern the Department failed to address the issue as no offender has been prosecuted in the State nor has any serious initiative been taken to minimise the crippling T&D losses.

As per the Memorandum of Agreement (MOA) signed on 26 July, 2004 with the Ministry of Power, GOI, the State Government had to initiate concrete steps to reduce T&D losses to the level of 20 *per cent* by 2007. But the above analysis indicates that the losses have instead increased from 62.33 *per cent* in 2001-02 to 68.19 *per cent* in 2005-06 showing the dismal performance of the State Government in reducing T&D loss. Till effective steps are taken by the Department the position of T&D losses will only deteriorate further.

3.2.14 Not providing meters and not replacing defective meters

The State Government had to complete 100 *per cent* metering and billing of all consumers by 2003. But the same could not be completed due to the tardy progress of implementing power sector reforms.

According to the departmental records, the position of providing meters to consumers was as follows:

Table 7

Year	Number of Consumers				Percentage of defective and without meters
	Total	With meters	With defective meters	Without meters	
2001-02	1,64,034	1,28,457	32,144	35,577	41
2002-03	1,68,769	1,50,913	30,113	17,856	28
2003-04	1,68,769	1,50,913	30,113	17,856	28
2004-05	1,71,263	1,57,332	25,353	13,931	23
2005-06	1,74,334	1,59,859	25,232	14,475	23

Source: Departmental records

The above analysis indicated that as on 31 March 2006, 23 *per cent* of the total consumers had not been provided with working meters for correct billing. On account of Departments failure to complete 100 *per cent* metering and billing it was unable to control distribution losses and increases its revenue collection from consumers. In fact arrears in payment to suppliers kept accumulating.

3.2.15 Charging unmetered consumers at flat rates

Audit scrutiny also revealed that the Department is billing consumers with no meter or defective meter at a flat rate ranging from Rs.208 to Rs.678 per month per consumer since August 2002 despite the fact that the Department was paying higher rate per unit as brought out in Para 3.2.18 and also the fact that demand for energy increased from 643 MW (2001-02) to 857 MW (2005-06). Whether these rates are sufficient to cover energy consumption was not ascertainable as no information was forthcoming from the Department regarding the basis for fixing of flat rates despite audit query.

3.2.16 Non-initiation of codified action

Under Section 135 of the Electricity Act, 2003, theft of energy/electricity is punishable offence. Section 152 of the Act also provides that in the case of any consumer or person who committed or who is reasonably suspected of having committed an offence of theft of electricity punishable under this Act, such offence cases can be compounded on realization of the compounding fee as prescribed on the nature starting with a minimum of Rs.4,000. Thus, by invoking these provisions, the Department could have realised sufficient revenue as compounding fee. Besides, it would have had a deterring effect on prospective offenders.

Examination of records of Imphal Electrical Division-II disclosed that the Division had disconnected 289 unauthorised consumers residing in the Government quarters in Game village, Imphal. The report of disconnection was submitted between 2003 and 2004 by the Lamphel Sub-Division No. II. No offence case was drawn against the offenders (unauthorised consumers) and no fine was imposed for theft of energy. The Division also failed to enforce the codal provision providing for compounding of the offence case on realisation of minimum fee of Rs.4,000 from the offenders. This resulted in non-realisation of revenue of Rs.11.56 lakh (= 289 x Rs.4,000).

It is obvious that by not resorting to penal action provided under Electricity Act, the Department had failed to exercise its powers in curbing distribution losses.

3.2.17 Rush of expenditure

Audit examination also revealed that expenditure during the month of March each year varied from 12.94 *per cent* to 32.33 *per cent* of the total expenditure of the year during 2001-06. Rush of expenditure particularly in closing months of the financial year is regarded as a breach of financial regularity. The details are as follows:

Table 8

(Rupees in crore)

Year	Budget allocation	Total expenditure	Expenditure during March	Percentage of March expenditure to total expenditure
2001-02	159.55	118.11	15.28	12.94
2002-03	203.43	104.65	33.83	32.33
2003-04	382.47	137.42	41.68	30.33
2004-05	206.52	172.68	43.94	25.45
2005-06	304.49	219.98	31.67	14.40

Source: Departmental records

Availability of funds for improving power situation in the State was not a constraint to the Department. Though the Budget allocation increased from Rs.159.55 crore in 2001-02 to Rs.304.49 crore in 2005-06, the Departments failure to follow prudent financial management norms in formulating its budget resulted in persistent savings. The expenditure pattern was also not in accordance with financial norms.

3.2.18 Uneconomical power tariff and loss thereof

The State has not revised its power tariff during the last four years even though the cost of generation and procurement of power has gone up significantly. During the period from 2002-03 to 2005-06, the total expenditure towards power supply including maintenance, staff salary and other ancillary expenditure and cost of supply per unit worked out as follows :

Table 9

Year	Total expenditure	Energy available for sale	Cost of power supply per unit
2002-03	Rs.167.73 crore	355.1708 MU	Rs.4.72
2003-04	Rs.190.56 crore	341.1247 MU	Rs.5.58
2004-05	Rs.214.12 crore	376.9835 MU	Rs.5.68
2005-06	Rs.219.99 crore	589.9479 MU	Rs.3.73

Source: Departmental records

As against these, the Department fixed the tariff at Rs.3.15 per unit in August 2002. No revision in tariff has since been made to make up for the gap. Due to this imbalance, the Department had to suffer a loss of Rs.121.75 crore as shown in the *Appendix 3.13.*

3.2.19 Failure to achieve revenue collection target

The Department had persistently failed to achieve the targets for revenue collection in the past five years (2001-06). It collected Rs.195.08 crore against a target of Rs.280.89 crore. Year-wise details were as under*:*

Table 10

(Rupees in lakh)

Year	Targets			Collection			Shortfall		
	Tax Revenue	Non-Tax Revenue	Total Revenue (Tax+N.T.)	Tax Revenue	Non-Tax Revenue	Total Revenue collection	Tax	Non-Tax	Total
2001-02	420.00	3400.00	3820.00	216.10	1847.16	2063.26	203.90	1552.84	1756.74
2002-03	256.00	3500.00	3756.00	0.20	3552.68	3552.88	255.80	(+)52.68	203.12
2003-04	289.00	5500.00	5789.00	49.12	3170.68	3219.80	239.88	2329.32	2569.20
2004-05	112.00	6000.00	6112.00	40.35	5762.85	5803.20	71.65	237.15	308.80
2005-06	112.00	8500.00	8612.00	27.22	4841.87	4869.09	84.78	3658.13	3742.91
Total :	**1189.00**	**26900.00**	**28089.00**	**332.99**	**19175.24**	**19508.23**	**856.01**	**7724.76**	**8580.77**

The failure to achieve targets in revenue collection had adverse impact on the overall performance of the Department.

There was also significant under-performance in realising current revenue. Year-wise energy sold and revenue collected from their sale were as under:

Table 11

(Rupees in crore)

Year	Energy sold in MU	Revenue collectible (Tariff= Rs.3.15 p.u[8])	Revenue collected	Shortfall
2002-03	165.645	52.18	35.09	17.09
2003-04	165.382	52.09	28.45	23.64
2004-05	176.597	55.63	26.15	29.48
2005-06	188.002	59.22	48.27	10.95
Total :	**695.626**	**219.12**	**137.96**	**81.16**

Source: Departmental records

Above analysis revealed that against a collectible amount of Rs.219.12 crore only Rs.137.96 crore was collected. Thereby, an amount of Rs.81.16 crore (37 *per cent*) had been left unrealized during these four years. Further, the collection declined from Rs.35.09 crore in 2002-03 to Rs.26.15 crore in 2004-05 despite the sale going up from 165.645 MU in 2002-03 to 176.597 in 2004-05.

Reasons for shortfall in collection were not made available to Audit.

3.2.20 Outstanding Revenue

As per the provision of the Electricity Act 2003, where any consumer neglects to pay the charges of energy due in respect of energy supplied to him, such charges shall be recovered by suit after giving 15 days' clear notice in writing.

The outstanding dues from different categories of consumers at the end of the last five years (2001-02 to 2005-06) were as under:

[8] Average tariff.

Table 12

Sl. No.	Category of consumers	Outstanding as on (Rupees in lakh)				
		31.3.02	**31.3.03**	**31.3.04**	**31.3.05**	**31.3.06**
1.	State Government	2,082.84	1,594.09	2,142.86	2,184.22	2,703.42
2.	Semi Government	358.44	337.67	486.67	523.81	522.20
3.	Banks	–	0.23	0.44	0.45	0.31
4.	Central Government	608.01	88.26	104.02	121.36	208.86
5.	Co-operative	2.81	2.90	6.02	8.73	7.19
6.	Private	4,197.25	6,302.05	7,502.67	10,392.72	12,378.00
	Total	**7,249.35**	**8,325.20**	**10,242.68**	**13,231.29**	**15,819.98**

Source: Departmental records

The above table showed that out of the total outstanding amount of Rs.158.20 crore in March 2006, an amount of Rs.123.78 crore (78 *per cent*) was to be realised from the private consumers. This was mainly because of not taking effective measures to realise the outstanding dues and it strongly indicates the Department's failure to initiate action for recovery as per rules.

3.2.21 Loss due to inaction of the Department

The Department failed to act sternly, in exercising its powers under Electricity Act to bring offenders to book, resulting in significant loss of revenue as brought out during audit examination of selected Divisions as below.

(A) Schedule of tariff of the Power Department provides that the bill for consumption of energy is to be paid in full within the due date as mentioned in the bill, and in case of failure to pay the bill within the due date, 'two *per cent*' surcharge is to be levied for each 30 days of the successive period of default or part thereof.

Scrutiny of records of Imphal Electrical Division II disclosed that a sum of Rs.9.78 lakh (arrear on the date of vacation of the quarters: Rs.6.06 lakh, and accumulated surcharge @ 2 *per cent* per month: Rs.3.72 lakh) had been left unrealised as on 31 March 2006 from eleven consumers even after they had vacated Government quarters.

No action has been taken to recover the unrealised amount till date (July 2006).

(B) The Electricity Act, 2003 provides that if any person neglects to pay charges for electricity, the authority shall disconnect the supply line and recover such charges by suit after giving 15 days' notice in writing.

Records of the Imphal Electrical Division-II disclosed that 11,310 consumers had defaulted in making payment of energy charges for more than six months as on 31 March 2006 with outstanding amount of Rs.14.76 crore as detailed below:

Table 13

Name of the Sub-Division	Number of defaulting consumers	Amount in arrear (Rupees in crore)
Sub-Division No.-I	3159	3.96
Sub-Division No.-II	2328	2.08
Takyel	3065	3.42
Kwakeithel	2758	5.30
Total :	**11310**	**14.76**

Source: Departmental records

Despite non-payment of energy bills for a period more than six months by the consumers, their service lines had not been disconnected by the Department (July 2006). There were no recorded reasons for non-initiation of legal measures. Thus, inaction on the part of Department resulted in accumulation of arrears of Rs.14.76 crore.

Material management

Audit examined the material management practices followed in the Department with reference to CPWD Manual Volume-II to determine whether due economy and efficiency has been followed in procurement and disposal of material. The findings are discussed in the following paragraphs.

3.2.22 Injudicious procurement of material

(A) According to the principles of purchase laid down in Section 38 of CPWD Manual Volume-II, stores should not be procured in excess of requirement. Test-check of records of Project Stores Division, Imphal disclosed that the Division had procured 20,000 tension hardware fittings in March 2003. However, it issued only 9,161 fittings up to March 2006 leaving a balance of 10,839 fittings valuing Rs.28.72 lakh un-utilised. Similarly, 5,443 disc-insulators valuing Rs.19.43 lakh were procured in March 2003. But, none has been issued so far. Non-issue of these stores for very long periods is indicative of improper planning. The details of similar stores procured by the Store Division, Imphal during 2001-02 and 2002-03 and those procured by Project Stores Division, Imphal which were not issued as of March 2006 altogether costing at Rs.59.69 lakh are given in the *Appendix 3.14*.

(B) The Department purchased 731 Static CT operated Trivector meters from a Kolkata based firm for installation of electronic meters at distribution sub-stations as part of reforms under Accelerated Power Development Reforms Programme (APDRP). The supply order was given to the firm during March 2003 and the material was received by the Department during May 2003. The total expenditure incurred for purchase of the material was Rs.2.72 crore and this was debited to the APDRP scheme. It was observed in Audit that the material is lying unutilised till date (July 2006) due to non-finalisation of the project report. Thus, the Department purchased the meters prior to their requirement without completing other preliminary work leading to avoidable blocking of Government money amounting to Rs.2.72 crore.

(C) Scrutiny of the records of the Transmission and Construction Division No. I and II revealed that an expenditure of Rs.5.56 crore was incurred on purchase of pole cross arm, pole bracing set, back clamp, stay set and many other items for erection and stringing of 33 KV Lines as shown below:

Table 14

Name of the work: Erection and stringing of	Total expenditure incurred for procurement of material (Rs. in lakh)	Schedule date of	
		Starting the scheme	Completion of works
33 KV Line from Kangpokpi to Tamei	60.07 (3/2006)	2002-03	2004-05
33 KV Line from Tamenglong to Tousem	48.36 (3/2006)	2002-03	2004-05
33 KV Line from Churachandpur to Singhat	55.02 (3/2006)	2002-03	2004-05
33 KV Line from Jiribam to Shivapurikhan	47.00 (9/2004 to 10/2004))	1999-2000	2001-02
33 KV Line from Tengnoupal to Moreh	184.15 (2001-04)	1994	2004 (October)
Double circuit mini tower line from Yurembam to Mongsangei	161.69 (2001-04)	1996	2005 (January)
Total :	**556.29**		

Source: Departmental records

The above material were procured between March 2001 and March 2006 for carrying out erection works. However, no works had been taken up as yet (July 2006) for want of major line material as stated by the Divisional Officer. As such, the material valued at Rs.5.56 crore is lying idle.

Thus, lack of proper planning on the part of the Department resulted in avoidable blocking of Rs.5.56 crore.

3.2.23 Excess payment/abnormal delays in supplies due to faulty contract management and defective contracts entered into with suppliers

In August 2003, the Department had placed a supply order for 745 kilometres ACSR[9] (Weasel) valued at Rs.131.12 lakh on a Jaipur based firm for supply within four months of placing the order against advance payment of Rs.115.56 lakh.

The firm supplied only 578.32 kilometres of the conductor costing Rs.101.78 lakh (October 2005). The supplier had neither completed supplies nor refunded the balance amount (Rs.13.78 lakh) till date (July 2006). Action taken against the fund including blacklisting/debarring could not be ascertained because of non-availability of record.

The Department failed to take bank guarantee from the supplier inspite of these being prerequisite conditions of the supply order for safeguarding its interest. Due to passage of time the possibilities of recovery of Rs.13.78 lakh of balance amount and Rs.6.56 lakh as penalty amount for violation of terms and conditions of supply order appear remote.

[9] Aluminium conductor steel reinforced

Rural Electrification

3.2.24 No progress in rural electrification

As per the MOA signed on 26 July 2004 with the Union Ministry of Power, GOI, the State Government was required to achieve 100 *per cent* electrification of villages by 2007. But audit examination revealed that the Department had failed to make any progress towards achieving the above target.

As per census 2001, there were 2,376 villages in the State. The number of electrified villages by the end of 2005-06 was 1,912. As of July 2006, 464 villages in both hill and valley districts were yet to be electrified.

