
CHAPTER – I

PERFORMANCE REVIEW

RURAL DEVELOPMENT DEPARTMENT

1.1 BORDER AREA DEVELOPMENT PROGRAMME

Highlights

The Border Area Development Programme initially started during the seventh Five-Year Plan with the main objectives of balanced development of border areas and also to meet the development needs of the people living in remote and inaccessible areas situated near the international borders. The programme was revamped in the Eighth Five-Year Plan and further extended to those States having an international border with Bangladesh. During the ninth Five-Year Plan, the programme has been further extended to the States, which have an international border with Myanmar. A performance audit of the programme brought out the following significant findings:

The Department neither formulated a perspective plan nor any border block level plans on the basis of baseline surveys.

(Paragraph 1.1.7)

The Department drew an amount of ₹ 30.93 crore from Government accounts and parked it in Civil Deposits for periods ranging from two to twelve months.

(Paragraph 1.1.8.2)

In violation of the prescribed Financial Rules, the Department drew an amount of ₹ 46.76 crore during 2005-10 presenting false bills before actual commencement of approved works.

(Paragraph 1.1.8.4)

The Department incurred an expenditure of ₹ 6.79 crore towards execution of 134 ineligible works/schemes in 16 border Blocks.

(Paragraph 1.1.9.2)

The BDOs under eight border blocks executed 34 works/schemes during 2005-10 with cost over-run of ₹ 2.08 crore.

(Paragraph 1.1.9.3(i))

1.1.1 Introduction

Development of Border Areas is a part of the comprehensive approach to Border Management. The Border Area Development Programme (BADP) initially started during the VII Five Year Plan (1992) and was extended during the VIII Five Year Plan to those States having an international border with Bangladesh. It was further extended during the IX Five Year Plan (1997) to the States, which have an international border with Myanmar. The main objective of the BADP is to meet the special development needs of the people living in remote and inaccessible areas situated near international borders.

The BADP is in operation in Mizoram, in the border blocks along the Indo-Bangladesh international border (318 kms with a population of 1.40¹ lakh) since 1993-94. From 1997-98, the programme was extended to the border blocks along the Indo-Myanmar international border (404 kms with a population of 2.69¹ lakh).

1.1.2 Organisational Set-up

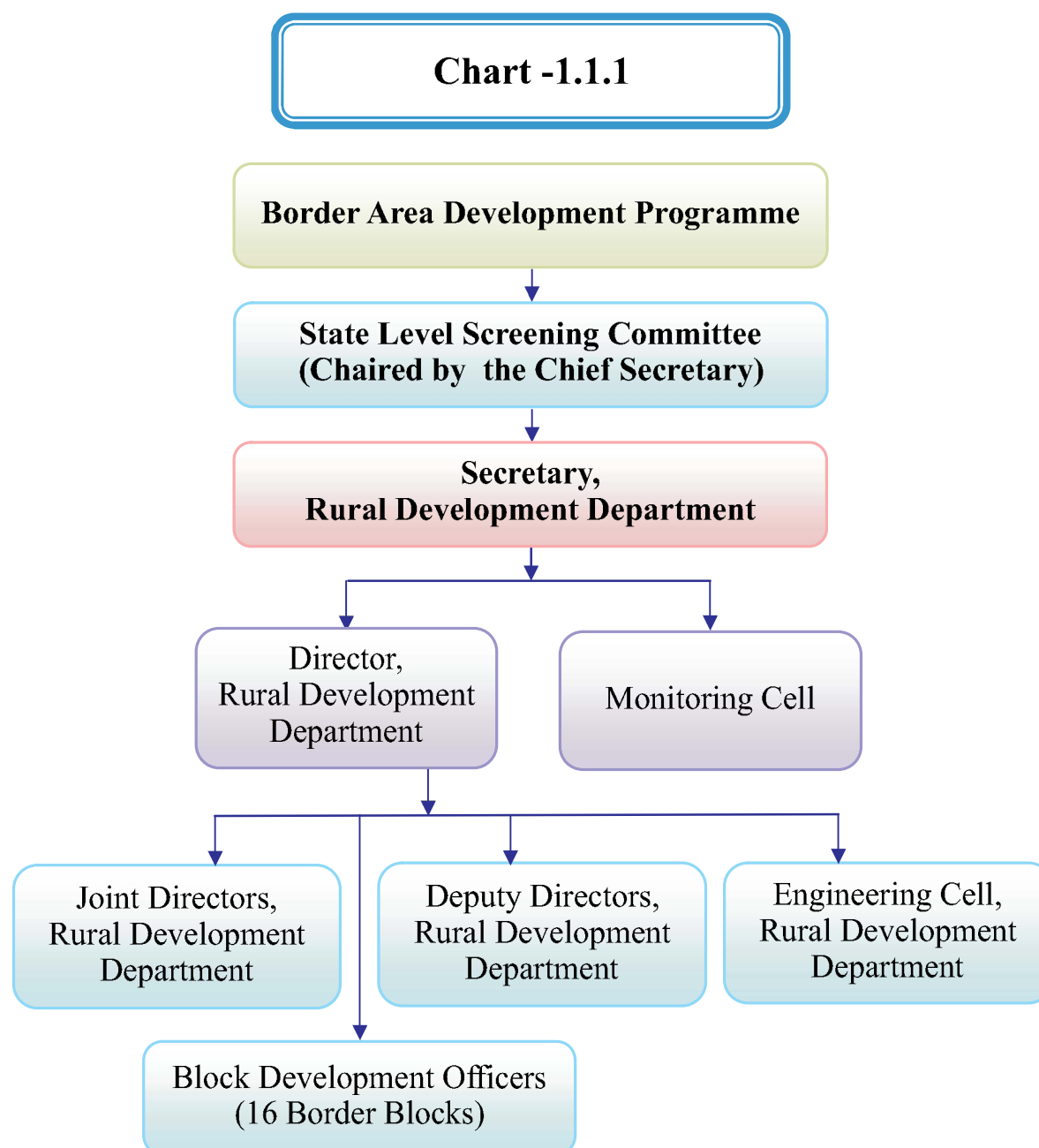
A State Level Screening Committee (SLSC) chaired by the Chief Secretary is responsible for finalisation of the schemes and assess the progress of schemes under the programme. The Rural Development Department is the Nodal Department responsible for implementation of the programme in the State. The Secretary, Rural Development Department (RDD), Government of Mizoram, is the administrative head of the implementing Department of the programme. The implementation of the programme is managed by the Director, Rural Development Department (RDD). The Director is assisted by Joint Directors, Deputy Directors and technical officers of Engineering Cell of the Directorate. At the district level, the concerned Deputy Commissioners of six² districts, having 16³ Rural Development (R.D.) Blocks along the international borders are responsible for the overall implementation of the programme and execution of the schemes through the respective Block Development Officers. The implementation of the programme is monitored by a separate monitoring cell attached with the Principal Secretary, Rural Development Department, Government of Mizoram. The Information and Public Relation Department, Mizoram is also involved in partial implementation of the programme.

¹ As on 1 February 2008 based on Statistical Handbook, 2008, Mizoram.

² Districts - 1. Lunglei, 2. Lawngtlai, 3. Saiha, 4. Mamit, 5. Champhai and 6. Serchhip.

³ R.D. Blocks - Indo-Myanmar border - (1. Ngopa, 2. Khawzawl, 3. Champhai, 4. Khawbung, 5. Lungdar 'E', 6. Hnathial, 7. Sangau, 8. Tuipang, 9. Saiha, 10. Lawngtlai, 11. Bungtlang 'S'), Indo-Bangladesh border - (12. Chawngte, 13. Lungen, 14. Bunglemun, 15. 'W' Phaileng and 16. Zawlnuam).

The organisational structure of the planning process and implementing functionaries of Border Area Development Programme is shown in the Chart below:



1.1.3 Scope of Performance Audit

An audit review on the implementation of the programme in the State during 2005-10 was carried out through a test check (June to August 2010) of records of the Administrative Department of Rural Development, Directorate of RDD, three Deputy Commissioners (Lunglei, Champhai

and Mamit districts) out of six districts in border areas, eight⁴ Rural Development (R.D.) Blocks out of sixteen R.D. Blocks, Monitoring Cell under R.D. Department and Directorate of Information and Public Relations.

1.1.4 Audit Objectives

The objective of the performance audit of BADP was to assess whether:

- Long term perspective plan was prepared keeping in view the overall balanced development of the region;
- Allocation of funds was commensurate with the size and population of the blocks;
- Adequate emphasis was laid by the Government in preparation of schemes for employment generation, production oriented activities, schemes providing critical inputs in social sectors;
- The individual schemes were executed in accordance with the prescribed guidelines in an economic, efficient and effective manner;
- The scheme interventions have resulted in development of high quality infrastructure; and
- Monitoring and internal control mechanism was adequate and effective.

1.1.5 Audit criteria

The following audit criteria were used to arrive at audit conclusions:

- Programme guidelines issued by Government of India (GoI);
- Block Level Annual Plans and schemes approved by the State Level Screening Committee (SLSC);
- Minutes of the SLSC's meetings;
- Government of India's (GoI) approval of the schemes, allocation and release of Special Central Assistance (SCA);
- Physical and Financial progress reports; and
- General Financial Rules.

⁴ R.D. Blocks - Indo-Myanmar border - (1. Ngopa, 2. Khawzawl, 3. Champhai, 4. Khawbung). Indo-Bangladesh border - (5. Lungsen, 6. Bunglemun, 7. Hnathial and 8. Zawnuam).

1.1.6 Audit Methodology

The performance audit commenced with an entry conference (April 2010) with the Secretary, R.D. Department and the Director, RDD, in which audit objectives, criteria, scope of audit were discussed. The Department was also requested to share their perception on their priorities as well as areas of concern in the functioning of the Department, etc. Selection of units was done on random sampling basis. The audit findings were discussed in an exit conference held (October 2010) with the Joint Secretary of the Administrative Department, Director R.D. Department and other officers of the Department/Government and the replies of the Department have been suitably incorporated in the review at the appropriate places.

Audit findings

The important points noticed in the course of audit are discussed in the succeeding paragraphs.

1.1.7 Planning

Border Management in the changed context has to be seen as serving the best interests of the Nation and the border areas should have a high standard of living to serve as a demographic buffer. In order to achieve a comprehensive development of the border areas, the Department was to prepare Comprehensive District Plan with inputs from border area plans (village/block level plan). A border area plan is to be prepared based on baseline surveys in remote border villages in order to assess the gaps in basic physical and social infrastructure and needs of the border population. Further, planning and implementation of the programme should be on participatory basis by Village Councils, Autonomous Councils and with convergence of all Centrally Sponsored Schemes (CSS) with BADP funds for filling critical gaps in infrastructure.

Audit, however, noticed that neither Comprehensive District Plans encompassing the border area plans (villages/block level plans) were prepared nor any baseline survey was conducted. There was no attempt at converging the Centrally Sponsored Schemes/Flagship Schemes of Government of India and State schemes with Border Area Development Programme (BADP). The Annual Action Plans, which were approved by the State Level Screening Committee (SLSC) were merely consolidation of the respective Block Level Annual Plans rather than a well orchestrated Comprehensive District Plan based on a meaningful need assessment after conducting baseline surveys. It was further noticed that Mara and Lai Autonomous District Councils were not given any role or importance in formulation as well as execution of works within their respective districts. As a result the schemes formulated for the districts failed to engage the significant stakeholders in identifying the needs of the people.

In view of the objective of overall balanced development of the region, a long term Perspective Plan for each border block is required to be prepared by the State Government. However, it was noticed that the preparation of Perspective Plan by the State Government was in finalisation stage as of March 2010. Thus, during the period (2005-10) covered under review, the schemes under BADP were implemented devoid of a Perspective Plan framework, which was conspicuously indicative of a deficient planning process.

Further, the villages located near the international border of Bangladesh and Myanmar within 0-10 kms, 0-15 kms and 0-20 kms were not identified for preparation of Annual Action Plans for 2009-10, as emphasized in the BADP Guidelines - February 2009, which obviated the very purpose of prioritising these villages.

Thus, the main objective of Border Area Development Programme, to meet the special development needs of the people living in remote and inaccessible areas situated near the international borders, was not fully achieved due to poor planning and implementation of programme.