Further, scrutiny also revealed that an amount of Rs.15.39 crore was spent under the rural electrification including loan component of Rs.2.09 crore taken from Rural Electrification Corporation during 2002-03 and 2004-05 towards village electrification. During 2001-02 the target for electrification was 22 villages, but none of the villages was electrified till July 2006. Reasons for not taking up the works were not on record.

Management of contracts

3.2.25 Non-commencement of works and undue benefit to contractor

An agreement was signed in September 2003 between a Kolkata based firm and the Power Department for erection and stringing of 33 KV Double Circuit Line from Leimakhong to Iroisemba on turn key basis for completion by April 2004. The contracted value of the work was Rs.8.42 crore.

As per terms and conditions of the Supply order (August 2003), the Department was to pay in lumpsum 50 *per cent* interest - free advance against Bank Guarantee. But the Department released an amount of Rs.3.5 crore to the Company as advance and that too on different occasions (December 2003, March 2004, June 2004 and December 2004) by the Transmission and Construction Division II, Imphal against a Bank Guarantee of Rs.3.50 crore valid up to 21 July 2006, but the firm failed to start the work.

Despite the Department’s request (September 2005) to the firm to start work without further delay work was not started. Instead the firm intimated (October 2005) that they could not proceed with the work due to non-release of full amount of 50 *per cent* advance and requested revision of the contracted price due to rise in price of raw material. During May 2006, a meeting was held between the Department and the firm for closure of the contract. The matter was lying with the Government for final approval till the date of audit (June 2006). Department’s failure to encash Bank guarantee or get advance refunded by the firm indicated its casual approach resulting in undue benefit to the firm. The purpose of giving advance was also defeated apart from loss on account of interest on advance of Rs.3.5 crore paid to the Company.

Manpower management

3.2.26 Lopsided posting of staff

The total sanctioned strength *vis-à-vis* men-in-position of the Department as of March 2006 was as under:

Table 15

Class	Technical		Shortfall		Non-technical		Shortfall	
	Sanctioned strength	Men-in-position	Number	*Per cent*	Sanctioned strength	Men-in-position	Number	*Per cent*
Class-I	142	117	25	18	2	-	2	100
Class-II	–	–	–	–	3	3	-	-
Class-III	1637	1065	572	35	874	504	370	42
Class-IV	2063	1849	214	10	466	400	66	14
Total	**3842**	**3031**	**811**	**-**	**1345**	**907**	**438**	**-**

Source: Departmental records

According to the Department, the shortage of 811 technical hands severely constrained its functioning. Audit examination however revealed that in three Divisions the men-in-position were in excess of the sanctioned strength by 102, 20 and 15 respectively as on 31 March 2005 but were not transferred to other Divisions where there was shortage of staff. (Details are shown in *Appendix 3.15*).

Thus, the Department failed to deploy its manpower optimally.

Power reforms under APDRP

3.2.27 Power sector reforms

The MOA signed (26 July 2004) between the GOI and the DOP as a joint commitment for implementation of reforms programme in power sector, specified the following major milestones:

- The State Government will start corporatisation by August 2004 to handle electricity matters. The Corporation will be made fully functional by July 2005.
- The State Government will set up a State Electricity Regulatory Commission/Joint Electricity Regulatory Commission by November 2004.
- The State Government will undertake Energy Audit and Energy Accounting at all levels to promote accountability and reduce transmission and distribution losses and bring them to the level of 20 *per cent* by 2007.
- The State Government would achieve 100 *per cent* electrification of villages by 2007 subject to adequate funds being provided by GOI under Pradhan Mantri Gramodaya Yojana (PMGY) or any other relevant scheme.

The progress of implementation of power sector reforms was very slow. As early as May 1997 the Government had already formed a corporation styled as "Manipur State Power Development Corporation Limited". But it remained non-functional.

In January 2005, the GOI constituted a Joint Electricity Regulatory Commission (JERC) for the States of Manipur and Mizoram with its headquarters at Aizawl. However, due to non-appointment of Chairperson and Members, the JERC is still not functional.

The system of energy audit although committed in the MOA is yet to be implemented. Transmission and distribution losses continue to be very high. The Department failed to arrest the increasing T&D losses as discussed in Para 3.2.13. As regards rural electrification programme, the State was far from achieving 100 *per cent* electrification of villages by 2007 as discussed in Para 3.2.24.

Thus it is evident that the State Government failed to implement power sector reforms as envisaged in MOA.

Internal Control and Monitoring Mechanism

3.2.28 Weakness of General Controls

Audit of selected offices of the Department revealed that internal control mechanism was virtually non-existent in the Department. Although internal audit is an integral part of internal control mechanism, the Department did not establish Internal Audit wing of its own. The internal audit of the Department was entrusted to the Department of Local Fund Audit. However, the irregularities pointed out in such audit were mainly of routine nature.

Scrutiny of the records revealed that the following records have not been maintained by the Department *viz*. (i) Works Abstract (ii) Register of Works (iii) Contractors' Ledger (iv) Material at Site account and (v) Deposit Register. In the absence of these records, audit could not exercise its check regarding:

- Up to-date expenditure incurred on a particular work.
- Payment made to contractor/amount due to contractors/amount due from the contractors.
- Quantity of material used in a particular work.
- Security deposit deducted and its actual release.

These are important checks which help to prevent corruption and reduce leakages.

3.2.29 Non-reconciliation of remittances into Treasuries

Receipts remitted into treasury through challans are required to be reconciled monthly by the Division with the treasury figures to ensure that the revenue remitted has been credited to the Government account. No such reconciliation was carried out by the Divisions.

Such lapses are fraught with the possibility of misappropriation of Government money.

3.2.30 Conclusion

The Department has failed to provide efficient energy management in the State. Its performance is marked by shortage of power, rampant power theft, huge T&D losses, stalled power sector reforms in metering and billing and inefficient financial and material management. Poor revenue collection by the Department as well as failure to encash Bank guarantee in respect of defaulting contractors has added to the State Government's overall financial burden.

3.2.31 Recommendations

- The Department should take immediate steps to increase its own power generation capacity by exploring possibilities of developing new hydel projects.
- It should take steps to ensure 100 *per cent* energy metering and billing.
- It should launch vigorous drive to collect more revenue and ensure recovery of arrears from defaulters.
- It should take urgent steps to reduce Transmission and Distribution losses to 15.5 *per cent* in accordance with CEA norms.
- It should expedite rural electrification process to cover all villages by 2007.
- Power Sector reforms should be undertaken on priority and should be publicised.
- In respect of all works undertaken on supply orders placed by the Department, it should display information as required under the Right to Information Act.

RURAL DEVELOPMENT DEPARTMENT

3.3 Special Programmes for Rural Development

Sampoorna Grameen Rozgar Yojana (SGRY) was not implemented in the State with right earnestness to achieve its objectives. Four to 44 per cent of its funds were carried over from year to year without fully spending them during the years for which these were sanctioned. An amount of Rs.29 lakh was retained in fixed deposit account; Rs.22.13 lakh was loaned out for purposes other than the scheme; and Rs.10.33 lakh was spent on unauthorised areas. The beneficiaries were deprived of their full entitlements by deducting taxes (Rs.33.01 lakh) from their dues.

Highlights

Lack of adequate planning and earnestness at DRDA level resulted in completion of only 26,078 works out of 40,030 works undertaken during 2001-06 resulting in shortfall of 35 *per cent* in achievement.

(Paragraph 3.3.10)

DRDA, Chandel released SGRY funds of Rs.55.48 lakh and 4,555 quintals of rice (valued at Rs.56.25 lakh) to 992 village chiefs without any sanctioned work.

(Paragraph 3.3.12)

DRDA, Bishnupur irregularly issued 34,280.17 quintals of rice (worth Rs.4.13 crore) as wage component against works already completed with cash component resulting in fraudulent/doubtful issue of foodgrains.

(Paragraph 3.3.14)

Because of non-revision of rates for construction/upgradation of houses, 3034 beneficiaries under Indira Awaas Yojana had been deprived of their entitlement to the extent of Rs.1.99 crore.

(Paragraph 3.3.27)

Due to failure to submit utilisation certificates, the State Government could not obtain Rs.38.11 crore of Central aid during 2001-06 under IWDP (Hariyali).

(Paragraph 3.3.30)

3.3.1 Introduction

Rural poverty in India is characterised by endemic food insecurity, unemployment, lack of adequate housing and underdeveloped wastelands. Poverty reduction has been an important goal of the country's development policy since independence. The anti-poverty strategy of the Government has three broad components:

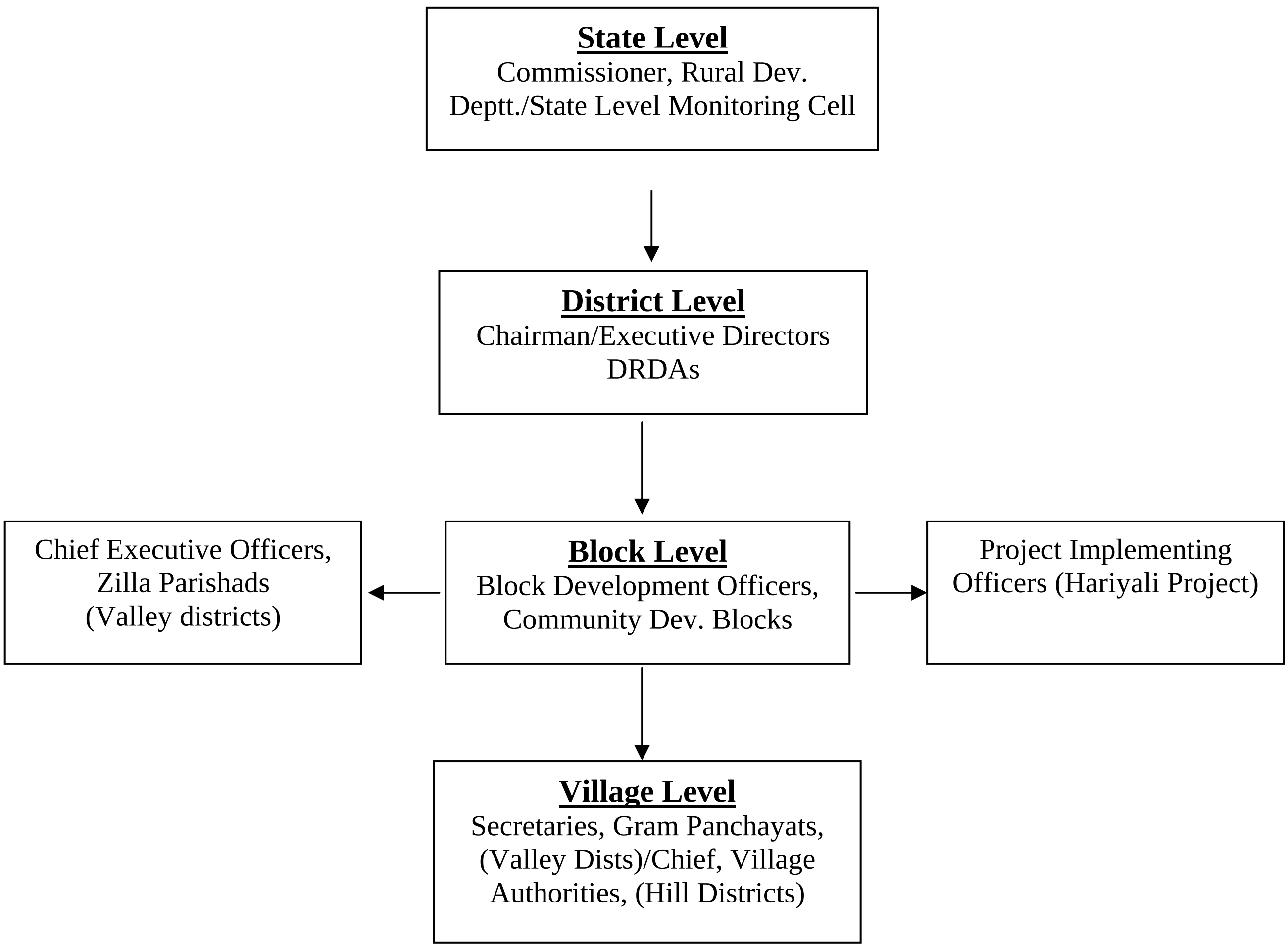
- promotion of economic growth;
- promotion of human development and better living conditions; and
- targeted programmes for poverty alleviation to address multi-dimensional nature of poverty.

The poverty alleviation programmes initiated by both the Central and the State Governments in Manipur during 2001-02 to 2005-06 included Integrated Wasteland Development Programme (IWDP) (Hariyali), Indira Awaas Yojana, Pradhan Mantri Gramodaya Yojana (Grameen Awaas) and Sampoorna Grameen Rozgar Yojana.

3.3.2 Organisational set up

The Commissioner, Rural Development, Manipur is the State level nodal officer responsible for proper planning, coordination and monitoring of the poverty alleviation programmes (PAPs) through a Monitoring Cell. The overall responsibility for implementation of the programmes at the district level is vested with nine[10] District Rural Development Agencies (DRDAs) headed by the Deputy Commissioners of the districts; acting as Executive Directors in the four valley districts and as Chairmen in the five Hill districts. Four Zilla Parishads (ZPs) in valley districts and 36 Block Development Officers (Nine in valley districts and 27 in hill districts) are responsible for technical supervision and implementation of the schemes at village level through Gram Panchayats (GPs) in valley districts and with the assistance of village authorities in hill districts. IWDP (Hariyali) scheme was implemented by the DRDAs through Project Implementation Agencies (PIAs). The organisational set up in this regard is given below:

[10] Valley districts— Imphal East, Imphal West, Thoubal and Bishnupur and Hill districts— Ukhrul, Churachandpur, Chandel, Senapati and Tamenglong.



3.3.3 Scope of Audit

The implementation of the schemes during the period 2001-06 was reviewed in audit during April-July 2006 by a test check of the records of the Monitoring Cell of the Rural Development Department (RDD), five out of nine DRDAs (Imphal West, Ukhrul, Churachandpur, Bishnupur and Chandel), two out of four ZPs in valley districts (Bishnupur and Imphal West), 14 out of 36 BDOs, including some PIAs and GPs. The actual expenditure under the programmes was Rs.119.13 crore of which, Rs.53.71 crore was covered under the review.

Swarnajayanti Gram Swarozgar Yojana which was one of the rural development programmes launched in the State from April 1999 with the main objective of providing income to rural families, swarozgaris and Self Help Groups could not be covered in the review as the Government failed to produce the relevant records.

3.3.4 Audit Objectives

The performance audit was conducted with a view to assess whether:

- five year development plans and annual action plans were properly drawn to achieve the policy objectives;
- the beneficiaries were identified in a complete and correct manner as per prescribed norms;
- the financial management of the programme was efficient;
- programmes were implemented efficiently, economically and effectively to fulfil the objectives of (i) generating supplementary employment among rural poor, (ii) creating durable community, social and economic assets, (iii) constructing/upgrading dwelling units for needy rural poor free of cost and (iv) developing wastelands for sustained economic activities in rural areas; and
- the monitoring system in respect of each programme was adequate to achieve its desired objectives.

3.3.5 Audit criteria

The Audit criteria considered for assessing the achievement of audit objectives were

- various programme guidelines issued by the Central Government;
- annual action plans;
- the General Financial Rules and instructions issued by the State Government; and
- targets fixed by the implementing agencies from time to time.

3.3.6 Audit methodology

The audit methodology employed in conducting the performance review included:

- Briefing the auditee management of the objectives of the review and seeking their cooperation in conducting the performance review through an entry conference (28 April 2006).
- Collecting data and documentary evidence by scrutiny of departmental files and records maintained by State Level Monitoring Cell under RDD and selected DRDAs, ZPs, Blocks, Village Panchayats and Project Implementation Agencies.
- Issuing audit questionnaires and holding discussions with the auditee management to seek information, clarifications and responses to audit observations.
- Analysis of data and documentary evidence *vis-à-vis* audit criteria to arrive at audit findings, conclusions and recommendations.

- Communicating audit findings to the auditee management through a draft Review Report and a presentation on findings in the exit conference (22 December 2006).

Audit Findings

Important points noticed during audit are discussed in the succeeding paragraphs.

A. SAMPOORNA GRAMEEN ROZGAR YOJANA

Sampoorna Grameen Rozgar Yojana (SGRY) was launched in September 2001 by merging the on-going Employment Assurance Scheme (the additional wage employment scheme) and the Jawahar Gram Samridhi Yojana (a rural infrastructure development scheme) aimed at providing greater thrust to additional wage employment, infrastructural development and food security in rural areas. The scheme has cash and foodgrains component. The Centre bears 75 *per cent* of the cost of cash component and 100 *per cent* of the cost of foodgrains component with the balance borne by the State.

Planning

3.3.7 Non-preparation of Annual Action Plan

SGRY guidelines provide that the DRDA, the Intermediate Panchayat and the Village Panchayat shall independently prepare and approve an Annual Action Plan before the beginning of each financial year. Works not forming part of the Annual Action Plan would not be taken up for execution. However, none of the test checked DRDAs prepared any annual plans during the period under review. This lack of planning adversely affected implementation of SGRY leading to under-utilisation of funds. The performance fell short of its objectives.

Financial management

3.3.8 Inefficient Financial management

Under utilisation of funds: Audit examination of funding of the scheme revealed instances of mismanagement including under utilisation of funds. Year wise position of availability of funds and expenditure incurred thereon for implementation of SGRY is depicted below:

Table 1

(Rupees in lakh)

Year	Category of SGRY scheme	Position of availability of fund					Expen-diture	Closing balance	Percentage of funds carried over
		Opening balance	Central share	State share	Misc. and interest receipt	Total			
2001-02	Stream I (EAS)	85.57	122.10	NIL	43.41	251.08[11]	204.43	46.65	19
	Steam II (JGSY)	78.04	345.42	265.30	6.87	695.63	392.28	303.35	44
2002-03	Stream I (EAS)	46.65	402.25	209.04	27.38	685.32	657.18	28.14	04
	Stream II (JGSY)	303.35	381.07	265.30	18.02	967.74	633.54	334.20	35
2003-04	Stream I (EAS)	28.14	605.95	NIL	9.88	643.97	559.79	84.18	13
	Stream II (JGSY)	334.20	461.17	NIL	5.31	800.68	511.40	289.28	36
2004-05	SGRY	373.46	1,821.91	885.28	8.90	3,089.55	2,387.20	702.35	23
2005-06	SGRY	702.35	2,319.94	982.87	2.74	4,007.90	2,741.39	1,266.51	32
	Total	**1,951.76**	**6,459.81**	**2,607.79**	**122.51**	**11,141.87**	**8,087.21**	**3,054.66**	

(Source: Departmental records)

Guidelines issued for implementation of the programme provide (Para 5.11) that the Zilla Parishads, Intermediate Panchayats and Village Panchayats should spend the funds during the year in which they are made available. The carry over funds should not exceed 15 *per cent* of the total allocation. It is however seen from the above table that the funds ranging up to 44 *per cent* were carried over. Barring stream I (EAS) in 2002-03 and 2003-04, the carry over funds were higher than the prescribed limit of 15 *per cent*.

The under-utilisation of funds as well as investing of funds in fixed/term deposits indicates poor planning and inefficient financial management as a result of which beneficiaries were deprived of much needed employment. Under-utilisation also indicates that the programme was not implemented to its full potential.

Scrutiny of the records in respect of one DRDA (Churachandpur) revealed that instead of retaining the funds in a savings bank account as provided in the guidelines (Para 5.12), a major part of the available funds (Rs.29 lakh) under Stream I was put in fixed deposit during 2000-02 in order to earn higher interest, in violation of scheme guidelines. Blocking these funds in fixed/term deposits against GOI guidelines and non-utilisation in the prescribed time frame defeated the purpose of the programme and deprived the beneficiaries of the much needed employment.

Diversion of programme funds

(A) Test-check of records (December 2005) of DRDA, Bishnupur revealed that the Executive Director (ED) allocated (September 2004) 2986.06 quintals of rice valued at Rs.36.88 lakh (@ Rs.1235 per quintal) to 208 families affected by floods, cyclones, burnt houses *etc*. These quantities of rice were distributed free of cost to the families concerned during the financial year 2004-05 resulting in diversion of SGRY funds. Further, no records were available in DRDA, Bishnupur to indicate that there were approval from the Relief Department or other higher authorities in the State Government for diversion of SGRY foodgrains for calamity relief. Neither any ex-post-facto

[11] In respect of three DRDAs (Ukhrul, Churachandpur and Imphal West) only. Information for the other DRDAs was not available.

approval for regularisation of diversion of SGRY foodgrains was obtained by DRDA from appropriate authorities nor any reimbursement taken from the Government of India from the earmarked funds for natural calamity relief.

Due to diversions of SGRY foodgrains, the objective of providing wage employment to rural people and in addition creation of durable community assets in the district was hampered to the extent of diversion.

The Assistant Project Officer stated (July 2007) that the diversion was made from the normal allocation of the year 2004-05 and no replenishment was claimed from the GOI. The reply is not acceptable as the Relief Department clarified (January 2007) that the relief provided to the affected victims/families was restricted to the funds available in the Calamity Relief Fund only and no relief was provided from other sources.

(B) The scheme guidelines do not allow disbursement of funds as temporary loan for utilisation for any other purpose. Scrutiny of the records in respect of DRDAs in Ukhrul, Churachandpur and Bishnupur revealed that scheme funds were temporarily diverted to meet other expenses as shown below:

Table 2

DRDA	Scheme from which funds was diverted	Year of diversion	Amount (Rs. in lakh)	Year of refund in full	Diverted to
Churachandpur	Stream I	2003-04	2.61	2004-05	IAY
Ukhrul	Stream I	2001-02	5.01	2005-06	DRDA Admn.
		2003-04	0.40	2005-06	DRDA Admn.
	Stream II	2002-03	11.63	2004-05	DRDA Admn
Bishnupur	SGRY Stream II	2001-02	2.48	2002-03	Supply Branch
Total			**22.13**		

Source: Departmental records

Apart from violating the provisions of guidelines, the diversion extending over one to four years certainly jeopardised the implementation of the programme/ completion of targeted number of works (Para 3.3.10).

***Unauthorised expenditure*:** SGRY guidelines provide (Para 6.5. and 6.6) only for creation of durable community assets under the scheme. Scrutiny of records of Bishnupur DRDA, however, disclosed that during 2001-06, it had incurred an unauthorised expenditure of Rs.10.33 lakh for the following items:

Table 3

(Rupees in lakh)

Item of expenditure	2001-02	2003-04	2004-05	2005-06	Total
Office stationery	0.45	0.10	0.72	0.91	2.18
Computer/furniture			0.78	0.69	1.47
Inverter				0.10	0.10
Repair & maintenance of vehicles		0.26	1.42	1.49	3.71
Purchase of POL				2.75	2.75
Compound fencing				0.23	0.23
Repair of DC's Bungalow and Kitchen shed at DC's office		0.13		0.30	0.43
Total	**0.45**	**0.49**	**2.92**	**6.47**	**10.33**

Source: Departmental records

The unauthorised expenditure in contravention of guidelines not only impeded the programme but also restricted employment generation among the rural poor as well as completion of targeted number of works (Para 3.3.10).

Unauthorised expenditure on transportation of foodgrains: Till 2002-03 the programme guidelines (Para 2.7) prohibited payment of transportation charges on foodgrains from the cash component of the scheme. These charges were required to be borne by the concerned State Governments. Records of Chandel and Bishnupur DRDAs, however, revealed that during 2002-03, these DRDAs had utilised Rs.2.25 lakh and Rs.1.64 lakh respectively out of cash component for transportation of rice which was in violation of the programme guidelines.

Non-reimbursement of sales tax: According to the scheme guidelines (Para 2.7) Sales tax element was to be borne by the State Government. DRDA Churachandpur, however, deducted Rs.33.01 lakh as Sales tax at source from the bills against departmental execution of works under SGRY and credited the same to the Government account during 2003-06. Details are given as under:

Table 4

(Rupees in lakh)

Scheme	**Sales tax deducted**			
	2003-04	**2004-05**	**2005-06**	**Total**
Stream I	4.83	9.83	14.68	29.34
Stream II	1.68	1.99	NIL	3.67
Total	**6.51**	**11.82**	**14.68**	**33.01**

Source: Departmental records

The State Government had not reimbursed the amount till date (February 2006). This has deprived the beneficiaries of the full benefits under the scheme.

Achievement of the objectives of the scheme

Records of the Monitoring Cell and the selected DRDAs revealed that the SGRY could not be implemented in an effective manner during the period 2001-02 to 2005-06. Specific instances of shortcomings in implementation and their impact on performance of the programme are brought out in the succeeding paragraphs.

3.3.9 Less labour intensive employment generation

Scheme guidelines provided for generation of employment in rural areas based on undertaking of labour intensive asset creation activities. The State Government identified 1,30,000 BPL households. Given the fact that 77 *per cent* of the State's population is rural, there are approximately 1,00,000 rural BPL households in the State. Even if one person from each rural BPL household were to be provided with employment under this scheme for a minimum of 100 days in a year as had been earlier provided for under EAS (SGRY – Stream I), the total annual mandays of employment created in rural areas would have been one crore. Scrutiny of the physical progress reports however revealed that during the entire period of review (2001-2006), the

State Government could create only 89.67 lakh mandays as against a minimum of 5 crore mandays to be generated. Thus, there was a large gap between effort required and actual performance in terms of employment generation. The scheme was a virtual non-starter in the State having no direct impact on the incidence of poverty.

3.3.10 Poor physical progress of works

The physical progress of works in terms of completion of rural works and generation of employment under SGRY during 2001-06 was as under:

Table 5

Year	Category of scheme	No. of works		Employment generated (lakh mandays)	Percentage of shortfall in completion of works
		undertaken	completed		
2001-02	Stream I	NA	NA	NA	NA
	Stream II	3885	2896	5.12	25
2002-03	Stream I	2158	1668	10.95	23
	Stream II	3509	2610	16.80	26
2003-04	Stream I	2917	1114	7.29	62
	Stream II	3476	2167	6.71	38
2004-05	SGRY	11210	6923	5.66	38
2005-06	SGRY	12875	8700	37.14	32
Total		**40,030**	**26,078**	**89.67**	**35**

Source: Departmental records

Audit examination revealed that only 26,078 works could be completed out of 40,030 works undertaken during the period resulting in a shortfall of 35 *per cent*. The year-wise percentage of shortfall ranged between 23 to 62 *per cent*. The SGRY guidelines (para 6.1.3) provide for according priority to completion of incomplete works over new works. Shortfalls were significantly higher during the last three years depicting lack of proper planning at DRDA level resulting in blocking of substantial funds in incomplete works without any corresponding benefits at village level.

3.3.11 Lopsided allocation of funds amongst implementing agencies

The SGRY guidelines prescribed that 50 *per cent* of the funds should be allocated to Village Panchayats, 30 *per cent* to Intermediate Panchayats (Blocks) and 20 *per cent* to ZPs/DRDAs for utilisation of the same preferably in areas suffering from endemic labour exodus/areas of distress.

Records of Churachandpur and Bishnupur DRDAs, however, revealed that the SGRY scheme was implemented during 2001-06 with disproportionate allocation of funds amongst these agencies against the norms as under:

Table 6

(Rupees in lakh)

DRDA	Year	Funds allocated and spent					Percentage of expenditure by DRDA and ZP
		Total	DRDA	ZP	Blocks	Village Panchayat	
Churachandpur	2003-04	118.10	25.28	-	92.82	Nil	21
	2004-05	251.61	111.51	-	140.10	Nil	44
	2005-06	357.59	125.48	-	232.11	Nil	35
	Total	**907.27**	**283.25**	**-**	**624.02**	**Nil**	
Bishnupur	2001-02	139.51	1.38	60.35	Nil	77.78	44
	2002-03	119.09	54.92	9.90	Nil	54.27	54
	2003-04	48.97	34.10	14.87	Nil	Nil	100
	2004-05	216.94	60.96	73.95	Nil	82.03	62
	2005-06	345.61	133.80	68.20	Nil	143.61	58
	Total	**870.12**	**285.16**	**227.27**	**Nil**	**357.69**	

Source: Departmental records

Analysis revealed that DRDA Churachandpur, executed works entailing expenditure ranging up to 44 *per cent* of total expenditure of the district during the period under review. In Bishnupur, no funds were released at all at the block level. There the DRDA/ZP executed works incurring expenditure ranging from 44 to 100 *per cent* of total expenditure during 2001-06 without involving its two Community Development Blocks (Bishnupur and Moirang). Undertaking of development activities under SGRY without involving blocks was against the guidelines and was thus irregular. Further, in both the DRDAs, the works had been executed without preparing any Annual Action Plans, thereby defeating the very objective of ensuring public participation in rural development.

3.3.12 Release of cash/foodgrains without sanctioned works

Records of DRDA, Chandel disclosed that during 2003-05 an amount of Rs.55.48 lakh and 4,555 quintals of rice costing Rs.56.25 lakh (@ Rs.1,235 per quintal) were released to 992 village chiefs (2003-04: 438 and 2004-05: 554) without receiving any work proposal from them and without mentioning in the administrative and expenditure sanction the name of any community development work to be taken up in their villages.

Details of these releases are shown in *Appendix 3.16.*

No utilisation certificates for the funds released to them with relevant bills, vouchers and Muster Rolls, except Actual Payee Receipts for the first instalments were obtained by the DRDA. As a result the actual utilisation of the entire cash and foodgrains components during the period, number of community assets created and number of mandays generated with engagement of rural poor could not be ascertained in Audit. When these were pointed out, the Chairman, DRDA Chandel stated (June, 2006) that steps would be taken to ensure correct procedure in future. In view of these facts the amount released to the village chiefs cannot be held as fruitful.

3.3.13 Non-lifting of huge quantity of foodgrains

Foodgrains should be given as part of wages under SGRY to the beneficiaries at the rate of 5 kg per manday. The State Government was to lift the foodgrains released by the Union Ministry of Rural Development from FCI.

Examination of physical progress reports submitted to the GOI by the Monitoring Cell revealed that there was a total shortfall of 21 *per cent* in lifting the foodgrains during the period from 2001-06 as shown below:

Table 7

(In metric tonne)

Year	Allocation	Actually lifted	Shortfall	Percentage of shortfall
2001-02	NA	NA	NA	
2002-03	7,692	6,349	1,343	17
2003-04	17,348	11,437	5,911	34
2004-05	27,132	23,911	3,221	12
2005-06	18,546	14,408	4,138	22
Total:	**70,718**	**56,105**	**14,613**	**21**

Source: Departmental records

Non-lifting of huge quantity of foodgrains deprived the rural poor of intended benefits of food security and employment frustrating the objectives of the programme.