The State Government in its reply (October 2010) stated that preparation of a long term perspective plan for each border block was not required under the Guideline. The reply is not acceptable as all the Guidelines clearly emphasized the preparation of a long term perspective plan for each border block for speedy development of border areas.

1.1.8 Financial Management

1.1.8.1 Allocation of funds, budget and expenditure

The BADP funds are provided to the States as Special Central Assistance (SCA) for execution of approved schemes on a 100 *per cent* grant basis and allocated amongst the beneficiary States on the basis of length of international border, population of border blocks and area of the blocks.

The position of allocation and release of Central Assistance, budget and expenditure by the State Government during 2005-10 are shown in table-1.1.1:

Table - 1.1.1

(₹ in crore)

Year	Allocation by the GoI (Normal and Additional fund)	Released by the GoI (including revalidated fund)	Budget Estimate/ Revised Estimate	Expenditure	(+) Excess (-) Savings
2005-06	16.26	16.95	16.49	16.38	(-) 0.11
2006-07	13.02	13.02	12.84	12.45	(-) 0.39
2007-08	30.46	25.12	19.38	22.31	(+) 2.93
2008-09	25.35	30.56	30.25	30.25	---
Sub-Total	85.09	85.65	78.96	81.39	---
2009-10	24.95	24.95	41.80	22.01	(-) 19.79
Sub-Total	24.95	24.95	41.80	22.01	----
Grand Total	110.04	110.60	120.76	103.40	----

Source: Departmental records.

The above table shows that against the total fund of ₹ 85.65 crore released by the GoI during 2005-09, the State Government granted a budgetary provision of ₹ 78.96 crore only during period (2005-09) with a short provision of ₹ 6.69 crore while the provision for the year 2009-10 was ₹ 41.80 crore against the GoI release of ₹ 24.95 crore, which resulted in excess of provision in the tune of ₹ 16.85 crore. Earmarking budgetary provision in short/excess of the fund received from the GoI indicates that the State Government failed to prepare a realistic budget for the programme. As a result, the Department could not fully utilise the funds earmarked specially during 2009-10.

While accepting the facts, the Government stated (December 2010) that during 2009-10 excess provision was reflected in the revised estimate due to additional allocation made by the Planning and Programme Implementation Department, which was not based on actual release from the GoI.

1.1.8.2 Drawal of funds without immediate requirement

Central Government Account (Receipts & Payments Rules), 1983 which is followed by the State Government, provides that no money should be drawn from the Government Treasury, unless it is required for immediate disbursement. Contrary to the codal provisions, R.D. Department drew the following funds during March 2006 and March 2009 and parked the amount in Civil Deposit, as shown in the following table:

Table – 1.1.2

(₹ in crore)

Year	Amount	Month of deposit	Amount withdrawn from Civil Deposit	Period of withdrawal	Total month of retention
2005-06	5.98	March 2006	5.98	July 2006 to March 2007	3-12 months
2008-09	24.95	March 2009	24.95	June 2009 to Sept. 2009	2-5 months
Total	30.93	----	30.93	----	----

Source: Departmental records.

It can be seen for the above table that an amount of ₹ 30.93 crore was drawn during 2005-06 and 2008-09 to avoid the lapse of budget grant and parked in Civil Deposit, for periods ranging from two to twelve months.

The parking of funds in Civil Deposits not only added to delays in execution and flow of funds for the purpose for which it was provided, but also entailed the risk of diversion of funds.

While accepting the facts, the Government stated (October 2010) that this was done to avoid mandatory process of revalidation and re-sanction of funds by the GoI. The reply is not acceptable as the first instalment (₹ 20.07 crore) out of the allocated fund (₹ 24.95 crore) for the year 2008-09 was released by the GoI in October 2008 and as such the grants could have been drawn prior to fag end of the financial year for timely implementation of the Schemes during 2008-09. However, the Department drew and retained (March 2009) the fund in Civil Deposit and finally withdrawn the same during June to September 2009 for utilisation under the programme.

1.1.8.3 Drawal of funds in Abstract Bills and delay in submission of Detailed Bills

Central Treasury Rules, Vol.-I, which is followed by the State Government, provides that funds for contingent charges may be drawn from the Treasury by presenting Abstract Bill, subject to the presentation of Detailed Contingent Bill (DC Bill) to the Controlling Officer for countersignature and transmission to the Accountant General within one month from the date of drawal of Abstract Contingent Bills (AC Bills). Contrary to the codal provisions, the Director, R.D. Department drew the following funds of ₹ 55.64 lakh during March 2006 and March 2009 through AC Bills to avoid the lapse of budget grant and delayed the submission of DC Bills ranging from three to eleven months to the Controlling Officer for onward transmission to the Accountant General. The details are given in the following table:

Table - 1.1.3

(₹ in crore)

Year	Details of drawal of AC Bills		Details of submission of DC Bills		
	Amount	Month	Amount	Month	Delay (in month)
2005-06	6.76	March 2006	6.76	July 2006	3 months
2006-07	4.64	March 2007	4.64	August 2007 to March 2008	4-11 months
2007-08	19.29	March 2008	19.29	October 2008	6 months
2008-09	24.95	March 2009	24.95	November 2009	7 months
Total	55.64	----	55.64	----	----

Source: Departmental records.

While admitting the facts, the Government stated (October 2010) that due to delay in procedural checking of the bills by the Technical Cell of the Directorate, the submission of DCC bills were delayed.

1.1.8.4 Withdrawal of funds from Government accounts presenting false bills

Central Government Account (Receipts and Payments Rules), 1983 provides that no money should be drawn from the Government Treasury, unless it is required for immediate disbursement. Further, as per prescribed financial procedures, when a fund is drawn from the Government accounts against the name of certain persons/suppliers the same fund should be disbursed only to such persons/suppliers.

Scrutiny of the records of the Drawing and Disbursing Officer (DDO) of Directorate of RDD revealed that in violation of the prescribed financial procedures, the DDO during 2005-10 irregularly obtained bills for ₹ 46.76⁵ crore from the 16 border BDOs showing departmental execution of works of the sanctioned schemes under BADP during 2005-10 and encashed the fund from Government Treasury before actual execution of works to avoid the lapse of budget grants. Though the final bills of ₹ 46.76 crore contained wage component for deployment of a number of labourers and also material component from different suppliers, the amount was neither disbursed to any labourer nor to any supplier. However, the entire funds of ₹ 46.76 crore was unauthorisedly disbursed to work supervisors⁶ for execution of works under their respective jurisdiction.

Further, scrutiny of the bills for ₹ 22.01 crore (out of ₹ 46.76 crore) revealed that though bills for ₹ 22.01 crore was encashed from the Government treasury during 2009-10, showing

⁵ ₹ 46.76 crore = 2005-06 : ₹ 9.62 crore (+) 2006-07 : ₹ 7.80 crore (+) 2007-08 : ₹ 2.03 crore (+) 2008-09 : ₹ 5.30 crore (+) 2009-10 : ₹ 22.01 crore.

⁶ Private individuals appointed for execution of works/schemes under the programme.

completion of approved works pertaining to 2009-10 by the 16 border BDOs, the works were actually commenced during first quarter of financial year of 2010-11 and remained in progress as of July 2010. Thus, the entire funds of ₹ 22.01 crore was drawn by presenting false bills before execution of the works. The photographs of two ongoing works during 2010-11 are depicted below:



Constn. of Community Hall at Khankawn under Khawbung Block



Constn. of Higher Secondary School hostel at Ngopa

While admitting the facts of withdrawal of funds from the Government Accounts presenting false bills, the Government stated (October 2010) that the Department was compelled to draw the money from treasury, as no work can be executed by the executing agency in the absence of funds. The reply is not acceptable as the Department could have drawn the money in

Abstract Contingent (AC) Bills, if they required the fund in advance without adopting the irregular practices of drawal of funds by presenting false bills.

1.1.8.5 Abnormal delay in release of funds to implementing RD Blocks

The Central Government released the allocated funds to the State in two installments during 2005-10. The 1st installment comprising 90 *per cent* of the allocated funds is released to the State after receipt of Utilisation Certificates (UCs) for the amount released for previous years. The 2nd installment of the remaining 10 *per cent* of the allocation is released only after receipt of UCs to the extent of not less than 50 *per cent* of the amount released in the first instalment. According to the BADP Guidelines, the BADP funds should be released by the States to the implementing agencies within 15 days after receipt of the same from the GoI. The Director, RDD was responsible for drawal of allocated funds under BADP from the Government Treasury and disbursement of the same to the BDOs of 16 implementing R.D. Blocks.

Scrutiny of the records of DDO of the Directorate of R.D. Department revealed that an amount of ₹ 103.40 crore was drawn and disbursed to the BDOs during 2005-10. Audit however, noticed that only ₹ 23.40 crore (constituting 23 *per cent*) out of ₹ 103.40 crore was released to the implementing border Blocks during the concerned financial years and remaining funds of ₹ 80 crore being 77 *per cent* was released in the subsequent financial years as detailed in the following table:

Table - 1.1.4

(₹ in crore)

Year	Total available fund	Fund released within the year		Fund released in next year	
		Month	Amount (percentage)	Month	Amount (percentage)
2005-06	16.38	January to March 2006	12.38 (76)	April to Dec.2006	4.00 (24)
2006-07	12.45	April 2006 to Feb. 2007	8.32 (67)	April to Dec. 2007	4.13 (33)
2007-08	22.31	August 2007 to March 2008	1.94 (9)	April 2008 to Jan. 2009	20.37 (91)
2008-09	30.25	January to March 2009	0.76 (3)	April to Nov. w2009	29.49 (97)
2009-10	22.01	---	---	April to July 2010	22.01 (100)
Total	103.40	----	23.40 (23)	----	80.00 (77)

Source: Departmental records.

The above table shows that during 2005-10 funds ranging from three to seventy-six *per cent* were released during concerned financial years. The remaining funds ranging from 24 to 100 *per cent* were released during next financial years. Thus, the abnormal delay in release of funds to the implementing agencies not only indicates poor financial management, but also delayed the implementation of the schemes under the programme.

The Government while admitting the facts of abnormal delay in release of funds to the implementing, RD Blocks stated (October 2010) that the delay occurred due to administrative procedures like preparation of plan and estimates, obtaining administrative approval and expenditure sanction from the Government. The reply is not acceptable as the delay could have been avoided had the Department finalised the plan and estimates at the beginning of the concerned financial year.

1.1.8.6 Submission of Utilisation Certificates

As already spelt out in paragraph 1.1.8.5, during 2005-10, the Director, RDD released only three to seventy-six *per cent* of the fund to the implementing agencies, while remaining fund ranging from 24 to 100 *per cent* were released during the next financial years. It was, however, noticed in audit that the Department had submitted the Utilisation Certificates (UCs) to the GoI before the actual utilisation of the funds during 2005-10. The year-wise details of submission of UCs are shown in the following table:

Table - 1.1.5

(₹ in crore)

Year	Fund released by the GoI	Details of UCs submitted to the GoI		
		Amount	Month of submission	Pending UCs
2005-06	16.95	16.26	April 2006	0.69
2006-07	13.02	13.02	May 2007	----
2007-08	25.12	20.86	May 2008	4.26
2008-09	30.56	25.35	May 2009	5.21
2009-10	24.95	24.94	May 2010	0.01
Total	110.60	100.43	----	10.17

Source: Departmental records.

It may be seen from the above table that the UCs were submitted to GoI in the months between April and May every year during 2005-10, though the funds were released between April to January of next financial years as shown in table-1.1.4. The reasons for non-submission of UCs for ₹ 10.17 crore was not on record.

While accepting the facts, State Government stated (October 2010) that the UCs were submitted as the drawal of funds from the Government Treasury was treated as expenditure though a certain amount of fund was retained under Civil Deposit. The fact, however, remains that UCs were submitted to the GoI before its actual utilisation, which was irregular.

1.1.8.7 Retention of funds in Savings Bank Accounts

The BADP Guidelines provides that parking of BADP funds at any level is strictly prohibited. It was, however, noticed in audit that in contradiction of the provision of the Guidelines, the Director, R.D. Department unauthorisedly retained the BADP funds temporarily by operating Savings Bank Accounts with the State Bank of India from October 2001 to July 2010 and earned an interest of ₹ 39.99 lakh during 2005-06 to 2009-10. However, no details could be furnished to audit in respect of interest earned from October 2001 to 2004-05. Out of ₹ 39.99 lakh, the Department remitted (May 2010) ₹ 18.03 lakh in the Government accounts leaving a balance of ₹ 21.96 lakh as of July 2010 in savings account.