Reasons for non-lifting were not on record.

3.3.14 Fraudulent/doubtful distribution of foodgrains

SGRY guidelines provide that wages under the programme are to be paid partly in foodgrains and partly in cash (para 3.1). But records of DRDA Bishnupur revealed that this was not adhered to. Works were seen to have been completed by cash component alone. Thereafter foodgrains were issued in addition. During 2002-05, the entire cost (Rs.2.58 crore) involved in completion of 136 works, executed through the beneficiary secretaries as work agencies were fully paid in cash. Subsequently 34,280.17 quintal of rice, valued at Rs.4.13 crore were issued to the beneficiary secretaries, against these works in addition to the cash payment already made. Details are shown as under:

Table 8

Year	Implementing agencies	Works executed under cash component			Rice issued against the completed works		
		No. of sanctioned works	Estimated and sanctioned cost	Actual expenditure incurred for completion	Quantity (in quintal)	Rate per quintal	Value (Rs. in lakh)
			(Rupees in lakh)				
2002-03	DRDA	27	11.07	11.07	1781.85	Rs.1180	21.03
	ZP	5	6.18	6. 18	1520.00	Rs.1180	17.94
	Village Panchayats	24	38.94	38.94	2047.64	Rs.1180	24.16
2003-04	DRDA	17	31.46	31.46	6221.47	Rs.1180	73.41
	ZP	16	14.87	14.87	4160.00	Rs.1180	49.09
	Village Panchayats	Nil	Nil	Nil	2313.36	Rs.1180	27.30
2004-05	ZP	19	73.95	73.95	8219.50	Rs.1235	101.51
	Village Panchayats	28	82.03	82.03	8016.35	Rs.1235	99.00
	Total	**136**	**258.50**	**258.50**	**34,280.17**	**—**	**413.44**

Source: Departmental records

In as much as the works had been completed by payment in cash, further issue of foodgrains against these works was not in order and thus led to fraudulent/doubtful issue of foodgrains. Further, no Actual Payee's Receipts were obtained from the beneficiary Secretaries as a token of actual distribution of foodgrains to the concerned labourers/wage earners engaged for the works, which raises doubt about genuineness of the issue of entire quantity of rice valued at Rs.4.13 crore. The Assistant Project Officer of the DRDA stated (May 2006) that action would be taken as per Audit observation. The matter needs investigation.

3.3.15 Issue of rice to the workers at higher rates resulting in lower cash payments

Foodgrains (rice) are to be given to rural poor employed in works executed under SGRY as part of their wages at the rate of 5 kg per manday. The Joint Secretary (RD) stated that all the implementing agencies of the scheme in the State were to follow a uniform issue rate that had been fixed at Rs.620.80 per quintal. Scrutiny of the records of ZP, Bishnupur, however, revealed that in February 2002 against 76 works executed at an estimated cost of Rs.1.02 crore, 5695.71 quintals of rice was issued to the workers as a part of wages at a higher rate of Rs.1230 per quintal fixed by the CEO, ZP, Bishnupur. This resulted in overcharging of the beneficiaries by Rs.34.70 lakh[12] and correspondingly lowering their legitimate wage entitlement to the same extent. This needs investigation.

When this was pointed out (Mary 2006) the Chief Executive Officer, Z.P, Bishnupur offered no comments. This highlights lack of regard for rules and regulations as envisaged in the scheme guidelines at ZP level.

3.3.16 Engagement of middlemen as work agencies

In order to ensure full benefits of wages reach the rural poor and the cost of works do not go up on account of commissions payable to contractors, middlemen or intermediate agencies, SGRY guidelines ban employment of contractors in execution of any work under the programme (Para 5.18.1 of SGRY guidelines). Accordingly, the programme is to be implemented departmentally only. Test check of sanction orders pertaining to the execution of works under the programme in three DRDAs (Bishunupur, Chandel and Churachandpur) however disclosed that in contravention of SGRY guidelines, 708 works worth Rs.2.30 crore were awarded to 708 contractors/work agencies in 2004-06. Audit scrutiny also revealed that the DRDAs irregularly released an amount of Rs.2.30 crore to these contractors/work agencies and not directly to the wage earners.

The DRDA, Bishnupur accepted the audit observation and assured that action would be taken as per audit observation. The Chairman, DRDA, Chandel stated (June 2006) that contractors/work agencies were engaged on the basis of collective decision of the village authorities. The reply is not acceptable in view of the ban on engagement of contractors/working agencies in the execution of works under the programme. The Chairman, DRDA, Churachandpur offered no comments (May 2006).

[12] (Rs.1230.00 – Rs.620.80) x 5695.71 quintals = Rs.34,69,826.

3.3.17 Non-maintenance of assets

As per SGRY guidelines, implementing agencies are permitted to spend up to 15 *per cent* of the funds for maintenance of public assets created under the programme. Audit examination, however, revealed that during 2001-06, none of the test checked DRDAs had spent or released any funds to their field level implementing agencies for undertaking maintenance of such assets despite availability of sufficient funds. Lack of maintenance of such community assets *viz.* rural roads, community halls, horticultural farms, social forestry and playground *etc*. is likely to have an adverse impact on the future service potential of these assets.

3.3.18 Non-provision of facilities to wage employees at work-sites

The SGRY guidelines provide for arrangement of facilities like drinking water, rest sheds for the workers and crèches for the children coming along with working mothers at work sites. However, none of the test checked DRDAs ever spent any funds, or arranged any such facilities for the wage employees during the period under review. Thus, this welfare aspect of SGRY was completely neglected.

3.3.19 Non- maintenance of social audit and vigilance at grass root level

To ensure transparency, accountability and social control over implementation of the SGRY, guidelines (para 5.18.8) emphasized formation of Monitoring committees at village, Block, DRDA/ZP level. The guidelines also provide that every final payment under the programme was to be released after obtaining reports from such Committees. This is required to ensure quality and timely completion of development activities. However, audit scrutiny of the records of the test-checked DRDAs revealed that no such Monitoring Committee was formed at any level except in Churachandpur. The DRDAs, Blocks, and Village Panchayats had released the final payment of every work under the programme on the basis of completion certificates issued by the supervising technical staff. When the irregularities were pointed out the DRDAs, Blocks and Village Panchayat authorities stated (May 2006) that the required procedures would be followed in future. Thus, the objective of ensuring transparency through social audit and vigilance at grass roots level could not be achieved.

3.3.20 Non-maintenance of records

Scrutiny of the records of test checked DRDAs, Blocks and Village Panchayats revealed that records for assets created and employment generated under the programme were not maintained during the entire period covered in the review.

Absence of these records rendered the entire monitoring mechanism ineffective.

B. INDIRA AWAAS YOJANA/ PRADHAN MANTRI GRAMODAYA YOJANA

Indira Awaas Yojana (IAY) has been in operation since January 1996 as an independent scheme. Its objective is to assist in free of cost construction/upgradation of dwelling units for members of Scheduled Castes/Scheduled Tribes, freed bonded labourers, other Below Poverty Line (BPL) non-SC/ST rural households and other identified categories by providing them with lump sum financial assistance. The expenditure under the scheme is shared by the Central and State Governments on 75:25 basis.

Pradhan Mantri Gramodaya Yojana – Grameen Awaas (PMGY-GA) another independent scheme has been in operation in the State since 2000-01. Its objective is to provide rural shelter at the same unit cost as prescribed in IAY. The programme is implemented as a State Plan scheme with Additional Central Assistance.

Planning

3.3.21 Improper selection of beneficiaries and implementation of schemes

Under IAY and PMGY-GA schemes, the Gram Sabha at village level is required to select the beneficiaries from the list of eligible BPL households, restricting this number to the target allocated by the concerned DRDAs. Audit scrutiny, however, disclosed that DRDAs Churachandpur, Bishnupur and Chandel selected the beneficiaries under these schemes at their own level without involving village level authorities. The basis of selection of needy beneficiaries among the freed bonded labourers, ST/SC households, non SC/ST BPL households and physically and mentally challenged persons was not on record and thus lacked transparency. The selection lacked popular participation and highlights adhocism in selection process with ample scope for financial improprieties.

As per scheme guidelines, funds under IAY and PMGY-GA are to be allocated to Village Panchayats for implementation of the schemes. Records of DRDA, Bishnupur, however, revealed that during 2001-06, IAY and PMGY-GA schemes involving an expenditure of Rs.1.74 crore were directly implemented by DRDA/ZP without involving its 24 village Panchayats in contravention of these guidelines.

Financial management

3.3.22 The financial management was inefficient with instances of underutilisation of funds and unauthorised procurement of material.

Under utilisation of funds: Year wise position of fund availability for implementation of IAY (New construction and upgradation) is depicted below:

Table 9

(Rupees in lakh)

Year	Position of availability of fund					Expenditure	Closing balance	Percentage of expenditure
	Opening balance	Central share	State share	Misc. interest receipts	Total			
2001-02	224.23	265.95	220.60	—	710.78	91.80	618.98	13
2002-03	618.98	247.62	220.60	—	1087.20	551.34	535.86	51
2003-04	535.86	267.42	180.85	14.51	998.64	286.30	712.34	29
2004-05	712.34	763.18	205.45	—	1680.97	913.03	767.94	54
2005-06	767.94	639.17	513.11	—	1920.22	1128.84	791.38	59
Total		**2183.34**		**14.51**		**2971.31**		

Source: Departmental records

The above table reveals that utilization of funds under the scheme was in the range of 13 to 59 *per cent* only. Substantial amounts of unspent balances in each year indicate inefficient financial management, inadequate coverage of the programme, ineffective planning and the fact that the programme was not implemented to its full potential.

Unauthorised procurement of CGI sheets: As per IAY guidelines (para 2.3), the beneficiaries may make their own arrangements for procurement of construction material. However, the DRDA can help the beneficiaries in acquiring raw material at controlled rates, if they request DRDAs in this regard. Records of DRDA, Chandel, however, revealed that during 2002-06, it purchased 5,545 bundles of CGI sheets and distributed the same to the beneficiaries without their request.

The details of purchases made were as under:

Table 10

Year	Quantity purchased (bundles)	Rate per bundle (for Chandel)	Cost (Rs. in lakh)	Name of suppliers	Procedure for selection of suppliers
2002-03	1031	Rs. 1990	20.52	M/S. A.B. Agency, Chandel	By issuing limited tenders to three selected Suppliers
	1297	Rs. 2002	25.96	M/S Bajrang Steel (Sales) Corp., Guwahati	
2003-04	852	Rs.2245	19.13	M/S. Shree Shankar Steel, Kolkata	
	99	Rs. 1990	1.97	M/S A.B. Agency ,Chandel	-do-
2004-05	1486	Rs. 2245	33.36	M/S Shree Shankar Steel, Kolkata	-do-
2005-06	780	Rs.3145	24.53	M/S Steel Trading Corpn, Imphal	Fixed by R.D. Deptt.
Total	**5545**		**125.47**		

Source: Departmental records

The Department purchased CGI sheets through limited tendering during 2002-05 and did not invite open tenders which is a violation of extant financial rules. Further, in 2005-06, the Department, without tendering, procured CGI sheets from M/s Steel Trading Corporation, Imphal at Rs.3,145 per bundle as against the rate of only Rs.2,245 per bundle of CGI sheets supplied by the Kolkata based firm at Chandel during the year 2004-05. Although the material was purchased from a Kolkata firm, the rate (Rs.2245 per bundle) was for delivery at Chandel. Again the rate of Rs.3145 per bundle (rate for 2005-06) was also for delivery at Chandel. The increase in rate (Rs.2245 to Rs.3145) as a consequence of non-tendering appears to be on the high side and needs investigation.

Non-maintenance of year-wise expenditure: During the period under review (2001-06) the Government released Rs.7.56 crore to the DRDAs for implementation of Pradhan Mantri Gramodaya Yojana- Grameen Awaas and the DRDAs had spent the same fully. But the State Monitoring Cell did not maintain the year-wise expenditure in respect of the years 2001-02, 2002-03 and 2003-04.

Lack of financial records at State level shows ineffective monitoring and renders the entire financial management process meaningless. The State Government did not release any funds during 2005-06. Reasons for non-release of funds were not on record.

Achievement of the objectives of the scheme

Test check of records of the Monitoring Cell, RDD revealed that the schemes could not be implemented in an efficient, effective and economic manner during the period from 2001-02 to 2005-06. Performance in terms of providing dwelling units to the needy under the two schemes was found to be deficient. As a result, the objectives of the schemes were not achieved. Specific instances of shortcomings in performance and their impact are brought out in the succeeding paragraphs.

3.3.23 Shortfall in achievement

Against a total target of construction of 20,608 new houses and upgradation of 5,665 houses during 2001-06, work was completed in case of only 11,644 houses (new construction) and 5,204 houses (upgradation) resulting in shortfall of 43 and 8 *per cent* respectively. The year wise targets and achievement under the two programmes are depicted in the following tables.

Table 11

IAY (New construction)

Year	Target	Achievement (Houses completed)				Shortfall	Percentage of shortfall
		SC	ST	Others	Total		
2001-02	2824	49	716	290	1055	1769	63
2002-03	4086	38	1516	268	1822	2264	55
2003-04	4500	72	931	130	1133	3367	75
2004-05	4854	73	3562	448	4083	771	16
2005-06	4344	38	3200	313	3551	793	18
Total	**20608**	**270**	**9925**	**1449**	**11644**	**8964**	**43**

Source: Departmental records

Table 12

IAY (Upgradation)

Year	Target	Achievement (Houses completed)				Shortfall	Percentage of shortfall
		SC	ST	Others	Total		
2001-02	706	17	360	104	481	225	32
2002-03	1020	27	585	137	749	271	27
2003-04	1125	23	436	74	533	592	53
2004-05	1214	39	1738	253	2030	—	—
2005-06	1600	22	1229	160	1411	189	12
Total	**5665**	**128**	**4348**	**728**	**5204**	**461**	**8**

Source: Departmental records

PMGY-GA (New construction and upgradation)

IAY guidelines provide (para 3.4) that 20 *per cent* of allocation should be for upgradation of kutcha houses.

The Department claimed that the entire target of new construction and upgradation of dwelling units (3554 houses for the period 2001-05) under PMGY-GA had been fully achieved during the said period. But they did not keep any distinction between new construction and upgradation. Therefore, Audit could not verify whether the Department was following the 80:20 ratio laid down in the guidelines.

3.3.24 Non-maintenance of records

Scrutiny revealed that Monitoring Cell had not monitored the physical performances showing coverage of beneficiaries belonging to SC, ST and other categories of beneficiaries. As a result the actual extent of achievement in regard to these groups of people could not be ascertained. It was also noticed that none of the test checked implementing agencies of IAY/PMGY-GA had maintained an inventory of the houses constructed under the two schemes. This lack of feed back rendered the entire monitoring mechanism envisaged for implementation of rural housing schemes meaningless.

3.3.25 Non-provision of sanitary latrine and smokeless chulha

The unit cost of Rs.20,000 in valley areas (revised to Rs.25,000 from April 2004) and Rs.22,000 in hill areas (revised to Rs.27,500 from April 2004) fixed under IAY programme for construction of new houses were inclusive of cost of construction of sanitary latrine and installation of smokeless chulha. Audit scrutiny, however, revealed that latrines and smokeless chulhas were provided only in respect of 2929 houses and 3286 houses respectively, out of 11,644 newly constructed houses. Thus, 75 *per cent* of the new houses did not have latrines and 72 *per cent* were without smokeless chulhas which indicated that prescribed guidelines and specifications were not followed.