Thus, the SLSC/State Government needs to take effective steps for utilisation of the retained funds for execution of developmental schemes under BADP and also needs to take action for discontinuance of unauthorised parking of BADP funds in bank accounts.

The State Government stated (October 2010) that it was not possible for them to furnish the details of interest accrued prior to 2005-06 under BADP as funds for some other schemes were also operated through this Bank Account. The Government also intimated (October 2010) that the Department would process for utilisation of the retained amount of interest in savings bank account for execution of the developmental schemes under BADP.

1.1.8.8 Disproportionate allocation of funds to the border blocks

The funds for execution of schemes under BADP were allocated by the GoI to the State on the basis of (i) length of international border, (ii) population of border blocks, and (iii) area of border blocks. Each criteria was to be given equal weightage. The border block was the spatial unit for the programme and all the schemes were to be implemented within the border blocks only.

The total population (February 2008) in the 16 border blocks was 4.09 lakh (2.69 lakh in 11 blocks under Indo-Myanmar border and 1.40 lakh in five blocks under Indo-Bangladesh border).

Out of ₹ 103.40 crore spent during 2005-10, the Director, R.D. Department allocated ₹ 103.02⁷ crore (₹ 15.82 crore to 13⁸ Blocks during 2005-06 and ₹ 87.20 crore to 16 Blocks during 2006-07 to 2009-10) for implementation of the schemes in the Border Blocks. The year-wise allocation of BADP funds to the border blocks during 2005-10 are shown in the following table:

⁷ Details allocation of remaining fund of ₹ 0.38 crore (₹ 103.40 crore - ₹ 103.02 crore) was not on record

⁸ There were only 13 Border Blocks during 2005-06, which were increased to 16 Border Blocks from 2006-07.

Table - 1.1.6

(₹ in crore)

Sl. No.	Name of Block	Population as on February 2008 (in lakh)	Fund Allocated during 2006-07 to 2009-10						Allocation required as per population (2006-07 to 2009-10)	Allocation	
			2005-06	2006-07	2007-08	2008-09	2009-10	Total		(+) Excess (-) Less	Percentage (+) Excess (-) Less
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. Indo-Myanmar Border											
1.	Ngopa	0.21	1.26	1.00	1.20	4.03	1.72	7.95	4.48	+ 3.47	+ 78
2.	Khawzawl	0.30	2.79	0.80	1.60	1.70	1.70	5.80	6.40	- 0.60	- 09
3.	Champhai	0.44		1.25	1.55	1.86	1.88	6.54	9.38	- 2.84	- 30
4.	Khawbung	0.22	1.27	0.72	1.20	1.65	1.65	5.22	4.69	+ 0.53	+ 11
5.	E. Lungdar	0.17	1.09	0.59	1.03	1.00	1.20	3.82	3.62	+ 0.20	+ 05
6.	Hnathial	0.29	1.32	0.92	1.50	1.86	1.80	6.08	6.18	- 0.10	- 02
7.	Sangau	0.19	0.89	0.59	0.97	0.95	0.95	3.46	4.05	-0.59	- 15
8.	Tuipang	0.07	1.22	0.70	1.31	1.50	1.50	5.01	1.49	+ 3.52	+ 236
9.	Saiha	0.41		0.72	1.18	4.19	1.40	7.49	8.74	- 1.25	- 14
10.	Lawngtlai	0.38	1.13	0.74	1.24	1.50	1.34	4.82	8.10	- 3.28	- 41
11.	Bungtlang 'S'	0.01		0.70	1.22	1.25	1.30	4.47	0.21	+ 4.26	+ 2029
Sub Total (A)		2.69	10.97	8.73	14.00	21.49	16.44	60.66	57.35		
B. Indo-Bangladesh Border											
12.	Chawgte	0.10	1.00	0.70	1.25	1.65	1.60	5.20	2.13	+ 3.07	+ 144
13.	Lungsen	0.40	1.00	0.74	1.26	1.60	1.60	5.20	8.53	- 3.33	- 39
14.	Bunghmun	0.18	1.00	0.74	1.26	1.60	1.60	5.20	3.84	+1.36	+ 35
15.	'W' Phaileng	0.22	1.15	0.74	1.35	1.50	1.50	5.09	4.69	+0.40	+ 09
16.	Zawlunam	0.50	0.70	0.95	1.37	1.70	1.83	5.85	10.66	- 4.81	- 45
Sub Total (B)		1.40	4.85	3.87	6.49	8.05	8.13	26.54	29.85		
G Total (A + B)		4.09	15.82	12.60	20.49	29.54	24.57	87.20	87.20		

Source: Departmental records and Statistical Hand Book, 2008, Government of Mizoram.

Audit analysed allocation of funds on the basis of population criteria (which is one of the important criteria, out of the three criteria mentioned above) of the 16 border blocks, which were under operation from 2006-07 onwards against 13 blocks in 2005-06. Audit analysis disclosed that the fund of ₹ 87.20 crore was disproportionately allocated to the 16 blocks during 2006-10 without giving equal weightage of population criteria.

There were eight blocks which received excess allocation in the range from ₹ 0.20 crore to ₹ 4.26 crore (constituting five to 2029 per cent) and eight blocks which received less allocation in the range from (-) ₹ 0.10 crore to (-) ₹ 4.81 crore (constituting two to forty-five per cent) as compared to required allocation of fund as per population criteria. Thus, due to disproportionate allocation of fund, the border population was deprived of an equitable accrual of benefits out of the programme.

In their reply (October 2010) the Government tried to justify with a general comment that nine blocks which received excess allocation of funds are all relatively backward, having a greater degree of infrastructural gap and due to inadequate funds received under BADP, the need of all sectors cannot be met at once. The reply of the Government, however, contradicts the provisions

of the Guidelines, which emphasized allocation of funds to the border block with giving equal weightage of each criteria of length of international border, population of border blocks and area of border blocks.

1.1.9 Programme implementation

1.1.9.1 Block wise physical targets and achievement of works/schemes

As per year wise works/schemes approved by the SLSC and progress reports submitted to the GoI, the block wise physical targets and achievement during 2005-10 were as shown in the following table:

Table - 1.1.7

(Figures in number)

Sl. No	Name of Block	Physical Target:-						Physical Achievement:-						Shortfall (+) Excess (-) Less
		2005 -06	2006 -07	2007 -08	2008 -09	2009 -10	Total	2005 -06	2006 -07	2007 -08	2008 -09	2009 -10	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
1.	Ngopa	39	22	21	36	33	151	39	23	22	39	34	157	(+) 6
2.	Khawzawl	81	34	40	38	33	226	81	38	38	39	33	229	(+) 3
3.	Champhai	---	37	29	33	40	139	---	38	29	35	39	141	(+) 2
4.	Khawbung	50	20	25	32	37	164	50	24	25	34	37	170	(+) 6
5.	Lungdar 'E'	38	15	21	30	31	135	38	15	21	33	31	138	(+) 3
6.	Hnathial	49	32	42	42	13	178	49	32	42	46	13	182	(+) 4
7.	Bunghmun	41	17	24	30	23	135	41	15	24	35	23	138	(+) 3
8.	Lungsen	32	28	28	38	26	152	32	27	28	45	27	159	(+) 7
9.	Tuipang	38	22	35	43	25	163	38	24	35	46	25	168	(+) 5
10.	Saiha	---	17	37	46	15	115	---	17	37	47	14	115	----
11.	Sangau	35	26	19	24	24	128	34	25	19	25	23	126	(-) 2
12.	Lawngtlai	25	52	32	21	21	151	25	38	32	22	18	135	(-) 16
13.	Bungtlang 'S'	---	28	22	24	17	91	---	27	22	26	15	90	(-) 1
14.	Chawnge	27	22	35	27	42	153	27	11	35	29	14	116	(-) 37
15.	'W' Phaileng	33	32	34	35	29	163	32	30	34	40	29	165	(+) 2
16.	Zawlunam	29	33	36	40	34	172	27	30	36	42	33	168	(-) 4
Total		517	437	480	539	443	2416	513	414	479	583	408	2397	(-) 19

Source: Departmental records.

As indicated in the above table, the Department attained physical achievement of 2,397 works/schemes against the targeted/approved 2,416 works/schemes during 2005-10 with a shortfall of 19 works/schemes.

However, though the State Government claimed achievement of 408 schemes/works during 2009-10 against the physical target of 443 schemes/works, the actual achievement during the year was 'NIL' as the entire fund of ₹ 22.01 crore drawn for implementation of the scheme during 2009-10 was released to the executing RD Blocks from April 2010 onwards of next financial year for its actual implementation during 2010-11 as mentioned in

Paragraph – 1.1.8.5. The fact of which was also accepted (October 2010) by the Government. This raises a serious doubt on the authenticity of the completion of schemes indicated by the Department.

1.1.9.2 Execution of ineligible works/schemes

The guidelines emphasize that creation of tangible assets should be given priority under BADP. The smaller schemes, which are of direct benefit to specific villages/individuals, need to be addressed by the State Government under their own development initiatives. The GoI, thus, categorically disallowed work such as – construction of building for offices and residence for officials (except for officials engaged in education and health sectors) etc. under BADP.

Scrutiny of the records of the Director, RDD and border blocks revealed that during 2005-10, the Department incurred an expenditure of ₹ 6.79 crore towards execution of 134 ineligible works/schemes in 16 border blocks. The details of block wise and year wise ineligible works/schemes undertaken with expenditure incurred thereon by 16 border blocks during 2005-10 are shown in the **Appendix - 1.1.1**.

It can be seen from the **Appendix - 1.1.1** that all the ineligible 134 works/schemes undertaken were mainly pertaining to construction of building for offices of Block Development Officers (BDOs), Sub-Divisional Officers (Civil) (SDO-C), residential accommodation of BDOs and SDOs-C and their staffs and construction building for Rest Houses under Deputy Commissioners/RD Departments and their maintenance etc. Had the SLSC disallowed all these 134 ineligible works/schemes under BADP a substantial amount of ₹ 6.79 crore could have been utilised for undertaking developmental activities for the direct benefit of the border villages/population.

The Government in their reply stated (October 2010) stated that all items of works under the scheme were executed after obtaining approval of the GoI before operation of the revised Guidelines, 2008. The fact, however, remains that construction/renovation of administrative buildings, except the houses for teaching staff and paramedics, are not allowed in the BADP guidelines, and the amount of ₹ 6.79 crore spent on ineligible works/schemes could have been utilised for undertaking developmental activities for the direct benefit of the border villages/population.

1.1.9.3 Delay in Execution of works/schemes

The BADP Guidelines provide that State Government would closely monitor the implementation of the works/schemes being undertaken under BADP so as to ensure quality and timely completion of the works.

- (i) Scrutiny of the records of eight⁹ test checked border BDOs revealed that during 2005-06 to 2009-10 altogether 77 on-going works/schemes were shown to be completed within the approved outlay/estimated cost of ₹ 7.75 crore, whereas the same eight BDOs completed another 34 on-going works/schemes during 2005-06 to 2009-10 at a cost of ₹ 5.40 crore against the original approved outlay/estimated cost of ₹ 3.32 crore with spilled over of works/schemes from two to six years, resulting in cost over-run of ₹ 2.08 crore. The details are shown in **Appendix - 1.1.2**.
- (ii) Scrutiny of the records of same eight test checked border BDOs revealed that during 2005-06 to 2009-10 execution of 170 on-going works/schemes were carried out by the concerned eight BDOs with an approved outlay of ₹ 27.33 crore, but entire 170 works remained incomplete at the end of 2009-10 after incurring an expenditure of ₹ 12.45 crore (details are shown in **Appendix - 1.1.3**), a consolidated position of which is shown in the table below:

Table - 1.1.8

(₹ in lakh)

Sl. No.	No. of works	Year of commencement	Approved outlay	Expenditure upto 2009-10
1.	1	1998-1999	15.00	11.00
2.	2	1999-2000	85.00	74.00
3.	2	2002-2003	29.00	22.00
4.	3	2003-2004	105.00	30.50
5.	10	2004-2005	216.00	159.00
Sub Total (A)	18	1998-2005	450.00	296.50
6.	51	2005-2006	443.00	270.50
7.	21	2006-2007	293.00	155.00
8.	10	2007-2008	162.00	91.00
Sub Total (B)	82	2005-2008	898.00	516.50
9.	15	2008-2009	263.00	86.50
10.	55	2009-2010	1122.50	346.00
Sub Total (C)	70	2008-2010	1385.50	432.50
Total (B + C)	152	2005-2010	2283.50	949.00
Grand Total	170	1998-2010	2733.50	1245.50

Source: Departmental records.

It would be seen from table-1.1.8 that 18 works/schemes taken up during 1998-99 to 2004-05 with an approved outlay of ₹ 4.50 crore could not be completed by the end of 2009-10. This indicates that the SLSC had not given priority for completion of on-going works on time with specific time schedule for completion and 18 works/schemes commenced

⁹ Eight BDOs - 1. Ngopa, 2. Khawzawl, 3. Champhai, 4. Khawbung, 5. Lungen, 6. Bungle, 7. Hnathial and 8. Zawnuam.

between 1998-99 to 2004-05 either remain abandoned or not fit for further continuance after incurring an expenditure of ₹ 2.96 crore.

In respect of the remaining 152 works/schemes taken up during 2005-10, execution of 82 works/schemes were commenced during 2005-06 to 2007-08 with an approved outlay of ₹ 8.98 crore. However, these remained incomplete at the end of three to five years after incurring expenditure of ₹ 5.16 crore. Non-completion of on-going works on time also entailed the possibility for further cost over-run. From the facts mentioned above, it is imperative that due cognignence was not paid by the SLSC for incomplete and on-going works while formulating the Annual Action Plans.

While accepting the facts, the Government in their reply (October 2010) assured that the SLSC would keep tab on all the incomplete and ongoing works and due regard would be paid for their completion.

1.1.9.4 Disproportionate sectoral execution of works/schemes

BADP Guidelines provides that schemes which address problems such as inadequacies relating to provision of essential needs, strengthening of social infrastructure, filling up of critical gaps in the road networks, security related works etc. may be taken up under BADP. The guidelines also provide sectoral schemes for (i) Education, (ii) Health, (iii) Agriculture and Allied Sector, (iv) Infrastructure, (v) Social Sector, and (vi) Security. In the BADP Guidelines, 2005, it was also emphasized on the State Government that no single sector gets a disproportionately large share of the total allocation.

Audit observed that during 2005-10, the 16 border blocks incurred disproportionate expenditure on execution of works/schemes under above mentioned six sectors.

The details of sectoral expenditure are shown in table below:

Table - 1.1.9

(₹ in crore)

Year	Sectoral Expenditures on:						Total
	Education	Health	Agril. & Allied sector	Infrastruc-ture	Social	Security	
2005-06	0.36	0.21	0.17	13.25	1.83	Nil	15.82
2006-07	1.31	0.08	0.16	8.71	2.34	Nil	12.60
2007-08	3.04	0.51	0.67	11.49	3.99	0.75	20.45
2008-09	4.33	0.66	3.97	8.36	6.14	1.11	24.57
2009-10	4.25	1.51	1.71	12.56	4.22	0.32	24.57
Total (percentage)	13.29 (14)	2.97 (3)	6.68 (7)	54.37 (55)	18.52 (19)	2.18 (2)	98.01

Source: Departmental records.

It may be seen from the above table that the expenditure under Infrastructure sector alone constitutes 55 *per cent* of the total expenditure, whereas expenditure under Social and Education sectors were 19 and 14 *per cent* respectively. The expenditure under Security, Health and Agricultural sectors remain the lowest constituting two to seven *per cent* of the total expenditure. This was a clear indication of the fact that the State Government had accorded more importance to a few sectors like infrastructure development while assigning low priority to other crucial sectors like Health, Security and Agriculture and allied sector.

The State Government stated (October 2010) that nowhere in the guidelines it is mentioned that all sectors get an equal share from the total allocation. Further, the Government also stated that due to inadequate funds received under BADP, the need of all sectors cannot be met at once. The reply was not acceptable as Guidelines, 2005 clearly specified that the State Government should ensure that no single sector gets a disproportionately large share of the total allocation.

1.1.9.5 Distribution of TV/DTH Sets to ineligible districts

As a part of Specific Area Scheme with Cluster Approach under BADP the GoI released (January 2007), a Special Central Assistance of ₹ one crore to the State for installation of Tele-Visions (TVs) with DTH facilities in tiny hamlets in the areas close to borders. The State Government accordingly accorded (November 2007) expenditure sanction of ₹ one crore for purchase of TVs, DTH/Disc TV and UPS at following rates:

Table - 1.1.10

Sl. No.	Name of materials	Quantity	Rate per unit	Amount (₹ in lakh)
1.	Philips Colour TV	448 Nos.	13,990	62.68
2.	UPS	447 Nos.	5,200	23.24
3.	DTH/Disc TV	447 Nos.	3,150	14.08
Total				100.00

Source: Departmental records.

On scrutiny of the records of the Director, Information and Public Relation Department, Mizoram it was noticed that all the above items were purchased (November 2007) by the Department at ₹ one crore and distributed to all the eight districts in the State, including Aizawl and Kolasib districts which do not have any international border and ineligible for the implementation of any programme element of the BADP. The details of district-wise distributions are as shown in following table:

Table - 1.1.11

Sl. No.	Name of district	Number of sets distributed		
		TV	Disc TV	UPS
1.	Aizawl	54	53	53
2.	Kolasib	42	42	42
Sub Total		96	95	95
3.	Mamit	63	63	63
4.	Lunglei	78	78	78
5.	Champhai	64	64	64
6.	Serchhip	39	39	39
7.	Saiha	49	49	49
8.	Lawngtlai	59	59	59
Sub Total		352	352	352
Grand Total		448	447	447

Source: Departmental records.

It can be seen from the above table that the Department unauthorisedly diverted and distributed TV sets with DTH facilities to non entitled districts (Aizawl and Kolasib), the financial implication of which was ₹ 21.36 lakh¹⁰ while depriving the people living in tiny hamlets in the areas close to international borders.

The Government in their reply (October 2010) stated that as a follow up action of the 20th Peace Accord Day Anniversary observation in 2007, the Ministry of Home Affairs released the grant under BADP for distribution of TV set as a commemoration/reward for upholding peace in the State. As such these were distributed covering all Assembly Constituencies in the State. The fact, however, remains that due to distribution of TV sets to non-entitled districts, the people living in tiny hamlets in the areas close to international borders were deprived of getting the benefit.

1.1.10. Execution of works

1.1.10.1 Execution of works through supervisors as contractors

The BADP guidelines provide that the schemes under the programme can be executed by any of the following agencies:

- (i) State Government,
- (ii) Central Government,
- (iii) Central Para Military Forces located in the State,
- (iv) Voluntary agencies, and
- (v) Panchayati Raj Institutions/District Councils/Traditional Councils.

¹⁰ TV - 96 numbers @ ₹ 13,990 = ₹ 13.43 lakh
D/TV - 95 numbers @ ₹ 3150 = ₹ 2.99 lakh
UPS - 95 numbers @ ₹ 5200 = ₹ 4.94 lakh
Total = ₹ 21.36 lakh

Except the executing agencies, no private contractor or work supervisor are allowed to execute the schemes under BADP. Scrutiny of the records of the Director, RDD and test check of eight BDO's revealed that during 2005-10, all the works/schemes were executed by engagement of private contractors as work supervisors. Only a few item of works, such as construction of Community Halls and Playgrounds were executed by Village Level Committee headed by concerned BDOs. The contractors (as work supervisors) were duly appointed by the Director, RDD in contravention of the GoI's guidelines. Further scrutiny revealed that the said work supervisors were randomly selected by the Department without calling for competitive quotations. Moreover, work orders were issued to the work supervisors without obtaining any Security Deposits as Performance Guarantee, violating the prescribed principle and procedures laid down in CPWD Works Manual, which is followed in the State.

Thus, the Department extended undue benefits to some selected private individuals of their own choice by offering work orders for execution of schemes under the programme in contravention of the prescribed procedures.

The Government while accepting the facts stated (October 2010) that the works under the programme were entrusted to work supervisors, as a supplement to the limited personnel resources with a view to speed up the progress of execution of works. The fact, however, remains that in contravention of the prescribed procedures private individuals were appointed as contractors/works supervisors for execution of the works, which is irregular.

1.1.10.2 Release of funds to the work supervisors without measurement of works

As provided in the CPWD Work Manual, which is followed in the State the Measurement Book (MB) is the basis of all accounts of quantities or material received. The MB is an indispensable accounts record required to be maintained meticulously and accurately by the technical officers in-charge of the works.

Scrutiny of the records of the Director, RDD and eight test checked BDOs revealed that in violation of above codal provisions all the payments related to approved works under the programme during 2005-10 were released to the work supervisors (appointed as executing agency) by the concerned BDOs without measuring the accounts of the works in MBs.

On completion of the works, the final payments were released to the work supervisors by the BDOs after conducting site inspection without further measuring the works in MBs.

Thus, in absence of recorded accounts of the works in the MBs, the actual completion of works as per detailed estimates during 2005-10 could not be verified in audit. Also, the execution of works/schemes through unregistered contractors as work supervisors entailed the chances of substandard quality works.

The Government while accepting the facts stated (October 2010) that since MBs have already been submitted at the time of preparing of bills, separate MBs are not prepared at the works site. The fact, however, remain that the MBs were prepared by the Department before the actual execution of works and no measurement on the accounts of the works were recorded in the MBs at the time of release of payment to the works supervisors by the BDOs.

1.1.10.3 Execution of special projects

For implementation of two Special Schemes under BADP, the GoI released (March 2007) the following funds to the State:

Table - 1.1.12

(₹ in crore)

Sl. No.	Name of the Schemes	Amount released by the GoI
1.	Construction of road from Pangkhua to Kolodyne (Saishichhuah) River	2.73
2.	Development of Sports Complex at Ngopa	2.28
Total		5.01

Source: Departmental records.

Test check of the records of the Director, RDD revealed that the entire released amount by the GoI was drawn by the DDO of the Directorate of RDD by presenting fictitious bills showing departmental execution of works, before the actual commencement of the works as discussed below:

- (i) ₹ 2.69 crore was drawn in March 2009 showing construction of road from Pangkhua to Kolodyne (Saisihchhuah) River by the Engineering Cell of the RDD by engagement of JCB, Excavator, D-Dozer and labourers with purchase of materials during February-March 2009. Also an amount of ₹ 3.88 lakh was drawn in March 2008 for carrying out survey.
- (ii) ₹ 2.28 crore was drawn in July 2008 showing departmental execution of construction of Sports Complex at Ngopa during April-June 2008 (with purchase of materials worth ₹ 1.43 crore, engagement of D-Dozer for an amount of ₹ 68.90 lakh, and engagement of labourer for ₹ 16.33 lakh).

The fact, however, is that the execution of works, were actually carried out at a later date as discussed below:

(i) Construction of road from Pangkhua to Kolodyne (Saisihchhuah) River:

The administratively approved (February 2009) value of the project was ₹ 11.34 crore, which was further revised (August 2009) to ₹ 13.83 crore for the construction of a road of 15.50 km length, of which ₹ 2.69 crore was released (February 2009) by the Government as first and initial phase for carrying out survey, formation cutting, RCC culvert and Retaining Walls. The remaining works of the construction of side drains, minor bridge and pavement works are to be completed in second and third phase at the balance cost of ₹ 11.14 crore.

The first phase of works at ₹ 2.69 crore was completed during June 2009 to May 2010 by engagement of 14 private individuals appointed as supervisors by the Department.

Thus, in violation of the prescribed financial rules the Department drew the public money in advance of requirement by presenting false bills to the Government Treasury and later on execution of works was carried out by engaging private unregistered contractors as supervisors without observing the prescribed codal provisions.

The Government has accepted (October 2010) the fact of drawal of funds in violation of the prescribed financial rules.

(ii) Development of Sports Complex at Ngopa.