3.3.26 Allotment of houses to male members of the beneficiary households

IAY guidelines provide (para 2.4) for allotment of houses to females in the households or jointly to both husband and wife. However, during 2001-06, 2,894 newly constructed houses (minimum cost: Rs.5.79 crore) and 1,208 upgraded houses (minimum cost: Rs.1.21 crore) were irregularly allotted to the male members in contravention of the scheme guidelines.

3.3.27 Payment of lower financial assistance to beneficiaries

Under the IAY programme the unit cost of construction had been revised from April 2004 as shown below:

Table 13

(In Rupees)

	Valley districts		Hill districts	
	Old rate	**New rate**	**Old rate**	**New rate**
New construction	20,000	25,000	22,000	27,500
Upgradation	10,000	12,500	10,000	12,500

Source: Departmental records

But the DRDA, Churachandpur did not switch over to the new rates and consequently 1,706 beneficiaries (new construction: 1,345, upgradation: 361) were deprived of better quality houses aggregating Rs.83 lakh[13] for new constructions/upgradation carried out during April 2004 to December 2005.

Similarly, DRDA, Chandel had released lower financial assistance of Rs.16,000 for new construction and Rs.8,000 for upgradation of kutcha houses during 2003-05. Consequently, 1328 beneficiaries were deprived of better quality construction of accommodation totalling Rs.1.16 crore[14].

Chairman, DRDA, Churachandpur stated (February 2006) that the new revised rates could not be adopted as the Governing Body and the Advisory Committee of the DRDA decided (June 2005) against the adoption of the revised rates. Chairman, DRDA, Chandel also stated (June 2006) that the lower rates of financial assistance were adopted to cover more beneficiaries. The replies are not acceptable as DRDAs cannot arbitrarily take such a decision in contravention of the guidelines and deprive the beneficiaries of the agreed amount and suitable shelter of minimum prescribed standards.

3.3.28 Selection of IAY beneficiaries at the fag end of the financial year

Records of DRDA, Bishnupur revealed that the Chairman, DRDA accorded administrative approval and financial sanction of Rs. 67.60 lakh[15] without any approved Annual Action Plan on 28 March 2006. Out of Rs.67.60 lakh, Rs.60.84 lakh was released on the same day to avoid lapse of funds and to comply with mandatory provisions of IAY guidelines of not having a closing balance exceeding 15 *per cent* of the total funds available during the year.

Regarding expenditure sanction without approved Annual Action Plan the Assistant Project Officer, DRDA, stated (May 2006) that the selection of beneficiaries was done by the concerned Village Panchayats. The reply is not tenable since the copies of Village Panchayats' Resolutions produced to audit related to resolutions adopted during the period 30 March to 13 April 2006 *i.e.* after the release of the sanctioned amount to the beneficiaries.

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[13] New construction = (Rs.27500-22000) x1345 nos. = Rs.7397500
Upgradation= (Rs.12,500-10000) x361 nos. = Rs.902500
Total: Rs.8300000

[14] 2003-04 New construction = (Rs.22,000 – Rs.16,000) x 93 numbers = Rs.5,58,000
Upgradation = (Rs.10,000 – Rs.8,000) x 52 numbers = Rs.1,04,000.
2004-05 New construction = (Rs.27,500 – Rs.16,000) x 792 numbers = Rs.91,08,000
Upgradation = (Rs.12,500 – Rs.8,000) x 391 numbers = Rs.17,59,500.
Total: (1328 number) Rs.1,15,29,500

[15] New construction Rs.54.25 lakh for 217 beneficiaries and upgradation Rs. 13.35 lakh for 109 beneficiaries.

Thus, the manner of selection of IAY beneficiaries and the release of funds at the fag-end of the financial year to avoid lapse of fund was irregular.

3.3.29 Non-providing modern construction technologies and design to beneficiaries

Guidelines of IAY (para 5.2) provide that the State Government and DRDA/ZP should arrange to make available information on use of innovative technologies, material, designs and methods to help beneficiaries in construction/upgradation of durable, cost effective and disaster resistant houses. Audit scrutiny, however, revealed that neither the Government nor any of the test-checked DRDAs initiated any steps during 2001-06 to help the beneficiaries by providing them information on innovative technologies and designs *etc*. which resulted in non-fulfilment of objectives of the programme.

C. INTEGRATED WASTELANDS DEVELOPMENT PROGRAMME-HARIYALI (IWDP-HARIYALI)

The programme was launched from April 1995 for meaningful planning, implementation and management of economic development activities in rural areas by involving village community. IWDP was re-designated as HARIYALI in April 2003 and implemented with new guidelines.

Financial management

3.3.30 Inefficient Financial management

Short release of funds: Under the programme altogether 27 projects, extending over an area of 1,71,500 hectares, were sanctioned during 2001-06 for execution over a period of five years from the date of sanction at the rate of Rs.6,000 per hectare. The cost per hectare was shared between the Centre and the State in the ratio of Rs.5,500: Rs.500. Fifteen *per cent* of the respective shares was to be released in the first year, 30 *per cent* in the second year, 30 *per cent* in the third year, 15 *per cent* in the fourth year and 10 *per cent* in the fifth and final year.

But due to non-submission of utilisation certificates for the State share portion by the State Government, the Central Government released an amount of Rs.14.63 crore during the five years (2001-06) as against a due amount of Rs.52.74 crore as worked out in *Appendix 3.17*. Because of its failure to submit utilisation certificates, the State Government were unable to obtain Rs.38.11 crore of the Central aid.

Whereas, the State should have contributed Rs.4.79 crore during 2001-06 as per the sharing arrangement it contributed only Rs.70.77 lakh[16] *i.e.* shortfall of 85 *per cent*.

Thus, poor management of financial resources deprived the waste land development programme of its required and assessible financial resources which in turn affected the implementation of the programme.

[16] 2001-02: Rs.6 lakh, 2002-03: Rs.37.77 lakh, 2003-04: Rs.22.50 lakh, 2004-05: Rs.4.50 lakh

Achievement of the objectives of the scheme

Records of the Monitoring Cell, RDD and selected PIAs revealed that the scheme could not be implemented in an efficient and effective manner during the period from 2001-06 and the objectives of the scheme were not achieved. Specific instances of shortcomings and their impact on performance of the scheme are brought out in the subsequent paragraphs.

3.3.31 Shortfall in achievement

The details of physical targets and achievements made by the Department during the period from 2001-06 are given below:

Table 14

Year	No. of projects sanctioned	Project period	Area to be covered during project period (Hect)	Target to be covered upto 2005-06 (Hect)	Achievement (Hect)	Percentage of shortfall
2001-02	1	2001-06	8000	8000	1200	15
2002-03	6	2002-07	44500	35600	7553	79
2003-04	5	2003-08	30000	18000	4500	75
2004-05	7	2004-09	40000	16000	5875	63
2005-06	8	2005-10	49000	9800	7287.50	26
Total	**27**		**171500**	**87400**	**26,415.50**	**70**

Source: Departmental records

As per approved project norms, target area to be covered during 2001-06 was 87,400 hectares. However, Audit scrutiny revealed that only 26,415.50 hectares could be developed during 2001-06, resulting in shortfall of 70 *per cent*.

3.3.32 Irregularities in implementation of projects

Scrutiny of records in respect of test checked Project Implementation Agencies and DRDAs revealed the following irregularities in respect of 11 projects[17]:

Non-contribution to Watershed Development Fund: One of the mandatory conditions for selection of villages in Watershed Development Programme is people's contribution towards Watershed Development Fund (WDF). The contribution to WDF should be minimum 10 *per cent* of the cost of works executed on individual lands belonging to ST/SC categories and five *per cent* for BPL families. For community property, people's contribution should be five *per cent* of the development cost incurred. But in case of 11 Hariyali projects sanctioned by the GOI during 2002-06, people's contribution had not been realised till March 2006, though a substantial portion of the funds had been utilised as development cost.

User charges: The IWDP (Hariyali) guidelines provide that the Gram Panchayat shall impose user charges on User Groups for use of common utilities like water for irrigation from village tanks/ponds, grazing from community pastures *etc*. While one half of the user charges so collected may

[17] Eleven projects: Thoubal district: Project No.2; Churachandpur district: Project Nos. 1 to 4; Bishnupur district: Project Nos. 1 to 3; Ukhrul district: Project Nos. 2 to 4

be credited to the WDF for maintenance of assets of the projects, the remaining half was to be utilised by the Panchayats. Audit scrutiny revealed that except in one project in Thoubal district, the user charges had not been imposed and collected in the remaining ten projects.

Van Rakshaks: To take care of plantations on public/community/panchayat land, the Gram Panchayats are required to engage local unemployed youth from BPL families as "Van Rakshaks" on honorarium basis which is to be paid out of administrative costs. However, it has been ascertained in course of audit that no Van-Rakshak was engaged in any of the 11 projects implemented during 2002-06.

Thus, there were numerous deficiencies in implementation of IWDP-Hariyali in the State. As a result, the village communities could not be mobilised to undertake self sustaining regeneration of wastelands depriving them of future economic growth.

3.3.33 Training

Under SGRY the DRDAs were authorised to utilise up to Rupees one lakh of funds for training/capacity building of officials/non-officials of Panchayati Raj Institutions (PRIs) involved in implementation of SGRY. However, during 2001-06, though there were no fund constraints none of the DRDAs reviewed had utilised any funds towards organisation of such trainings for the people involved in implementation of the programme. Similarly, the officers dealing with IAY at State, district and block level were required to be trained in various disaster resistant features to be adopted in the houses. They had to ensure that construction of IAY units follow prescribed norms regarding incorporation of disaster resistant features during their field visits. But none of the test checked DRDAs organized any such training during 2001-06, except training of one officer during 2005-06. Lack of training inhibits capacity building and displays lack of sensitivity towards overall implementation of poverty alleviation programmes in the State.

3.3.34 Internal control Mechanism

The DRDAs and the State Level Monitoring Cell have no separate Internal Audit Wings. Internal Audit of the accounts was carried out by the Directorate of Local Fund Audit. Lack of internal audit and adequate internal controls resulted in under utilisation, diversion and unauthorised expenditure of scheme funds and frequent violation of programme guidelines. Lack of corrective action led to repetition of similar incidents.

3.3.35 Information Technology

The DRDAs and State Level Monitoring Cell have not adopted any Information Technology System for monitoring and reporting their physical and financial progress. Since data retrieval and utilisation in a non-IT environment is a difficult and time consuming process, this had a negative impact on overall policy formulation and execution of the programmes and led to delays in decision making.

3.3.36 Monitoring and evaluation

Under Central guidelines for SGRY (para 7.2.2) and IAY (para 6.1), the DRDAs are required to obtain monthly and annual financial and physical progress reports from their peripheral ZPs, Block Development Officers and Village Panchayats and submit consolidated report of the same to the State and Central Governments. Audit scrutiny revealed that DRDAs have not adopted any such system for obtaining reports from the peripheral ZPs, blocks and panchayat level implementing agencies of the programme. The progress reports were however submitted to the State and Central Governments by the DRDAs on the basis of advance payments and payments made on completion of some works without further verifying actual utilization/disbursement of funds. The State Level Nodal Officer did not prescribe any Schedule of Inspection, as provided in the guidelines, for the State, District and Block level functionaries for their monthly field visits to monitor implementation of the programme. Besides, State Level Vigilance and Monitoring Committee for Rural Development Programmes were constituted only in June 2005 although some of the programmes were implemented since 1995.

The programmes were not evaluated by any authority during the period under review. As a result, the impact of various schemes on the rural poor could not be ascertained.

3.3.37 Conclusion

The DRDAs resorted to various economic activities for creating community assets for sustained employment without proper planning and identification of IAY beneficiaries, ignoring the grass roots level Panchayati Raj Institutions/Village authorities. Under-utilisation of SGRY and IAY funds indicates inefficient financial management resulting in deprivation of the much needed benefits. Due to failure in submission of utilisation certificates, the State Government could not obtain a huge amount of Central aid under IWDP scheme. There was a large gap between effort required and actual performance in terms of employment generation under SGRY scheme. Shortfall in achievement of construction of new dwelling units under IAY scheme shows that the scheme could not be implemented in an efficient and effective manner. Against the works completed with cash component, unauthorised issue of additional foodgrains (rice) to the work agencies without ascertaining their actual distribution to the wage earners raises doubt about the genuineness of the issue of rice supplied free by the Centre. Release of funds to village chiefs in hill areas without specific approved work-programmes could not ensure the creation of community assets for sustained employment. Social audit and vigilance at grass root level was not ensured by adopting procedures for obtaining reports from the Monitoring committees before making final payment for the works under the programme. Besides, the State Government also could not ensure proper monitoring of implementation of the programmes by prescribing a Schedule of Inspection for various State, District and Block level functionaries and ensuring its strict compliance by them.

3.3.38 Recommendations

- The DRDAs should ensure preparation of Annual Action Plans and identify the beneficiaries at grass root level by involving Panchayati Raj Institutions/Village Authorities.
- The DRDAs should ensure proper identification of beneficiaries and timely and correct utilisation of sanctioned funds so that the rural poor get the much needed timely benefits of the schemes.
- The State Government should ensure that release of State share under IWDP scheme is not delayed and ensure timely submission of utilisation certificates for availing full Central assistance for development of watersheds and wasteland.
- The DRDAs should ensure the issue of foodgrains as part of wages during execution of works to ensure food security for the rural poor.
- The DRDAs should ensure execution of works departmentally without involvement of middlemen and involve local communities.
- Proper monitoring of the programme by the State, district and block level functionaries is necessary to ensure that grants are gainfully utilised. Results should be publicised while giving publicity to the schemes.
- Department should display information of their projects as required under Right to Information Act.

SOCIAL WELFARE DEPARTMENT

3.4 CHILDREN WELFARE SCHEMES

Women and children constitute a significant portion of the population of the country and their development and empowerment sets the pace of growth of the country's development. Although various welfare schemes were implemented in the State for the benefit of the children in aspects like nutrition, health, education etc. these could not produce the desired level of benefits because of various shortcomings in their implementation. Beneficiaries were not properly identified; ready-to-eat meals provided to the under-nourished children did not have the minimum calorie and protein content. Funds were diverted and construction of Anganwadi Centres and Bal Bhavans suffered.

Highlights

Inefficient financial management resulted in short release of funds to the extent of Rs.6.16 crore under Integrated Child Development Services scheme during the period 2001-06 adversely affecting its implementation.

(Paragraph 3.4.7)

Because of non-provision of essential medical and pre-school facilities to the beneficiaries, the objectives of providing essential medical and pre-school facilities under ICDS scheme were frustrated.

(Paragraphs 3.4.9 & 3.4.10)

Irregular identification of beneficiaries for Supplementary Nutrition Programme under Pradhan Mantri Gram Udyog Yojana led to diversion of funds amounting to Rs.10.31 crore.

(Paragraph 3.4.15)

Programme objective of removing malnutrition in children of the age group of six months to three years under Supplementary Nutrition Programme was defeated as meals with less calorific and protein value were provided to beneficiaries and that too for only 98 days in a year against the norm of 300 days per year.