The execution of works was to be carried out by a Block Level Committee headed by the Sub-Divisional Officer (Civil), Ngopa and BDO, Ngopa as Member Secretary. An amount of ₹ 2.28 crore was drawn on the basis of a detailed technical estimate prepared for earth work (₹ 1.58 crore, for retaining wall ₹ 27.87 lakh and for under drain ₹ 41.55 lakh) and was released to the BDO, Ngopa between May 2008 and October 2008 for implementation of the project. However, the execution of works started in May 2008 remained incomplete (July 2010) after spending an amount of ₹ 1.73 crore. The unspent balance of ₹ 54.82 lakh could not be utilised after lapse of more than two years, which resulted in delay of completion of the project under the programme. The photographs of incomplete Ngopa Sports Complex are depicted below:



Sports complex at Ngopa (with volleyball court)

The State Government in the reply (October 2010) attributed the reasons for delay as leveling of playground required soil compaction and settlement which take considerable time.

1.1.11 Non maintenance of assets

The BADP Guidelines (2005) provides that up to 15 *per cent* of the total allocation could be used for maintenance of assets already created under the programme after lapse of a period of three years from the date of its completion.

During 2005-10, the Department spent a central assistance of ₹ 103.40 crore for execution of schemes/works under BADP in the State. Out of this 15 *per cent* i.e. ₹ 15.51 crore should have been available for maintenance of assets already created as per the norms of assistance. Scrutiny of the approved schemes of the programme during last five years by the SLSC revealed that no fund was allocated for maintenance of assets as the State Government failed to avail the maintenance grant for the assets already created.

While accepting the facts the Government stated (October 2010) that due to non receipt of proposals from the grass root level no expenditure was incurred for maintenance of assets.

1.1.12 Internal Control/Internal Audit system

Internal Control/Internal Audit is an important management tool of a Department to examine and evaluate the level of compliance with Departmental/Financial rules and procedures. The Department, however, did not have an Internal Audit Wing of its own. The State Government, however, posted one Deputy Director (Accounts) in the Department to oversee the Internal Control system. It was, however, observed that though the Internal Control system exists in the Department, the same has not gathered momentum in terms of financial management of the programme. The Department drew huge amount of programme funds without immediate requirement from the

Government accounts, most of which were on the basis of presentation of false bills. This indicates that Department does not have any effective internal control mechanism resultantly have adverse impact on the implementation of the programme.

The Government has accepted (October 2010) the facts of non existence of proper internal control mechanism in the Department.

1.1.13 Monitoring and Review

The BADP Guidelines provide that the State Government would closely monitor the works/schemes being undertaken under the BADP. They must carry out inspections from time to time so as to ensure quality and timely completion of the works.

As per information furnished by the eight test checked BDOs, the State level functionaries have carried out only seven inspections during 2005-10 of the works/schemes undertaken in eight border blocks. As a result, the works/schemes under the programme mostly remained unmonitored by way of regular inspection. The actual position of inspections carried out in these blocks by the State level authorities during last five years are shown in following table:

Table - 1.1.13

Sl. No.	Name of block	No. of inspection carried out by State level officers during:					
		2005-06	2006-07	2007-08	2008-09	2009-10	Total
1.	Khawzawl	---	---	---	---	---	Nil
2.	Champhai	---	---	---	---	---	Nil
3.	Khawbung	01	01	01	01	01	05
4.	Hnathial	---	---	---	---	---	Nil
5.	Bunghmun	---	---	---	---	---	Nil
6.	Lungsen	---	---	---	01	---	01
7.	Ngopa	---	---	---	01	---	01
8.	Zawlnuam	---	---	---	---	---	Nil
Total		01	01	01	03	01	07

Source: Departmental records.

During 2005-10, the Monitoring Cell under BADP, utilised an amount of ₹ 1.56 crore out of BADP funds towards monitoring of the programme. Thus, despite spending substantial amount of funds, the monitoring of the works/programmes remained weak and ineffective.

While admitting the facts of weak and ineffective monitoring system of the Department, the Government stated (October 2010) that the Department is trying to evolve an effective monitoring and evaluation mechanism to assess the condition of works executed by the executing agencies.

1.1.14 Conclusion

The main objective of the Border Area Development Programme of speedy development of border area was not achieved to the desired extent due to inherent deficiency in planning and implementation of the programme. The Annual Approved lists of works/schemes were not based on an integrated approach, baseline survey and strategic perspective plans. Coordination among the implementing agencies was fragile both at planning and implementation stages. There was little or no involvement of the significant stake holders viz. Deputy Commissioner of the districts and authorities of the Autonomous District Councils in the planning process. Consequently, formulation of programme to meet the special development needs of the people living in remote and tiny hamlets in the areas close to international borders remained largely unrealised.

Diversion of substantial funds towards ineligible works/schemes and delays in release of funds adversely impacted the coverage of a number of critical sectors of the programme. Disproportionate allocation of funds to the border blocks deprived the border villages of an equitable share of the development programmes. Drawal of funds without immediate requirement, and drawing funds presenting fictitious bills to the Government Treasury and parking of funds in Bank and Civil Deposits further entailed risk of diversion and misappropriation of Government money.

Schemes were approved without giving priority for completion of on-going works/schemes on time with specific time schedule for completion which resulted in non completion of works/schemes commenced between 1998-99 to 2007-08. Delay in completion of works/schemes resulted in large scale cost over-runs. Execution of works/schemes through unregistered contractors as work supervisors entailed the chances of substandard quality works. Release of payments to the work supervisors without measurement of completed works in contravention of the established codal provisions left huge room for fraudulent and unfair practices by the program managers. Quality of infrastructure created remain unverified with reference to technical estimates and designs due to non record of measurement of the works executed in the MBs. Besides non-maintenance of assets arising out of the failure to avail 15 *per cent* allocation is bound to prove detrimental to the life span of the assets already created under the programme. Effectiveness of the execution of works/schemes in terms of quality and quantity remained doubtful with most of such works being left unmonitored by higher level authorities.

Monitoring, internal control/internal audit systems was inadequate leading to major irregularities and improprieties in drawal and utilisation of available funds.

1.1.15 Recommendations

- The State Government should strengthen planning process and give more focus on the speedy development of Border areas.
- Financial management should be strengthened effectively and to ensure optimal utilisation of funds with an equitable allocation on the sectoral initiatives in the border Blocks and villages.
- Execution of ineligible works/schemes must be discontinued.
- Drawal of funds presenting false bills and parking of funds in Bank and Civil Deposits should be discouraged to avoid risk of diversion and misappropriation.
- No payment should be released without measuring the quantity of work done to circumvent the risk of fraudulent claims and payments.
- Execution of works by private individuals/unregistered contractors as work supervisors should be discontinued and the works/schemes should be executed either departmentally or through Village Councils as emphasized in the guidelines of the programme.
- Monitoring and implementation mechanism; internal control/internal audit system should be strengthened to ensure effective and timely implementation of the programme in an effective and time bound manner.

FOOD, CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

1.2 PUBLIC DISTRIBUTION SYSTEM

Highlights

The Public Distribution System evolved as a system of management of scarcity and for distribution of foodgrain at affordable prices to the consumers through Fair Price Shops. To ensure food security to the economically weaker section of the society, Targeted Public Distribution System (TPDS) was introduced in June 1997 with focus on the poor. Under the TPDS, special cards were issued to families of Below Poverty Line (BPL) and foodgrain were provided to them at a specially subsidised price. A performance audit of the Public Distribution System in the State revealed shortcomings in identification of beneficiaries. Effective distribution of allotted foodgrain and its access to all consumers in the State were not achieved due to misappropriation of a major portion of the foodgrain by field level officials, which led to huge shortage of stores meant for distribution to the consumers at prescribed rates. Instances of shortage of foodgrain and cash at godown level as well as short remittances of sale proceeds by officials of the godowns were noticed. Monitoring of the programme was ineffective.

Significant audit findings are given below:

The revision of the list of BPL and AAY families by the Department was not based on any clear set of manifested criteria as required under Public Distribution System (Control) Order, 2001.

(Paragraph 1.2.7)

Reimbursement of ₹ 44.67 crore pertaining to the period 2002-10 remained un-recouped as of October 2010 from the Government of India under Hill State Transport Subsidy Scheme.

(Paragraph 1.2.8.3)

During 2007-10 the Department issued significantly higher number of Family Ration Cards as compared to the projected population/households. The excessive ration cards ranged from 66,746 to 1,23,570. The excess population covered ranged from 1,07,708 to 3,70,414.

(Paragraph 1.2.9)

Shortage of stores (₹ 1.86 crore) and cash (₹ 0.32 crore) detected at the time of handing/ taking over charges of stores remained unrecovered till October 2010.

(Paragraph 1.2.12.2)

During 2005-10, 11 centres (Aizawl : three centres and Champhai : eight centres) sold rice and sugar for a total amount of ₹ 25.94 crore to Fair Price Shops against which only ₹ 25.31 crore was remitted to the Government Accounts resulting in short remittance of ₹ 0.63 crore.

(Paragraph 1.2.12.3)

The Department incurred doubtful expenditure of ₹ 1.82 crore during 2005-07 towards reconstruction of 58 supply godowns and improvement of 17 godown approach roads.

(Paragraph 1.2.14.1)

1.2.1 Introduction

The Public Distribution System (PDS) till 1992 was a general entitlement scheme for all consumers without any specific target. A Revamped Public Distribution System (RPDS) was launched in June 1992 and the Targeted Public Distribution System (TPDS) was introduced in June 1997 with focus on the poor PDS beneficiaries. Under the TPDS special cards were issued to families of Below Poverty Line (BPL) and foodgrain were provided to them at a specially subsidised price. In order to make TPDS more focused and targeted towards the poorest segments of the BPL population, the Antyodaya Anna Yojana (AAY) was launched in December, 2000 for poorest of the poor families. The Central Government, through Food Corporation of India (FCI) has assumed the responsibility for procurement, storage, transportation and bulk allocation of foodgrain for the State of Mizoram, a deficit State in terms of foodgrain. The responsibility for identification of families below the poverty line, issue of ration cards and the operational responsibilities of lifting and distribution of foodgrain besides supervision and control of the functioning of FPSs rest with the State Government.

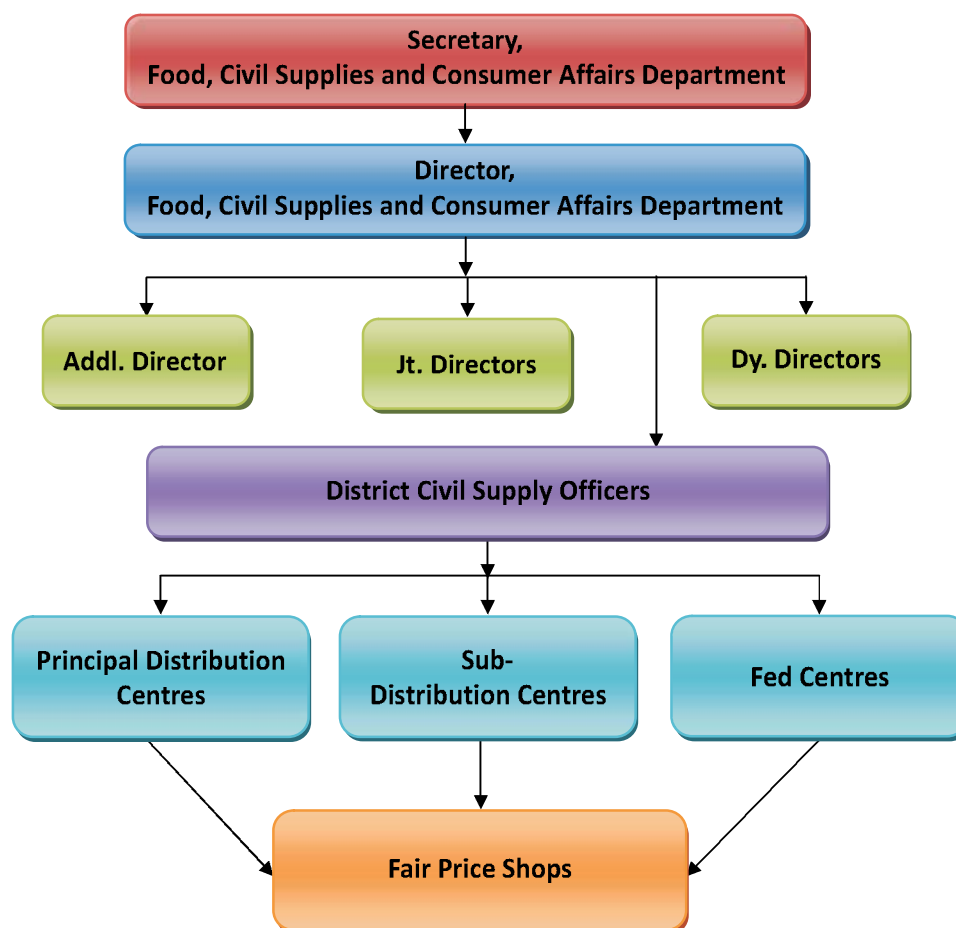
1.2.2 Organisational set up

The Secretary to the Food, Civil Supplies and Consumer Affairs (FCS&CA), Government of Mizoram, is the administrative head of the Department. The Director, FCS&CA Department is responsible for implementation of the Scheme including formulation of policy in respect of procurement, storage and distribution of foodgrain. He is assisted by Addl. Director, Joint Directors and Deputy Directors. At the district level, against eight

districts, nine¹ District Civil Supplies Officers (DCSOs) including two DCSOs in Aizawl district are responsible for administration, management of godowns and efficient handling of movement of foodgrain including proper accounting through nine Principal Distribution Centres (PDC), 18 Sub-Distribution Centres (SDC) and 96 Fed Centres (FC). There are 1,239 Fair Price Shops (FPSs) which procure foodgrain from PDCs, SDCs and FCs and distribute them to the consumers.