(Paragraphs 3.4.17 & 3.4.18)

Inefficient and faulty contract management resulted in sub-standard construction works in 655 Anganwadi centre buildings and extension of an undue benefit of Rs.73.64 lakh to the contractors.

(Paragraph 3.4.23(A))

3.4.1 Introduction

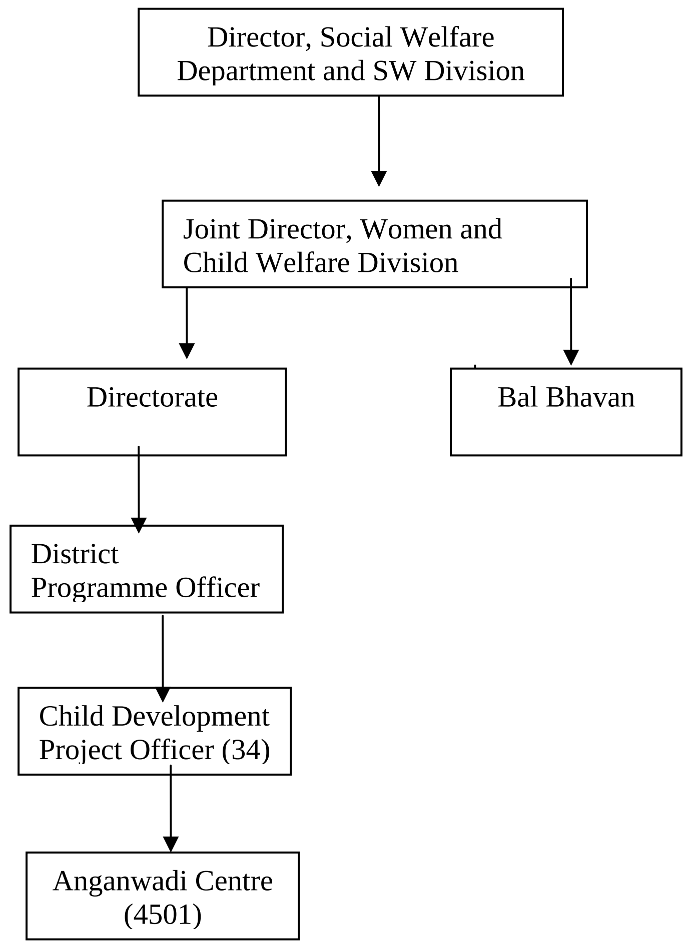
The goals of human development are deeply intertwined with the development and empowerment of women and children, as they together constitute significant proportion of the total population of the country. As per the 2001 Census, women as an independent group accounted for 48.3 *per cent*, whereas children (0-14 years) formed about 34 *per cent* of the total population. These sections not only constitute precious human resources of the country but their socio economic development sets the pace for the growth of the rest of the economy. Article 45 of the Constitution has been recently amended to enjoin upon the State "The State shall endeavour to provide early childhood care and education for all children until they complete the age of six years". Various initiatives, policies, programmes, schemes and enabling measures have been evolved for the benefit of children and in particular girl child covering a wide range of areas including nutrition, health, education, gender equality, social and economic rehabilitation.

The Department of Social Welfare is responsible for implementing various welfare schemes for children, adolescent girls and women. The Department has been implementing the following schemes for development and welfare of children—Integrated Child Development Services (ICDS), Supplementary Nutrition Programme (SNP) under Pradhan Mantri Gramodoya Yojana (PMGY), Construction of Anganwadi Centres (AWCs), Kishori Shakti Yojana, Nutrition Programme for Adolescent Girls, Balika Samridhi Yojana, Bal Bhavan and Financial Assistance to Destitute/Dependant School Going Children.

3.4.2 Organisational set up

The Commissioner, Social Welfare is the Administrative Head of the Department. The Joint Director (Women and Child Development) is overall in charge of implementation of the schemes under the Women and Child Development Division of the Department. He is assisted by a State Programme Officer and six District Programme Officers (DPOs), and ICDS Cell. At the grass root level, 34 Child Development Project Officers (CDPOs) are implementing the schemes through 4,501 AWCs. Details of ICDS Projects and AWCs are given in *Appendix 3.18*.

The organisational set up of the Social Welfare Department (SWD) is given below:



3.4.3 Scope of audit

Performance audit of various children welfare schemes implemented by the SWD covering the period 2001-06 was carried out during June - July 2006. For this purpose, records were test checked in the offices of Director, District Programme Officers of Imphal, Thoubal and Churachandpur and offices of CDPOs under the relevant DPOs to assess whether these schemes were implemented with due regard to economy, efficiency and effectiveness.

3.4.4 Audit objectives

The audit objectives were to assess whether:

- the planning for implementation of the schemes was effective,
- the beneficiaries were completely and correctly identified in a fair and transparent manner,
- the financial management of the schemes was efficient and schemes were implemented economically and effectively,
- the contract management was transparent and efficient,
- the monitoring and evaluation system of the schemes was effective, and

- the objectives of the schemes were actually achieved.

3.4.5 Audit criteria

The audit criteria used for assessing the performance of the Department in implementing various schemes were:

- Performance parameters in terms of targets, norms and other benchmarks in the guidelines of the schemes,
- Provision of infrastructure facilities, and
- Prescribed monitoring mechanism.

3.4.6 Audit methodology

Audit methodology employed in conducting the performance review was as follows:

- Briefing the auditee management of the objectives of the review and seeking their cooperation in conducting the study through an entry conference (27 April 2006).
- Collecting data and documentary evidence by scrutiny of departmental records.
- Issuing questionnaires, holding meetings and discussions with the auditee management to seek information, clarifications and response to audit observations.
- Analysis of data and documentary evidence to arrive at audit findings, conclusions and recommendations.
- Communicating audit findings to the auditee management through review report and a presentation on the findings in the exit conference (14 November 2006).

Audit Findings

A. INTEGRATED CHILD DEVELOPMENT SERVICES

ICDS was launched in 1975 with a package of basic services – health check ups, immunisation, referral services, supplementary feeding, free school education, health and nutrition education for children up to six years and expectant and nursing mothers through a single window delivery system.

Financial management

3.4.7 Inefficient Financial management

Short release and under utilisation of funds: The GOI provides grants-in-aid to the State Government for meeting the administrative and programme costs of ICDS. The State Government provides the cost of supplementary feeding components.

Audit examination revealed mismanagement including short release of funds. Year wise position of funds availability for implementation of ICDS is depicted below:

Table 1

(Rupees in crore)

Year	Funds released by		Short release of funds by State Government	Percentage of short release of funds	Expenditure incurred
	Government of India	State Government			
2001-02	10.61	10.61	-	-	11.00
2002-03	15.38	15.38	-	-	13.81
2003-04	15.70	13.80	1.90	12	13.35
2004-05	14.66	12.83	1.83	12	12.92
2005-06	18.44	16.01	2.43	13	16.12
Total:	**74.79**	**68.63**	**6.16**	**8**	**67.20**

Source: Departmental records

Availability of funds was not a constraint to the programme. Despite Central Government releasing its full share and State Government not releasing its full share the Department was unable to fully utilise the available funds. This adversely affected the overall implementation of the scheme and prevented people of the State getting the full benefits.

The Department attributed the shortfall of expenditure during 2002-03 to late receipt of sanctions.

Planning

3.4.8 Faulty planning and inadequate coverage of beneficiaries

The Department did not carry out a proper survey to identify the beneficiaries. Though the Project Offices submitted information relating to requirement of funds, the Department failed to consolidate and work out the actual requirements at Anganwadi level accurately. Annual Plan after conducting survey to identify and select the beneficiaries for achieving the scheme objective was not prepared. As a result of the ineffective and faulty planning, all the components of the schemes, such as maintenance of growth charts, referral services for stunted growth, could not be implemented. Besides, the project officers could not also procure weighing scales required for checking the weight of the beneficiaries of the scheme.

The annual departmental targets, achievements and shortfall thereof in respect of identification of beneficiaries of ICDS are depicted in the following table:

Table 2

Year	Target	Achievement	Shortfall	Percentage of shortfall
2001-02	3,51,138	3,31,074	20,064	6
2002-03	3,75,593	3,36,391	39,202	10
2003-04	3,78,595	3,36,987	41,608	11
2004-05	3,88,417	3,43,929	44,488	11
2005-06	3,63,277	3,24,345	38,932	11
Total	**18,57,020**	**16,72,726**	**1,84,294**	

Source: Departmental records

From the above, it is evident that the shortfall ranged from 6 to 11 *per cent* during the period 2001-06. The persistent shortfall indicated lack of effort in bringing all eligible beneficiaries under the ICDS scheme.

Achievement of the objectives of the scheme

Records of the Directorate and ICDS Projects revealed that the ICDS could not be implemented in an efficient, effective and economic manner during the period from 2001-02 to 2005-06. Performance of various services rendered under ICDS were found deficient. As a result, the objectives of ICDS were not achieved. Specific instances of shortcomings and their impact on performance of the Scheme are brought out in the succeeding paragraphs.

3.4.9 Inadequate Medical Facilities and Health Services

Regular health check-up and referral services are important components of the scheme. The GOI provides funds for procurement of medicine-kits consisting of easy to use and dispensable medicines to remedy common ailments like cough and cold, skin infections *etc*. for each AWC. Timely procurement of medicine kits for use at the AWCs is essential. For this, an amount of Rs. 600 per year is allocated to each AWC from the funds allotted to States for general ICDS schemes from time to time. The kits are to be procured regularly in each year and within a reasonable period of six months after the beginning of financial year. Test-check of records however revealed that the medicine kits were not procured and supplied to the AWCs during 2003-06. As the required kits were not procured, the essential medical services could not be rendered during that period and funds worth Rs. 81.02 lakh[18] were diverted for other purposes.

3.4.10 Non-utilisation of funds earmarked for pre-school education

Pre-school education is a crucial component of the package of services under ICDS. It aims at psycho-social, and cognitive development of children in a cogent and holistic manner. It also aims at developing school readiness and positive attitude towards education in children. The national goal to achieve universal primary education can be reached only through strengthening of pre-school education in AWCs. The GOI decided to supply pre-school kits to AWCs in a regular manner since 2000-01 to improve the quality of non-formal and play-way method of education. The State Governments are entrusted with the task of procurement and supply of these kits to AWCs for which they are being provided with Central funds each year at the rate of Rs. 500 per AWC.

Audit examination revealed that during the years 2001-02, 2004-05 and 2005-06, a sum of Rs.67.56 lakh provided by the GOI for procurement of pre-school kits was not utilised, depriving the children of the benefits of play-way method of education during the said years.

[18] 4501 AWCsxRs.600x3 years = Rs.81.02 lakh.

3.4.11 Diversion of funds earmarked for information, education and communication, and community mobilisation (IEC)

Substantial funds under ICDS have been earmarked for creating awareness and to build-up the image of ICDS programme, and also for community participation in the implementation of the Scheme. Towards this, funds amounting to Rs.25,000 per ICDS project are being provided annually by the GOI to the State Government to continue activities such as nutrition and health education, sessions with Mahila-Mandal, house to house visits, group meetings, puppet shows, song Yatra, *etc*. Audit scrutiny revealed that though Rs 8.50 lakh per year were released from 2001-02 to 2004-05 to the Department for IEC activities in the 34 ICDS projects, IEC activities such as village level camps, distribution of books, flash-cards, slides, posters, handbills and publicity of scheme through folk-theatre *etc*. were not undertaken at the grass root level (Block and AWCs). The State Government did not release funds to the implementing agencies during the year 2005-06. Thus, ICDS was not given the required level of publicity in the State. Consequently adequate image and importance of ICDS programmes could not be built up.

3.4.12 Non-maintenance of health and growth related statistics in AWCs

As per guidelines, regular recording of weight and other growth indicators of the ICDS beneficiaries is a must. Regular growth monitoring is a tool for preventing malnutrition and for early detection of faltering growth. It can provide clues for the causes of growth faltering and therefore help in timely intervention. Special attempts have to be made to take the birth-weight of new born babies and those found weighing between 1.5 kg to 2 kg should be referred to the nearest health centre for medical attendance. For this, each AWC is to be equipped with weighing scales and growth charts. Audit scrutiny however revealed that weighing scales and growth charts were not procured and provided in all the 11 test-checked Centres. In their absence, weight measurement records and growth charts for ICDS beneficiaries were not maintained and referral services in cases of stunted growth were neglected. The possibility of the AWCs not monitoring this activity at all cannot be ruled out.

3.4.13 Poor reach of ICDS

As per Annual Administrative Report of the Union Ministry of the Women and Child Welfare, in hilly or desert areas where villages are small, AWCs may be set up in a village having a population of 300 or more. In Manipur, hill villages are sparsely populated and some villages are 2-3 kms away from the nearest AWC. As a result, not all children of the hill villages could be covered by the existing AWCs. As per the status report of 2004-05, a total of 328 AWCs were required to be opened in the State to cover the left out villages. Audit scrutiny however revealed that only 34 out of 38 Community/Tribal Development Blocks in the State were under ICDS network as on 31 March 2006. Four blocks *viz.* Tuibong, Saikot, Sangaikot and Lamka have not been covered till date. Poor tribal children in these blocks were deprived of benefits under ICDS.

B. SUPPLEMENTARY NUTRITION PROGRAMME (SNP) UNDER PMGY

SNP under PMGY aims at removing malnutrition among children below three years of age through additional Central assistance. It targets children in the age group of six months to three years. It is implemented through the ICDS.

Financial management

3.4.14 Short/late release of earmarked funds

Funds under SNP are allocated by the Central Government to the State Government which in turn releases them to the Department. Year-wise release and shortfall are depicted in the following table:

Table 3

(Rupees in lakh)

Year	Funds released by		Short release of funds by State Government	Percentage of short release by State Government	Expenditure incurred
	Government of India	State Government			
2001-02	408.00	364.00	44.00	11	364.00
2002-03	900.00	276.00	624.00	69	150.00
2003-04	900.00	234.00	666.00	74	234.00
2004-05	900.00	894.00	6.00	1	894.00
2005-06	664.58	464.98	199.60	30	464.98
Total	**3772.58**	**2232.98**	**1539.60**	**41**	**2106.98**

Source: Departmental records

The table above indicates that availability of funds was not a constraint. However, scrutiny of records revealed that the release of funds for SNP under PMGY by the State Government was not satisfactory. Out of Rs.37.73 crore received from the Centre under SNP during 2001-06, the State Government did not release Rs.15.40 crore as of March 2006 which constitutes 41 *per cent* of the funds received from the Central Government. There was shortfall of 69 *per cent* in 2002-03 and 74 *per cent* in 2003-04. It was also seen from the records that during 2002-03, a sum of Rs.1.26 crore could not be utilised as the Government released the funds at the fag end of the financial year. Similarly, during 2004-05 the State Government released Rs.4.44 crore on the last day of the financial year. The Department exhibited the amount as spent and kept the same in 8449-Other Deposits *i.e.* for purposes other than the programme.

The short and delayed release of earmarked funds has severely affected the implementation of SNP in the State depriving children in the age group of six month to three years of the much needed nutrition thereby increasing the risk of malnourishment and stunted growth in this highly vulnerable group.

3.4.15 Diversion of funds

While the funds released by the Central Government for SNP under PMGY were meant only for children of the age group of six months to three years, the

Department had utilised the Central funds on pregnant women and lactating mothers as well.