The organogram of the Department is given below:

Chart-1.2.1



1.2.3 Scope of audit

The operation of the PDS in the State during 2005-10 was reviewed through a test check (June to October 2010) of the records of the Administrative Department, Directorate, three (out of nine) DCSO offices, four out of nine PDCs,

¹ Name of District Civil Supplies Offices: (1) Aizawl (East), (2) Aizawl (West), (3) Kolasib, (4) Mamit, (5) Lawngtlai, (6) Lunglei, (7) Saiha, (8) Champhai and (9) Serchhip.

three out of 18 SDCs, 26 out of 96 FCs and 55 out of 456 FPSs under three DCSSOs (Aizawl East, West and Champhai) against 1,239 FPSs in the State.

1.2.4 Audit objectives

The objective of the performance audit was to assess the implementation of the Public Distribution System and ascertain:

- The efficacy of the system for identification of different category of beneficiaries;
- Whether ration cards were issued properly to the targeted population;
- Effectiveness of allocation and distribution of foodgrain by Government to ensure that all people have access to foodgrain in time and at prescribed quantity and rates;
- Whether the infrastructure development schemes were implemented effectively;
- Convergence with other foodgrain based welfare schemes; and
- Adequacy and effectiveness of the internal control mechanism and monitoring system adopted.

1.2.5 Audit criteria

Audit objectives have been benchmarked against following criteria:

- Central guidelines relating to identification of beneficiaries;
- Provisions of the PDS (Control) Order, 2001;
- Supply Manual (Revised), 2008;
- Scale of issue and issue price of foodgrain prescribed by the GoI;
- Orders/instructions of State Government for issue of ration cards, weeding out bogus ration cards and units, scale of rates, monitoring over the functioning of FPSs;
- Government norms for payment of transportation/incidental charges of foodgrain; and
- Prescribed monitoring and control mechanism.

1.2.6 Audit methodology

Performance Audit commenced with an entry conference held in June 2010 with the Secretary-cum-Director of the Food, Civil Supplies and Consumer Affairs Department in which the audit methodology, scope, objectives and criteria were discussed. Selection of district and blocks for examination of the records apart from the Directorate was done through Simple Random Sampling method. The audit methodology also covered field visit by the audit

party along with departmental officials for physical verification of different centres in the test checked DCSO Offices and interaction with the targeted beneficiaries through questionnaires duly authenticated by the departmental officials. Photographic evidence was also taken into account to substantiate audit observations. The audit findings were discussed in an exit conference held with the Secretary-cum-Director of the Food, Civil Supplies and Consumer Affairs Department in December 2010 and replies of the Government/Department have been incorporated suitably in the review at the appropriate places.

Audit findings

The important points noticed in the course of audit are discussed in the succeeding paragraphs.

1.2.7 Identification of beneficiaries

The Public Distribution System (Control) Order, 2001 issued by the Government of India (GoI) envisaged that State Governments should formulate suitable guidelines for the purpose of identification of families living below the poverty line including the Antyodaya families, as per the estimate adopted by the Central Government for distribution of foodgrain at subsidised rates. The exercise of identification of BPL and Antyodaya families, wherever it had not been done, was to be completed within three months of the issue of PDS (Control) Order and the list was to be reviewed every year for the purpose of exclusion of ineligible families and inclusion of eligible families. The GoI, in 2009, fixed 68000 as the number of eligible BPL families in the State.

Audit, however, noticed that the State Government neither formulated any guidelines for identification of beneficiaries nor made efforts for reviewing the list of eligible PDS beneficiaries in a meaningful manner. The State Government adopted BPL list (containing 90,000 households) of Rural Development (RD) and Local Administration (LA) Department prepared on the basis of socio-economic survey for distribution of foodgrain under PDS scheme. Audit further noticed that the Department without properly identifying the BPL and Antyodaya families, based on a clear set of manifested criteria/Guidelines as required by PDS (Control) Order, 2001, continuously implemented the scheme in the State. The list containing 90,000 BPL families was revised periodically with the help of Village Councils and community based organisations restricting the number of eligible BPL families to 68000 as fixed by the GoI. However, the basis of such revision and inclusion of beneficiaries in the list carried out annually was devoid of any clear set of manifested criteria as required by PDS (Control) Order, 2001.

While accepting the facts, the Government stated (December 2010) that the preparation of BPL and AAY list based on the records of RD and LA Department was done on approval accorded by the Cabinet. The reply of the Government was not tenable, as preparation of list of beneficiaries was not based on any clear set of manifested criteria for identification of beneficiaries and no annual review of list of beneficiaries for the purpose of exclusion of ineligible families and inclusion of eligible families was carried out, as required by PDS (Control) Order, 2001.

1.2.8 Financial management

1.2.8.1 Financial outlay and expenditure

Year-wise budget provision and expenditure thereagainst during 2005-10 for procurement and transportation of foodgrain from FCI godowns to supply distribution centres in the State are shown below:

Table - 1.2.1

(₹ in crore)

Year	Budget granted	Expenditure	(+)Excess (-) Savings
2005-06	69.60	69.59	(-) 0.01
2006-07	88.56	88.56	- NIL -
2007-08	165.07	130.29	(-) 34.78
2008-09	213.12	211.70	(-) 1.42
2009-10	240.59	207.69	(-) 32.90

Source: Finance and Appropriation Accounts.

1.2.8.2 Excess payment of transportation charges

The retailers of FPSs under PDS, transport the allocated foodgrain from the different centres/godowns to their respective FPSs, for which transportation charges, at the approved rates based on distances was to be reimbursed to them by the concerned DCSOs.

Scrutiny of the bills on transportation charges reimbursed to retailers of 42 FPSs (Champhai: 23 and Aizawl: 19) for the period from 2006-10 revealed that during the period 2006-10, the 42 retailers actually lifted 1,749.67 MT of allotted rice from centres to their respective FPSs. As per prevailing approved rates applicable for reimbursement of transport charges (based on distances from centre to location of different FPSs), the 42 retailers were entitled to reimbursement of transport charges of ₹ 25.98 lakh only. It was, however, noticed that the three DCSOs (Aizawl - East, Aizawl - West and Champai) reimbursed a total amount of ₹ 54.47 lakh to the 42 retailers showing transportation of 3,474.14 MT of rice under 42 bills during the period which resulted in an excess payment of transportation charges of ₹ 28.49 lakh.

The detailed position of retailer-wise excess payment of transportation charges is shown in **Appendix - 1.2.1**.

On this being pointed out by Audit, the DCSOs (Champhai, Aizawl East and West districts) accepted (August and October 2010) the facts of excess payment of ₹ 28.49 lakh to the 42 retailers. The Government also accepted the facts and stated (December 2010) that necessary action would be taken for effecting recovery. However, no recovery has been made as of January 2011.

1.2.8.3 Non recovery of Hill Transport Subsidy

The Central Government's "Hill State Transport Subsidy" (HSTS) Scheme was announced in October 1990, under which the expenditure incurred by the State Government on transportation of foodgrain from the base depot of Food Corporation of India (FCI) to different Principal Distribution Centres (PDCs) in Mizoram is reimbursable by the Government of India, Ministry of Consumer Affairs, Department of Food and Public Distribution. As per prescribed procedures of the scheme, the Food, Civil Supplies and Consumer Affairs (FCS&CA) Department was required to submit reimbursement claims of transport subsidy to the FCI on monthly basis supported by full details of the Bank from which cheques have been drawn. However, as the Department was not an authorised cheque drawing Department, the FCI, North East (NE), Guwahati Zone granted (March 2000) relaxation towards acceptance of Treasury voucher numbers, in lieu of cheque numbers, as proof of payment. Again, as per fresh guidelines issued (February 2005) by the FCI, the Department was allowed to submit the reimbursement claims with full details of party wise payments including cheque numbers and name of the bank along with copies of acknowledgement of receipt of stock from authorised officials of the recipient Centres/PDCs. Subsequently, the FCI permitted (July 2008) the Department to submit the reimbursement claims with copies of fully vouched contingent bills of the Treasury.

Scrutiny of the records of the Department revealed that an amount of ₹ 44.67 crore being the transportation charges of rice and wheat pertaining to the period from 2002-10 consisting of 580² bills remained un-reimbursed as of October 2010 from the FCI due to delay in submission of claims and return of claims by the FCI due to non fulfillment of prescribed criteria. The details of outstanding claims are shown in **Appendix - 1.2.2**. The Department however, resubmitted (May 2010) all the outstanding claims of ₹ 44.67 crore to the FCI pertaining to the period 2002-10, the reimbursement of which is still awaited (January 2011).

It was further noticed that out of ₹ 44.67 crore, the claim of transportation charges of ₹ 6.23 crore relating to the relaxation period of 2002-03 to January 2005 was also not reimbursed by the FCI due to submission of claims after expiry of relaxation period.

² Rice – 534 bills (456094.5 MT) and amount claimed ₹ 43.16 crore, and
Wheat – 46 bills (11899.10 MT) and amount claimed ₹ 1.51 crore.

The Government while accepting the fact stated (December 2010) that the timely submission of re-imbursement claims to FCI after adopting necessary procedures would be followed in future. It further added that the Department had not received any information from FCI regarding granting of relaxation period. The reply is not acceptable as the letter regarding grant of exemption was sent to the FCS&CA Department by the FCI, NE, Guwahati Zone in March 2000.

1.2.9 Issue of Ration Cards

The actual sale of foodgrain and other essential commodities to the consumers in the State are being made to the holders of Family Ration Card (FRC) issued to them by the respective DCsOs of the Department. Audit analysis of the Projected population with number of households of the State *vis-à-vis* FRCs issued disclosed that during 2007-10³, the Department issued significantly higher number of FRCs as compared to the projected population/households. The number of excess cards ranged between 66,746 to 1,23,570 and the excess population ranged between 1,07,708 to 3,70,414. The details are given in the table below:

Table - 1.2.2

Year	Projected Population	Numbers of Households	Position of ration cards issued		Excess Ration Cards issued	
			No. of ration cards	Rationing population	No. of Ration Cards (Col. 4- 3)	No. of population (Col. 5 – 2)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2007-08	1022372	187633	311203	1130080	123570	107708
2008-09	1022372 ⁴	187633 ⁴	305997	1552009	118364	529637
2009-10	1126067	249092	315838	1496481	66746	370414

Source: Departmental records; Statistical Hand Book, 2008 and Economic Survey, 2009-10, Government of Mizoram

The issue of excess FRCs with inflated rationing population implies that the district level officers of the Department have issued FRCs without actually conducting physical verification of the family members of the card holders.

This excessive issue of FRCs with inflated rationing population is bound to have an adverse impact on the distribution of foodgrain to the PDS beneficiaries. Moreover, excess procurement of foodgrain made on the basis of the rationing population over and above the actual/projected population leaves adequate scope for misappropriation of PDS items.

³ Analysis for the year 2005-07 could not be done due to non-availability of projected population /households.

⁴ Projected population /Households during the year 2008-09 are not available, hence the figure for the year 2007-08 have been adopted for 2008-09.

The Government stated (December 2010) that the information would be intimated after collecting the same from the concerned districts. However, further information from the Government was awaited (February 2011).

1.2.10 Allocation and Lifting

The Central Government, through FCI has assumed the responsibility for procurement, storage, transportation and bulk allocation of foodgrain to the State Government. The operational responsibility including allocation and distribution within the State rests with the State Government. Yearly allocation of foodgrain from the central pool in respect of BPL and AAY families is made by the GoI on the basis of population of the State *vis-à-vis* earmarked BPL families by the Centre and for distribution through FPSs. The GoI also allocated rice under Open Market Sale Scheme (OMSS) on Economic Cost as per request of the State Government to maintain a minimum buffer stock for meeting the unforeseen exigencies.

The position of rice, wheat, sugar and kerosene allotted by the GOI, off-take by FCI from the central pool and actually lifted by the Department during 2005-10 are shown in **Appendix - 1.2.3**.

A consolidated position of allocation of foodgrain/Kerosene Oil by the GoI, its off-take by FCI from Central Pool and lifting of the same by the Department during 2005-10 are given in following table:

Table - 1.2.3

(In MT)

Period	Category	Allotted by GoI	Off take by FCI/IOC from Central Pool		Lifted by the Department through notified lifters
			Actual off take	Short off take	
2005-10	Rice	630381.30	587135.00	43246.30	587135.00
2005-10	Wheat	3506.00	3506.00	NIL	3506.00
2005-10	Sugar	40956.60	35030.97	5925.63	35030.97
2005-10	Kerosene Oil	39840.00	39840.00	NIL	39840.00

Source: Departmental records.

It may be seen from the above table that there was a short off take of allocated quantity of rice and sugar by the FCI to the tune of 43246.30 and MT 5925.63 MT respectively during 2005-10.

1.2.11 Distribution of essential commodities

Foodgrain from Central Pool released by FCI at the rail heads/godowns (base depots) to the Principal Distribution Centres (PDCs)/Sub-distribution Centres (SDCs) and from PDCs/SDCs to the Fed Centres (FCs) were transported by the Department carriage contractors/departmental vehicles.

Scrutiny of the records pertaining to the Champhai and Kawlkulh PDCs and their corresponding FCs, revealed the following irregularities:

1.2.11.1 Undelivered consignments

Audit noticed that a total quantity of 1677.41 Quintals of rice despatched during July 2008 to February 2010 through the carriage contractors by Champhai and Kawlkulh PDCs were not received by the concerned FCs. The details are given in the following table:

Table - 1.2.4

Name of Consignor	Name of Fed Centres (Consignee)	Date of Despatch	Quantity Despatched (in Quintals)
Champhai PDC	Farkawn	05-07-2008	160.83
	Farkawn	07-07-2008	54.08
	Farkawn	26-11-2008	47.69
	Kelkang	17-04-2008	152.13
	Kelkang	17-04-2008	177.37
	Kelkang	18-04-2008	177.67
	Kelkang	24-04-2008	165.13
	Kelkang	28-04-2008	177.00
	Khuangleng	28-04-2008	173.87
Sub Total			1285.77
Kawlkulh PDC	Hliappui	17-02-2006	148.79
	Hliappui	18-02-2006	83.58
	Hliappui	17-02-2010	159.27
Sub Total			391.64
Grand Total			1677.41

Source: Departmental records

The DCSO Champhai stated (August 2010) that the entire quantity of 1285.77 Quintals of rice despatched from Champhai PDC was received by the Farkawn, Kelkang and Khuangleng Fed Centres but the receipt of the rice was not accounted for by the concerned storekeepers. Further, in case of 159.27 Quintals of rice despatched in February 2010 from Kawlkulh PDC, the DCSO stated (August 2010) that the concerned incharge of the Fed Centres had not accounted for the receipt of rice due to huge transit loss. It was, however, noted that quantity of transit loss, if any, was neither worked out nor was any recovery effected from the concerned carriage contractors till August 2010. In respect of two consignments of rice of 232.37 Quintals (Qtls) despatched from Kawlkulh PDC on February 2006, it was stated by the DCSO - Champhai that the cost of missing consignment was already recovered from the concerned official. However, no details in support of such claim showing amounts recovered and its remittance to Government account could be produced (January 2011) to audit.

The fact, however, remains that non accountal of 1,445.04 Qtls (1,285.77 Qtls + 159.27 Qtls) of rice by the FCs may led to misappropriation/loss of Government revenue to the extent of ₹ 13.44 lakh (1445.04 Qtls @ ₹ 930 per Qtls).

1.2.12 Physical verification

Physical verification of stock in all the Centres to ascertain actual position of stock held by the Centre is an important feature for proper management of PDS in the State. Section 5.1 of Supply Manual provides that the physical verification of stock shall be conducted simultaneously at least once in a year preferably during December or January as the stores held at various godowns under the Department are perishable in nature. The physical verification shall be conducted by the concerned Area Inspector or any other responsible Officer of the Department authorised by the concerned DCSO. However, scrutiny of the records and information furnished (September 2010) by the Department revealed that no such physical verification was conducted during the period covered under performance audit in six districts except once during 2008 covering 16 centres in Saiha district and six centres in Lunglei district.

While accepting the audit findings, the Government stated (December 2010) that the Department would take all necessary steps to carry out regular physical verification of store and cash at prescribed intervals in future.

As a consequence of the failure to conduct mandatory physical verification at prescribed intervals, the occurrence of short accountal of foodgrain at godowns level remain undetected as spelt out below.

1.2.12.1 Short accountal of foodgrain at godowns

Test check of the records (August-September 2010) pertaining to the 31⁵ godowns under Aizawl and Champhai districts, revealed that all the incharges of the 31 godowns did not maintain basic accounts and records⁶ of the godowns.

A cross verification of the records made available by the incharges of godowns along with the compiled accounts maintained by the concerned DCSOs of the districts indicated that there was a difference in stock of rice and sugar exhibited by the incharges as book balances at the end of March 2010 as compared to the actual closing stock worked out with reference to the actual receipts (including opening stock) and issue of stock during 2005-10.

⁵ 1. Aizawl district : PDC - 2, SDC - 01, FC - 07 }
2. Champhai district : PDC - 2, SDC - 02, FC - 17 } Total = 31 godowns

⁶ Commodity wise Receipt Registers, Stock Registers, Sale Registers, Damaged/Storage loss Registers and Cash Books.

The godown-wise details of the difference of stock (rice and sugar) noticed in audit are shown in **Appendix - 1.2.4 and 1.2.5** and its compiled position is shown in the table below:

Table - 1.2.5

(Figures in MT)

Name of District	Position related to no. of godowns	Actual accounts of receipt and issue of stock during 2005-10			Book balance of stock (31 March 2010)	Short accountal of stock	Cost of short stock (₹ in lakh)
		Stock available	Stock issued	Closing stock (31 March 2010)			
A. Rice							
Champhai	21	170562.56	161380.14	9182.42	4525.07	4657.35	433.13
Aizawl ‘E’	06	28621.15	25640.48	2980.67	325.91	2654.76	246.89
Aizawl ‘W’	04	196689.71	193865.36	2824.35	1232.21	1592.14	148.07
Total	31	395873.42	380885.98	14987.44	6083.19	8904.25	828.09
B. Sugar							
Champhai	15	7360.77	7212.06	148.71	26.57	122.14	16.42
Aizawl ‘E’	03	827.80	444.63	383.17	178.07	205.10	27.56
Aizawl ‘W’	03	21265.81	21019.50	246.31	180.37	65.94	8.86
Total	21	29454.38	28676.19	778.19	385.01	393.18	52.84

Source: Departmental records

The above table shows that against the actual balance of stock of rice (31 godowns) and Sugar (21 godowns), the concerned incharges of the godowns exhibited book balances with a shortage of 8,904.25 MT of rice and 393.18 MT of sugar at the end of transactions of five years (2005-10). The cost of short accountal of rice was ₹ 8.28 crore (@ ₹ 9,300 per tonne) and sugar was ₹ 0.53 crore (@ ₹ 13,440 per tonne).

While accepting the facts of non maintenance of records the DCSO, Aizawl East stated (July 2010) that efforts would be made for reconstruction of the records. The DCSO Champhai stated (October 2010) that the non maintenance of records came to his notice for the first time and accordingly he had issued instructions for proper maintenance of records. The concerned DCSOs have however, not furnished any reasons for non accountal of huge stock by the incharges of the godowns. The Government also agreed (December 2010) with the instances of non-accountal of stock by incharges of godowns in some centres, but stated that the quantities/ amount of shortages of foodgrain raised by audit appeared to be on the higher side and requires re-checking of the actual position. The fact, however, remains that the figures mentioned in the table above were collected from the district offices which were duly authenticated by the officials of the concerned districts. Further reply was awaited (January 2011).

1.2.12.2 Shortage of stores and cash

During the period covered under performance audit, it was noticed (August-September 2010) that the in-charge of the PDCs/SDCs/FCs were transferred frequently from one centre to another. The Department, however, failed to furnish detailed position of transfer and posting in respect of in-charges of the centres during 2005-10 along with copies of all the charge reports (Certificate of transfer of charges) except for the period from June 2009 to September 2010. The reason for non production of charge reports to audit was also not furnished (January 2011).

A detailed analysis of the charge reports produced to audit revealed shortage of 20902.82 Qtls of rice worth ₹ 194.40 lakh as well as cash shortage of ₹ 32.02 lakh. Details of centre-wise shortages recorded in the charge reports are given in following table:

Table - 1.2.6

Sl. No.	Name Of Centre	Date of taking over charges	Details of shortage found at the time of taking over charges			Present Status (as of October 2010)
			Rice		Cash (₹ in lakh)	
			Shortage quantity (in Qtl.)	Value (₹ in lakh)		
1.	Vathuampui FC	30.06.09	1567.00	14.57	16.58	Pending with the Directorate
2.	Kawlhem FC	22.10.09	7822.98	72.75	- NIL -	Not on records of the Directorate
3.	Borapansury FC	01.11.09	385.70	3.59	- NIL -	Pending with the Directorate
4.	Kanhmun FC	17.02.10	500.00	4.65	- NIL -	Pending with the Directorate
5.	Chhipphir FC	26.04.10	1676.95	15.60	- NIL -	₹ eight lakh was only recovered
6.	Reiek FC	19.05.10	412.95	3.84	- NIL -	Pending with the Directorate
7.	Vahai FC	22.06.10	281.00	2.61	- NIL -	Pending with the Directorate
8.	Tuipang SDC	22.06.10	2547.00	23.69	15.44	Pending with the Directorate
9.	Ngopa SDC	23.09.10	5709.23	53.10	- NIL -	Pending with the Directorate
TOTAL			20902.81	194.40	32.02	----

Source: Departmental records.

It may be seen from the above table that out of total shortage of 20902.82 Qtls of rice valued at ₹ 1.94 crore, only ₹ eight lakh was recovered by the Department and no further action was initiated for recovery of the balance amount of ₹ 1.86 crore lakh as of January 2011. Recovery of the cash shortage of ₹ 0.32 crore was also not effected as of October 2010.

Further, scrutiny of the records in respect of the Sub Inspector involved in misappropriation of 5709.23 Qtls of rice of Ngopa Sub-Distribution Centre (SDC) disclosed that the Sub-Inspector was initially involved in another misappropriation of huge quantity of rice valued at ₹ 19.92 lakh while he was incharge of N.E. Khawdungsei FC during March 1994 to June 2000. The Department instead of taking any disciplinary/punitive action (except recovery of ₹ five lakh in March 2010) against the official for substantive loss of Government revenue transferred him to Ngopa SDC in June 2009. During his short tenure at Ngopa Centre from June 2009 to September 2010, the official again misappropriated a huge stock of rice valued at ₹ 53.10 lakh. Thus, transferring of officials involved in misappropriation of huge quantity of foodstock is ample indicator of the gross inaction on the part of the departmental authorities against such glaring instances of misappropriation.