The number of ineligible beneficiaries (children above three years, pregnant women and lactating mothers) and irregular expenditure incurred on them are depicted below:

Table 4

Year	Total No. of beneficiaries	No. of eligible and enrolled children (6 months to 3 years)	No. of ineligible beneficiaries	Expenditure on ineligible group (Rupees in crore)
2001-02	2,30,637	1,41,292	89,345	0.89 (100 days @ Re. 1)
2002-03	2,32,052	1,48,778	83,274	0.47 (45 days @ Rs. 1.25)
2003-04	2,44,679	1,43,758	1,00,921	0.86 (68 days @ Rs. 1.25)
2004-05	2,59,329	1,42,115	1,17,214	3.37 (125 days @ Rs. 2.30)
2005-06	2,74,962	1,38,057	1,36,905	4.72 (150 days @ Rs. 2.30)
Total	**12,41,659**	**7,14,000**	**5,27,659**	**10.31**

Source: Departmental records

The Department could not explain the circumstances under which ineligible beneficiaries were included under the programme leading to diversion of Rs.10.31 crore from the funds meant for children from six months to three years of age group.

It was further observed that Rs.3.01 crore was spent on Bal Bhog (ready to eat food), out of the expenditure of Rs.10.31 crore, and was provided to pregnant women and lactating mothers. The Bal Bhog was meant for children below 3 years and thus cannot be treated as fruitful supplementary food for pregnant women and mothers. As such the expenditure has been unfruitful.

Identification of beneficiaries

3.4.16 Non-coverage of eligible beneficiaries

The nutrition component of PMGY has been specifically outlined with the objective of eradicating malnutrition amongst children of age under three years by providing increased nutritional coverage through supplementary feeding of these children through ICDS network. Malnutrition in less than three years age group has long term effects leading to stunted adults with low cognitive development, increased risk of morbidity and mortality and also reduced work output. The allocation under PMGY is an additional support and targeted to bridge to a large extent the gap of under provisioning of funds in existing schemes for supplementary feeding exclusively for the 0-3 year age group.

The coverage of under-nourished children under SNP is given below:

Table 5

Year	Total No. of under-nourished children under 3 year age group	Covered	Shortfall	Percentage of shortfall
2001-02	1,50,387	1,41,292	9,095	6
2002-03	1,66,775	1,48,778	17,997	11
2003-04	1,60,283	1,43,758	16,525	10
2004-05	1,56,436	1,42,115	14,321	9
2005-06	1,58,226	1,38,057	20,169	13
Total	**7,92,107**	**7,14,000**	**78,107**	

Source: Departmental records

As can be seen, there was a shortfall ranging from six to 13 *per cent* in average of under nourished children. The Department could not explain the reasons for such non-coverage of the child population in the age group below three years.

Implementation

3.4.17 Meals to needy children not provided regularly

As per the programme guidelines, the malnourished children were to be fed at least for 300 days in a year. Audit examination, however, disclosed that the Department fed all ICDS beneficiaries including the children under SNP (PMGY) only for 45 to 150 days in a year as brought out in the table below:

Table 6

Year	No. of beneficiaries under SNP (PMGY)	Actual no. of days on which meals were provided to the children
2001-02	1,41,292	100
2002-03	1,48,778	45
2003-04	1,43,758	68
2004-05	1,42,115	125
2005-06	1,38,057	150

Source: Departmental records

On an average, the beneficiaries were provided meals only for 98 days in a year as against the norm of 300 days. Thus achievement of the programme was less than 33 *per cent*. This is a serious failure which defeats the very purpose of removing malnutrition by providing nutritious food to the malnourished children.

It was also seen from the records that the Project Offices and AWCs started receiving the food articles only from March 2006. Thus, the claim of the Department of feeding the beneficiaries for 150 days in 2005-06 from the funds released for the year concerned cannot be relied upon.

3.4.18 Meals containing less calories and proteins provided to the children

The calorie-protein gap in the children covered under SNP is sought to be covered by providing daily nutritional supplements as indicated below:

Beneficiaries	Calories	Protein (grams)
Children below three years	300	8-10
Severely malnourished children	600	16-20

Against the prescribed norm, however, the nutritional value of the ready-to-eat (RTE) food provided to the children in the State during the three years 2002-03, 2004-05 and 2005-06 was much lower as worked out in the table below:

Table 7

Year	Daily RTE supplement (in grams)	Total calorie actually provided	Total protein actually provided
2002-03	20	78	2.70
2004-05	35	136.3	4.72
2005-06	35	136.3	4.72

Source: Departmental records & laboratory test report

Note: The above calculations were made on the basis of the results of laboratory tests conducted on the RTE food provided in the State. The test revealed that 100 grams of ready to eat (RTE) provided in Manipur contained 389.40 cal and 13.49 grams of protein.

Thus, there was a wide gap between the prescribed norms and the nutrition actually provided to the beneficiaries, defeating the very purpose of this intervention. The RTE worth Rs.13.71 crore was procured and distributed by the Department but did not meet the minimum nutrition requirements of the malnourished children covered under the scheme. The beneficiaries were therefore not provided RTE in prescribed quantities per day to address calorie/protein gap.

The State had 40,604 severely malnourished children below 3 years needing supplementary feeding at the beginning of 2001-02. As per the Programme guidelines, severely malnourished children should get double the quantity of food than normal-malnourished children. It was seen in Audit that the Department did not follow the scheme guidelines in providing additional food to the severely malnourished children, who were provided food at par with other children. Thus, the purpose of eradicating malnutrition in children under 3 years has been severely compromised.

3.4.19 Irregularities in procurement

The Deputy Director (SNP) stated that the purchases of RTE were made on two occasions in 2005-06. 609.44 tonnes of RTE valued at Rs. 4.44 crore were purchased in December 2005 from the funds of previous year (2004-05) which were kept in “8449-Other Deposits”. Another 654.22 tonnes of RTE valued at Rs. 4.65 crore was purchased from the funds released in 2005-06.

Test-check of delivery challans revealed that nine delivery challans involving RTE worth Rs.82.29 lakh were not duly supported by seal and signature of the Sales tax check gates between Guwahati and Imphal (supplying firm being Guwahati based). In two challans, Manipur check-gate clearance was on 25 February 2006 but food articles worth Rs.18.93 lakh were shown to have been received on 24 February 2006 in the Central Godown of the Department at Imphal.

C. CONSTRUCTION OF ANGANWADI CENTRES

Construction of AWCs is a 100 *per cent* Centrally Sponsored Scheme for providing permanent buildings at grass root level for improving and ensuring smooth functioning of ICDS.

Financial management

3.4.20 Delayed release of funds

Audit scrutiny of departmental records revealed that the State Government delayed release of funds to the Department for construction of new AWCs. Position of funds released and expenditure incurred are detailed in the table below:

Table 8

(Rupees in crore)

Phase and instalments	Funds released by Government of India	Month of release	Funds released by State Government	Month of release	Expenditure
1st Phase					
1st instalment	4.13	3/2002	4.13	2/2003	4.13
2nd instalment	4.12	3/2003	4.12	5/2004	4.12
2nd Phase					
1st instalment	4.09	3/2003	4.09	1/2005 to 9/2005	4.09
2nd instalment	4.09	2/2005	4.09	3/2006	—
Total:	**16.43**		**16.43**		

Source: Departmental records

Although the full amount of Rs.16.43 crore received from the Central Government during the last five years was released to the Department by the State Government as shown in the table, there were significant delays ranging from 11 to 30 months in the release of funds to the implementing officers as discussed below:

The Central grants are released in a phased manner. While releasing the first installment *i.e.* 50 *per cent* of the total amount of both the first and second phase of construction, the Central Government *inter alia* mentioned that the balance 50 *per cent* would be released in the next financial year taking into account the pace of construction and utilisation of funds.

The first installment for the first phase amounting to Rs.4.13 crore was released by the GOI on 30 March 2002; but the State Government delayed the release and the funds reached the District Programme Officers who were the implementing officers only in February 2003 after a gap of 11 months. Similarly, first instalment of the second phase amounting to Rs.4.09 crore was released by GOI on 31 March 2003; but it was released to the Districts between January to September 2005— with a delay ranging from 22 to 30 months.

The second instalments of the first and the second phases were released by the GOI in March 2003 and February 2005 respectively after receiving utilisation certificates from the State Government. Audit examination revealed that the

State Government, in order to get the 50 *per cent* balance amount of the second instalment, submitted utilisation certificates for the first instalment of Rs.4.09 crore to the GOI even before the release of the full amount to the implementing officers (DPOs). The second instalment of Rs.4.09 crore was released by the GOI in February 2005. It could be drawn by the Director only on 31 March 2006 and remained undisbursed.

Construction of Anganwadi Centres

3.4.21 Lack of perspective and annual plans

The Department did not prepare either a perspective plan or draw up annual plans for construction of AWCs. It took up the construction works according to availability of funds. The district-wise allocation and numbers of AWCs to be constructed were decided subsequently. Thus, the Department proceeded without a clear picture of what it would be doing.

3.4.22 Large number of Anganwadi Centres not constructed

The GOI had been providing grants-in-aid for construction of own buildings of permanent nature and improving the delivery of services at grass root level under ICDS Scheme since 2001-02.

Although the Department claimed that the construction of all the buildings of first and second phases had been completed, test-check of records of three District Programme Officers revealed that 181 buildings were incomplete as of March 2006 out of 901 buildings taken up for construction as shown below:

Table 9

District Programme Officer	No. of Anganwadi Centres sanctioned	No. of Anganwadi Centres actually completed	No. remaining incomplete
First phase (Position as on 31 March 2006)			
Imphal	202	201	01
Thoubal/Chandel	191	133	58
Churachandpur	62	62	Nil
Total	**455**	**396**	**59**
Second phase (Position as on 31 March 2006)			
Imphal	213	177	36
Thoubal/Chandel	171	85	86
Churachandpur	62	62	Nil
Total	**446**	**324**	**122**

Source: Departmental records

Since AWCs form an important link in the ICDS and other schemes, their non-completion will result in depriving a large portion of beneficiaries of the benefits of various child welfare schemes.

Of the 181 incomplete centres, 144 were in Thoubal and Chandel districts under the DPO, Thoubal/Chandel. This indicates highly inefficient functioning of the executing agencies in these districts. The Department stated (November 2006) that the completion was delayed as there were delays in releasing funds to the DRDAs. Further it stated that the release of funds were delayed because of delays in identification of the AWCs and completion of land acquisition formalities.

3.4.23 Sub-standard work and undue benefit to the contractors

(A) AWCs were constructed through contractors on the basis of a technically sanctioned estimate of Rs. 1.25 lakh per Anganwadi centre. Audit examination disclosed that the work of construction of 655 buildings in the second phase was awarded to contractors at a flat rate of Rs. 1.25 lakh per centre as per instructions of the State Government without inviting tenders. The specifications provided that the roofing should be of the thickness of 24 BG[19] (63 mm) CGI[20] sheet. The cost thereof worked out to Rs.26,052 per building. In actual execution, however, the contractors put 28 BG (40 mm) CGI sheet costing Rs.14,810 per building. Although the roofing was sub-standard, the Department released the full amount of Rs.1.25 lakh per building thereby extending undue benefit of Rs.73.64 lakh[21] to the contractors. As a result the objective of having own buildings of permanent and durable nature was compromised by accepting poor construction.

(B) As per the scheme guidelines, the size of the room of AWCs should not be less than 5 X 5 metre. There should be one store room of 9 sq.m. area and a child-friendly toilet. Test-check of records of District Programme Officers, Thoubal, revealed that 28 AWCs were constructed with less plinth area and without child-friendly toilets. The joint inspection team of the District instructed the contractors to compensate the shortage of size of the relevant 28 AWCs by constructing a roofed balcony with concrete flooring. As a result, an amount of Rs.10.26 lakh *(Appendix 3.19)* was spent on construction of balcony, ignoring the scheme guidelines and specifications. Moreover, the purpose of providing child-friendly toilet for smooth functioning of children welfare schemes was also not served.

D. KISHORI SHAKTI YOJANA

Kishori Shakti Yojana (KSY) was introduced in the year 2000-01 with a view to improve nutritional and health status, promoting self development, awareness of health, hygiene, family welfare and management of adolescent girls in the age group of 11 to 18 years by providing nutritious food and imparting training in vocational and other aspects.

Financial management

3.4.24 Short release of funds

Year-wise position of funds allocated by the Centre, their release and utilisation by the Social Welfare Department are depicted in the following table.

[19] Birmingham Gauge.
[20] Corrugated Galvanised Iron
[21] Rs. (26,052 – 14,810) X 655 buildings = Rs.73.64 lakh.

Table 10

(Rupees in lakh)

Year	Funds released by Government of India	Funds released by State Government	Short release of funds	Percentage of short release of funds	Expenditure incurred
2001-02	14.30	14.30	-	-	14.30
2002-03	14.30	14.30	-	-	8.80
2003-04	14.30	14.30	-	-	-
2004-05	14.30	14.30	-	-	14.30
2005-06	7.70	-	7.70	100	-
Total:	**64.9**	**57.2**	**7.7**	**11.86**	**37.4**

Source: Departmental records

During 2005-06, the State Government failed to release and spend the funds allocated by the Centre for welfare of the beneficiaries. The Centre allocated funds totalling Rs.64.90 lakh during the period 2001-06. Availability of funds was not a constraint to the programme. The Department could utilise only Rs.37.40 lakh (58 *per cent*) leaving an unspent balance of Rs.27.50 lakh due to inefficient financial management and poor planning.

It was also seen that in the financial years 2002-03 and 2003-04, amounts of Rs.5.50 lakh and Rs.14.30 lakh respectively could not be drawn and spent due to late receipt of sanctions/Letters of Credit.

3.4.25 Under-utilisation of funds

As per guidelines of the scheme, an amount of Rs.1.10 lakh per ICDS project is to be earmarked and spent for implementation of KSY. In Manipur, under KSY scheme only vocational training was imparted. For this purpose Rs.68,500 out Rs.1.10 lakh was allotted. The balance amount of Rs.41,500 per ICDS project was required to be spent on other purposes such as nutrition, non-formal education, awareness programme on hygiene, family welfare and home management, *etc*. Audit scrutiny of departmental records failed to reveal any evidence that the Department had undertaken any of the above activities during the review period. However, the Departmental records showed the whole amount of Rs.1.10 lakh per project *i.e.* Rs.14.30 lakh in 13 projects as spent in the years 2001-02 and 2004-05. Thus, a sum of Rs.10.79 lakh[22] was not utilised for which it was provided. The Department failed to provide adequate training, non-formal education, programmes on hygiene, family welfare, home management and nutritional supplements to adolescent girls in the State which was critical for the success of the programme.

Planning and implementation

3.4.26 Lack of planning

The Department stated that they did not prepare any Annual Action Plan or conduct any survey for identification and enrolment of beneficiaries. This indicated the casual approach and lack of interest of the Department in deriving the benefits of the programme by the beneficiaries.

[22] Rs.41,500 x 13 projects x 2 years = Rs.10.79 lakh.

3.4.27 Poor coverage

The scheme was implemented in only 13 out of 34 ICDS projects in the State. But in 2005-06, the scheme could not be implemented in any of the ICDS projects. The targets and achievements for imparting vocational training in the 13 ICDS projects are given below:

Table 11

Year	Target	Achievement	Shortfall	Percentage of shortfall
2001-02	3,900	390	3,510	90
2002-03	2,900	240	2,660	92
2003-04	4,490	390	4,100	91
2004-05	2,825	390	2,435	86
2005-06	Nil	Nil	Nil	Nil
Total:	**14,115**	**1,410**	**12,705**	

Source: Departmental records

Even in the 13 ICDS Projects, shortfall in achievement ranged from 86 *per cent* to 92 *per cent* during 2001-05. The high percentage of shortfall indicates that the vocational training aspect of the scheme failed to take off in the State.

The claim of the Department of providing training facilities to 390 girls in 2003-04 is doubtful since in that year, no expenditure had been incurred on the scheme. It was seen from the approved project proposal of Kishori Shakti Yojana of the year concerned that a sum of Rs.68,500 per ICDS project was required for providing vocational training for six months to 15 girls. Therefore, an amount of Rs.17.81 lakh would have been required for imparting training to 390 beneficiaries. It is therefore doubtful whether the training could be imparted without incurring expenditure on training material, stipend to trainees, honorarium to vocational instructors *etc*.

E. BALIKA SAMRIDHI YOJANA

Balika Samridhi Yojana was launched for upgradation of social status and financial security of the girl child. A financial assistance of Rs.500 is to be provided to a post delivery mother of a girl child and the amount is to be kept in an account in a bank or post office in the name of the girl child till she attains 18 years of age.

Financial management

3.4.28 Non-release of funds

The details of release of funds *vis-à-vis* expenditure incurred during the last five years are depicted below:

Table 12

(Rupees in lakh)

Year	Funds released by Government of India	Funds released by State Government	Short release of funds by State Government	Percentage of short release of funds	Expenditure incurred
2001-02	5.50	Nil	5.50	100	Nil
2002-03	Nil	Nil	Nil	Nil	Nil
2003-04	Nil	Nil	Nil	Nil	Nil
2004-05	11.00	11.00 + 5.50	Nil	Nil	16.50
2005-06	Nil	10.00	Nil	Nil	10
Total:	**16.50**	**26.50**	**Nil**		**26.50**

Source: Departmental records

The table discloses that regular annual funds were neither released by the GOI nor by the State Government for implementation of the scheme. In 2001-02, a meagre amount of Rs. 5.50 lakh was released by the Central Government. However it was not released to the Department by the State Government in that year. The State Government released the amount only in 2004-05, *i.e.* after a lapse of three years along with the funds for the year 2004-05. Non-availability of funds annually had a negative impact on the implementation of the programme as it failed to reach out to the beneficiaries.

Achievement of the objectives of the scheme

3.4.29 Insignificant progress

The Department did not set any targets for providing assistance to the beneficiaries under the scheme. Fund availability for implementation of the scheme determined the extent of achievements which were retrospectively adopted as targets. It may also be mentioned here that the State has birth rate of 18.2 per thousand population with sex ratio of 978 females per thousand males (978:1000). Despite high birth rate, the number of beneficiaries to whom financial assistance was extended under Balika Samridhi Yojana was insignificant.

Examination of record revealed that during 2004-05, assistance was provided to 3,500 mothers of girl child. Achievements were insignificant during other years with nil coverage in 2001-02, 2002-03 and 2003-04. During 2005-06, although the department claimed coverage of 2,000 beneficiaries, the financial assistance did not reach the beneficiaries till the end of March 2006 which was evident from the records of selected districts. Lack of identification of beneficiaries and poor coverage has deprived the girl child in the State of the assured financial security envisaged in the objectives of the scheme.

3.4.30 Guidelines flouted in providing financial assistance

During audit of records in the three selected districts,[23] it was noticed that the financial assistance provided to 1481 mothers of girl child was not kept in separate bank accounts for each individual girl child. District Officers instead kept the amounts together in one single account in Bank in violation of scheme guidelines. This is likely to create inconvenience at the time of drawal of amount by the beneficiaries on attaining 18 years of age. Audit query in this regard has evoked no response from the Department (December 2006).

F. NUTRITION PROGRAMME FOR ADOLESCENT GIRLS

Realising that nutritional intake of the adolescent girls is essential to prevent low birth weights and reduce maternal and infant mortality, the GOI launched Nutrition Programme for Adolescent Girls (NPAG) in 2002-03 in 51 districts over the country including Senapati district of Manipur. The scheme covers undernourished adolescent girls in the age group 11-19 years who are underweight (weight < 35 kg). Free foodgrains at the rate of 6 kg per beneficiary per month are provided to them. The programme has been operationalised through the administrative set up of ICDS.

Financial management

3.4.31 Short-release/delayed release of funds

The scheme was implemented in the State in Senapati district as a pilot project. The details of release of funds *vis-à-vis* expenditure incurred during the last three years are depicted below:

Table 13

(Rupees in lakh)

Year	Fund released by Government of India	Fund released by State Government	Short release of fund by State Government	Percentage of short release of fund	Expenditure incurred
2003-04	37.00	16.78	20.22	55	16.78
2004-05	Nil	Nil	Nil	Nil	Nil
2005-06	15.80	15.80	Nil	Nil	Nil
Total:	**52.80**	**32.58**	**20.22**		**16.78**

Source: Departmental records

Audit scrutiny disclosed that due to poor financial management, the implementation of the scheme was badly affected. The funds for 2002-03 were released by the GOI in 2003-04 (Rs.37 lakh). Further, the State Government released only an amount of Rs.16.78 lakh to the implementing Department in March 2004. The Director, Social Welfare handed over a cheque of Rs.12.98 lakh (dated 28 March 2005) for purchase of rice to the FCI at the end of March 2005. The FCI returned the cheque on 7 July 2005 due to expiry of validity period of the lifting of rice. During the financial year 2005-06, approved outlay for the scheme by the GOI was Rs.37 lakh, out of which Rs.15.80 lakh were released as first instalment to the State which could not be utilised due to late issue of sanction order (30 March 2006) by the State

[23] Imphal, Thoubal and Bishnupur

Government. Thus, due to delayed and short release of funds, the pilot project could not be effectively implemented in the State.

Achievement of the objectives of the scheme

3.4.32 Non-achievement of targets

Targets and achievements as disclosed from the departmental records are given below:

Table 14

Year	Target (Nos. of approved beneficiaries)	Achievement (Nos. of benefited beneficiaries)
2003-04	7,497	7,497
2004-05	Nil	Nil
2005-06	7,256	7,256
Total:	**14,753**	**14,753**

Source: Departmental records

Although the Department claimed *cent per cent* achievement in the year 2003-04 and 2005-06, test-check of records revealed that the District Programme Officer, (ICDS Cell), Senapati had only completed identification of beneficiaries and procured co-related items such as weighing machines, *etc* by 31 March 2006. The food component however could not be procured and provided to the intended beneficiaries for improving their nutritional status. Thus, the question of *cent per cent* achievement does not arise. Meanwhile, the objectives of the scheme were totally frustrated.

G. BAL BHAVAN

Manipur State Bal Bhavan, which came into existence in the year 1989, is an educational cum recreational centre. It provides facilities for children between the age group of 6 to 16 years to take up and excel in activities of their taste and choice. Children are enrolled in different disciplines such as creative writing, dance, painting, *etc*. offered by the Bhavan. The aim of the institution is to encourage the children to be self reliant, disciplined and to make them realise the importance of dignity of labour.

Financial management

3.4.33 Irregular/non-release of funds

The details of release of funds *vis-à-vis* expenditure incurred during the last five years are depicted below:

Table 15

(Rupees in lakh)

Year	Funds released by State Government	Expenditure incurred
2001-02	—	—
2002-03	0.47	0.47
2003-04	0.78	—
2004-05	48.30	47.77
2005-06	25.00	24.89
Total:	**74.55**	**73.13**

Source: Departmental records

It is evident from the above table that there was no regular release of substantial funds for the implementation of the scheme. In 2001-02, no funds were released at all. During 2002-03 and 2003-04 meagre amounts of Rs.0.47 lakh and Rs 0.78 lakh respectively were provided. In 2004-05, the outlay jumped to Rs.48.30 lakh. As a result of irregular flow of funds the activities and programmes of Bal Bhavan had suffered.

Achievement of the objectives of the scheme

3.4.34 Lack of infrastructure and amenities

Bal Bhavan has produced maximum number of Bal Shree awardees in the country. During the period 2001-06, five children received Bal Shree awards for performing arts, creative arts *etc*. after coming out successful in competitions at the National level. Three awardees were sent abroad for attending International Children's Exchange Programmes. The enrolment of children in all the disciplines has displayed an increasing trend indicating increasing demand for Bal Bhavan. Discipline-wise details of enrollment during the last five years are given below:

Table 16

Discipline	**Number of children**				
	2001-02	**2002-03**	**2003-04**	**2004-05**	**2005-06**
Painting	600	800	650	550	955
Dance	300	327	275	315	402
Music (Vocal)	200	175	310	296	357
Instrumental	120	111	177	200	205
Science	357	295	327	395	421
Total:	**1577**	**1708**	**1739**	**1756**	**2340**

Source: Departmental records

To cope up with the demand, construction of the first floor of the Bal Bhavan was taken up in 2001. The works were awarded and executed through Manipur Police Housing Corporation, Tribal Development Corporation *etc*. without inviting tenders and ascertaining the lowest rate. Although the scheduled date of completion was August 2003, the pace of work was very slow and the works could not be completed till March 2006. Audit scrutiny revealed that its construction could not be completed as the Department has not released the balance amount of Rs.17.36 lakh to Manipur Police Housing Corporation. As a result of slow pace of construction, the Department could not create necessary infrastructure and amenities in the Bal Bhavan despite increase in enrollment.

Although a sum of Rs.48.30 lakh in 2004-05 and Rs.25 lakh in 2005-06 were provided by the State Government, improvement/extension works such as Children Park, Office Room, and different activities room *etc*. could not be completed and put to use by the Department till March 2006 due to late release of funds to the Government executing agencies.

As regards opening branches of Bal Bhavan in the District Headquarters, only two branches at Churachandpur and Senapati were opened leaving the other six districts uncovered. In reply to Audit query the Department stated that due to funds constraint they could not open branches in the remaining district headquarters.

H. FINANCIAL ASSISTANCE TO DESTITUTE/DEPENDENT SCHOOL GOING CHILDREN

The scheme was launched with a view to stop children from leaving school prematurely.

Financial management

3.4.35 Irregular release of funds

Under the scheme financial assistance of Rs.60 per month per child was provided to the children during the period of last five years as per details given below:

Table 17

Year	Target (Number of approved beneficiaries)	Achievement (Number of benefited beneficiaries)
2001-02	293	293
2002-03	293	293
2003-04	416	416
2004-05	1994	1994
2005-06	2083	2083
Total:	**5079**	**5079**

Source: Departmental records

Details of release of funds *vis-à-vis* expenditure incurred under the scheme during the last five years are depicted below:

Table 18

(Rupees in lakh)

Year	Funds released by State Government	Expenditure incurred
2001-02	0	0
2002-03	2.83	2.11
2003-04	3.00	3.00
2004-05	14.36	14.36
2005-06	15.00	15.00
Total:	**35.19**	**34.47**

Source: Departmental records

No funds were provided during the year 2001-02 by the State Government and accordingly, no expenditure could be incurred by the Department during the said year. As such, genuineness of the number of the beneficiaries (293) shown for the year 2001-02 appears doubtful. During 2002-03, the amount released by the Government could not be utilised in full by the implementing authority.

Identification of beneficiaries

3.4.36 Beneficiaries not identified in a transparent manner

No guidelines were prepared by the State Government and supplied to the district level officers for ascertaining and recording the actual number of such children in the State, number of drop-outs and those coming out successful in the school leaving examinations. Audit scrutiny revealed that no survey was conducted during the last five years by the Department to ascertain the population of destitute/ dependent school going children in the State. The number of beneficiaries was determined and the benefits extended to them according to availability of funds. The whole system is, therefore, *adhoc* and as such possibilities of misuse of public funds cannot be ruled out.

3.4.37 Internal Control System

Examination of records in the offices of the CDPOs, revealed that there was no effective internal control mechanism in place in the district, project and grass root levels. Although there was a system of internal audit by the Director, Local Funds Audit, Manipur in respect of the accounts of Directorate, District and Project offices, internal audit was not being done regularly. Since substantial funding is provided for implementation of ICDS and other schemes, lack of effective internal controls leaves ample scope for corrupt practices and financial mismanagement.

3.4.38 Monitoring and evaluation

❖ ***Ineffective monitoring and evaluation system***

Monitoring and evaluation are key management processes to assess and increase the economy, efficiency and effectiveness of the scheme. Feedback from these processes allows midway corrections in programme implementation when required. For proper monitoring and evaluation, the Central Government has prescribed printing and supply of various records, registers, monitoring formats, and sets of health and nutrition cards to AWCs. A sum of Rs.200 per AWC per annum was provided under ICDS scheme since 2000-01 to meet expenditure on these items. No inspection of the field units was conducted by the Director, District and Project Officers. Moreover, growth charts, health and nutrition cards, monitoring formats *etc*. had not been supplied to the field units to facilitate keeping of proper records against implementation of the scheme.

In reply to an audit query, three CDPOs in Imphal District stated that physical verification of stores and stock was frequently done. Test-check however revealed that no physical verification report was submitted to higher authorities. The rest of the CDPOs in the districts selected for review stated that the stores and stock were maintained by the AWCs and the reports submitted by the in-charge of AWCs were verified at the level of the CDPOs. Further, the information collected from the project offices revealed that no evaluation and impact assessment of the schemes had been done by any Government or Non-Governmental Organisation.

❖ ***Non computerisation and its impact on overall monitoring mechanism***

The policy of the Central Government had envisaged linking up of all implementation levels using computers and internet/e-mail. However, audit examination revealed that the district and project level offices were not computerised. Although the computers were installed in the Directorate, all the reports/returns including monthly and quarterly progress reports were still being prepared manually.

3.4.39 Conclusion

The child welfare schemes implemented by the Department suffer from serious financial mismanagement. Delay in release of Central funds, diversion of funds, short release of funds, all point towards lack of proper planning in implementing ICDS and other schemes. No serious attempts have been made to identify beneficiaries in a complete and correct manner. Diversion of funds, particularly SNP funds, has serious implications for the malnourished children in the age group of six months to three years. Quantity of RTE food distributed to the beneficiaries did not fulfil minimum calorie and protein requirements of the malnourished children covered under the scheme. Non-supply of pre-school and medicine kits deprived the children of their right to education and medical care services provided in ICDS, defeating the very purpose of this human development intervention. Specific programmes for uplifting the girl child could not be effectively implemented in the State due to poor coverage and paucity of funds. Construction of new AWCs was affected by deviation from scheme guidelines, non-observance of codal formalities and slow pace of construction. Implementation of the two State Plan Schemes *viz.* Bal Bhavan and providing financial assistance to destitute/dependent children also suffered on account of lack of funding, and inadequate identification of beneficiaries.

3.4.40 Recommendations

- The State Government should ensure that Central and State funds related to Child Welfare Schemes are promptly and fully released to the implementing agencies.
- Immediate steps are required to accurately identify all beneficiaries and bring them within the fold of ICDS and other schemes.
- The construction of AWCs should be expedited to increase coverage and effectiveness of ICDS.
- Department to ensure that all AWCs are equipped with necessary infrastructure such as pre-school education kits, medical kits, weighing machines and growth charts.
- Internal control system should be made effective.
- Monitoring and evaluation should be strengthened at all levels of implementation and results should be publicised while giving publicity to the schemes.
- Wherever various schemes are being executed, Department should display information as required under the Right to Information Act.