While accepting the facts, the Government stated (December 2010) that instead of suspending the delinquent officials the Department continued their deployment in order to recover liabilities in lump sum to avoid loss of Government money.

1.2.12.3 Short remittance of sales proceeds

Scrutiny of the records pertaining to sale of foodgrain, Sales proceeds realised and remitted to Government accounts by 11 centres (Champhai: eight centres, Aizawl: three centres) maintained by the concerned incharges of the centres and district offices revealed that during 2005-10, the concerned 11 centres sold rice (APL, BPL and AAY) and sugar (except for free distribution) for a total amount of ₹ 25.94 crore against which they remitted only an amount of ₹ 25.31 crore resulting in short remittance of ₹ 0.63 crore. The balance amount of ₹ 0.63 crore is required to be remitted to the Government accounts immediately by the centre incharges. The Department did not fix any responsibility for these types of lapses. Details of centre wise position are shown in **Appendix - 1.2.6.**

The Government stated (December 2010) that they would reconcile the position with the concerned district offices. However, further information from the Government was awaited (February 2011).

1.2.12.4 Outstanding liabilities against the departmental official

As provided in the Supply Manual (Revised), 2008 of the FCS&CA Department, every godown incharge is required to submit monthly compiled statement of stock and cash accounts with necessary supporting documents. When monthly compiled statement of stock and cash accounts are received from the godown incharges, the same should be checked carefully and necessary entries made in the relevant registers at the district level offices of DCSSOs. The DCSSOs should then prepare a monthly compiled statement of stock and cash accounts of each

centre in the prescribed format and submit it to the Director, FCS&CA every month for their checking and acceptance.

Records pertaining to the three test checked DCSOs (Aizawl – East & West and Champai), however, revealed that though the monthly stock and cash accounts were duly furnished by the incharges of godowns under the districts, the same were irregularly accepted and compiled for submission to the Directorate of FCS&CA without exercising any check and reconciliation with the godown level records. As a result, the occurrence of shortage of stores and cash remain undetected for years together including the period covered under this review.

Scrutiny of the records maintained by the Director, FCS&CA further corroborated the fact that prior to April 2005, the misappropriation of stores and cash worth ₹ 3.25 crore was detected against 54 incharges of the godowns. Against which ₹ 1.72 crore (₹ 1.06 crore upto March 2005 and ₹ 0.66 crore between April 2005 to March 2010) could only be recovered as of March 2010, leaving a balance of ₹ 1.53 crore at the end of March 2010.

Thus, had the district level officers conducted periodical physical verification of stores and cash and verified the correctness of the monthly stores and cash accounts received from the godown incharges with reference to actual details of records and registers maintained by the godown incharges, the regular occurrence of misappropriation of stock and cash at godown level could have timely been detected and risk of similar nature of misappropriation could also be minimised.

1.2.13 Sales of foodgrain

1.2.13.1 Verification of retailer's sales accounts

The actual sale of foodgrain and other essential commodities to the consumers shall be made only to the Family Ration cards holders through FPSs appointed exclusively for the purpose as per scales laid down by the Department. Selection and appointment of the retailers are to be done by the concerned DCSOs.

Section 6.2 of Supply Manual (Revised), 2008 of Food, Civil Supplies and Consumers Affairs Department provides that as the sales are made through retailers, the DCSOs should get the sales account of the Retailer verified with the entries recorded in the Ration Cards by checking at least 10 *per cent* of the ration cards allotted to the retailer, once in every quarter of the year to ensure that no malpractice is adopted by the Retailer in the course of sale. This task is entrusted to the Area Inspector attached to the DCSO who in turn is required to submit the verification reports to the Director of the Department.

Scrutiny of the records maintained in the Directorate revealed that the Department did not conduct mandatory verification of sale accounts of 1239 retailers in the State with the entries

recorded in the Ration Cards during the period covered under performance audit. Without such verification it cannot be vouchsafed in Audit that the practice adopted by the retailers in the sale of foodgrain during 2005-10 were free from malpractices. Further, scrutiny of the records, and spot verification of FPSs by audit, disclosed that out of the 456 FPSs none of the 55 test checked FPSs (Champhai 33 and Aizawl 22) maintained sales accounts with essential registers, viz. Receipt, Sales and Stock Registers to ensure the transparency in performance of duties as distributors of foodgrain to the consumers under PDS.

While accepting the facts, the DCSOs Aizawl (East and West), stated (October 2010) that verification of retailers' sales accounts was not possible due to shortage of staff. The Government, however, assured (December 2010) that the Department would check the records and position would be intimated, but, no further reply was received from the Government as of January 2011.

1.2.13.2 Satisfaction level of PDS beneficiaries

To assess the impact of the PDS in the State, the audit party conducted (July–September 2010) physical verification of 53 FPSs (30 in Aizawl and 23 in Champhai district), out of the 456 FPSs, which included direct interaction with the PDS beneficiaries to ascertain their feedback on the distribution and receipts of PDS foodgrain in the presence of departmental officials (Area Inspectors under concerned DCSOs) and Presidents of the Village Councils.



A view of the audit interaction with PDC beneficiaries in presence of the departmental officials in Champhai district

During audit interaction, the PDS beneficiaries expressed their dissatisfaction over the distribution management of the PDS items. The result of such physical verification and interaction are spelt out below:

(i) Issue of less quantity of rice to the consumers

The consumers of the five villages mentioned in the table below reported that they were regularly in receipt of less quantity of allotted rice from the retailers of FPSs. Though the retailers collected cost of rice in full as per issue rates for the allocated 35 kg per week per ration card, they used to issue less quantity of rice under BPL and AAY categories. The details of village wise position of rice received were as under:

Table - 1.2.7**(Figures in Kg)**

Name of the village	Quantity of rice for which amount paid in full	Actual quantity of rice received by beneficiary	Short receipt of rice by consumers
Farkawn	35	25-28	7
Sialhawk	35	27	8
Zotlang	35	27-32	3
Kelkang	35	27-30	5
Khawbung	35	30	5

Source : Records of spot verification

The Government stated (December 2010) that the concerned DCSOs would be asked to check the actual position and the reply would be intimated accordingly after receiving the exact position from the concerned DCSOs. However, further reply was not received as of January 2011.

(ii) Issue of less quantity of rice due to improper weighing scale

The Legal Metrology Department, which is responsible for verification of weighing instruments in the State, confirmed (January 2011) that the verification of weighing instruments belonging to the retailers of Aibawk, Hmuifang and Biate Fair Price Shops (FPSs) have been done every year. However, during joint spot verification conducted in June and September 2010 by the Audit team along with Area Inspector of the FCS&CA Department, it was found that the weighing scales used by the retailers of Aibawk, Hmuifang and Biate FPSs were not balanced, as substantial difference ranged from 0.5 kg to one kg were noticed in the weighing scales. The difference noticed/recorded in the weighing scales are shown in the following table with the photograph of the imbalanced scales:

Table - 1.2.8

Name of FPSs	Difference recorded in the scale while in idle position
Aibawk	0.5 Kg
Hmuifang	0.5 Kg
Biate	1.0 Kg

Source : Records of spot verification



Sumsuih FPS under Hmuifang



Retailer No.1 under Biate

As a result of the issue/sale of PDS foodgrain by the FPSs through the imbalanced weighing scales the consumers of the concerned villages used to receive less quantity of foodgrain.

The Government stated (December 2010) that the concerned DCSOs would be asked to check the actual position and the reply would be intimated accordingly after receiving the exact position from the concerned DCSOs. Further reply from the Government was awaited (February 2011).

(iii) *Sale of foodgrain at higher rates by the retailers*

The main objective of the PDS is to ensure distribution of foodgrain to beneficiaries at a prescribed scale and price in a timely manner, as envisaged in the PDS Guidelines.

The consumers of the following villages reported that the retailers of the FPSs used to charge higher rates than that approved by the Government. The details are given in the table below:

Table - 1.2.9

(Figures in ₹)

FPSs of the villages	Approved issue rates of rice (per Kg)		Actual rates charged by the retailers (per Kg)		Excess rates charged (per Kg)	
	BPL	AAV	BPL	AAV	BPL	AAV
Zawlsei	6.15	3.00	6.29	3.14	0.14	0.14
Farkawn	6.15	3.00	7.00	3.75	0.85	0.75
Kelkhang	6.15	3.00	7.00	3.89	0.85	0.89
Sialhawk	6.15	3.00	8.14	3.00	1.99	Nil
Khawbung	6.15	3.00	6.26	3.50	0.11	0.50
Zotlang	6.15	3.00	8.15	3.59	2.00	0.59

Source : Records of spot verification

The Government stated (December 2010) that the reply will be intimated after receiving the actual position from the concerned DCSOs. However, further reply from the Government was awaited (February 2011).

(iv) *Disproportionate issue of sugar*

While the State Government has not prescribed any separate scale for issue of sugar to the consumers belonging to urban and rural areas, issue was limited to a common scale of 400 grams per head per month for all consumers. Scrutiny of the ration cards of the consumers during spot verification, however, revealed that the actual scale of issue was skewed with rural village consumers under Champhai district being issued at a scale of 300 grams per head per month whereas the same was issued at a scale of 400 grams per head per month to the consumers of urban areas of the district.

The Government stated (December 2010) that the reply would be intimated after receiving the actual position from the concerned DCSOs. Further reply from the Government was awaited (February 2011).

(v) Non allocation of wheat products to the village level consumers

During 2005-10 the DCSO Champhai lifted the following quantity of wheat for distribution to the consumers:

Table - 1.2.10

(Figures in MT)

Year	Quantity allotted	Quantity lifted
2005-06	1200	1200
2006-07	720	720
2007-08	720	720
2008-09	920	920
2009-10	600	600
Total	4160	4160

Source : Departmental records.

In course of joint inspection by the audit team along with the departmental officials it was however, noticed that the consumers of six⁷ villages in Champhai district reported that they did not receive any wheat products under the PDS scheme during the period covered under performance audit.

Thus, though the wheat product was duly lifted by the DCSO Champhai from Aizawl based godown every year during the period covered under audit, the same did not reach the beneficiaries of some villages under the district.

The Government stated (December 2010) that the reply would be intimated after receiving the actual position from the concerned DCSOs. However, no further reply was received from the Government as of January 2011.

(vi) Allocation of wheat to VIPs

Under PDS, no separate allocation of wheat products was made by the GoI for issue of wheat products to the Very Important Persons (VIPs) in the State. However, scrutiny of the records of DCSO Aizawl 'East' revealed that during 2006-10⁸, the DCSO had diverted the wheat products allocated to the districts and issued (July 2010) to the 239 VIPs by appointing two separate VIP FPS. The details of allocation and distribution of wheat products during 2006-10 are given in the following table:

⁷ 1. Zawlse, 2. Farkawn, 3. Kelkang, 4. Sialhawk, 5. Kawkulh and 6. Khawbung.

⁸ Records pertaining to 2005-06 were not available.

Table - 1.2.11

(Figures in Quintals)

Year	Allocation to DCSO Aizawl 'E'			Distributed to general consumers			Distributed to VIPs (Percentage in bracket)		
	Maida	Atta	Bran	Maida	Atta	Bran	Maida	Atta	Bran
2006-07	5166	35416	Nil	3894	33292	Nil	1272	2024	Nil
2007-08	6431	35709	441	4001	31678	80	2430	4031	361
2008-09	2664	14875	985	1072	11220	478	1592	3655	507
2009-10	2160	15305	1233	805	12075	300	1355	3230	933
Total	16421	101305	2659	9772	88265	858	6649 (40)	12940 (13)	1801 (68)

Source : Departmental records.

As can be seen from the above table, distribution to VIPs during 2006-07 accounted for 13 to 68 *per cent* of the total distribution of different wheat product, depriving the general consumers to that extent.

The Department stated (January 2011) that the allocation of wheat to VIPs was done as per the decision of the State Government. The fact, however, remains that the wheat products allocated by the GoI for BPL families were irregularly diverted for distribution to the VIPs.

(vii) Pilferage of Kerosene Oil into Myanmar

Under Champhai town seven special dealers were appointed by the Directorate of the FCS&CA Department for distribution of Kerosene oil in the district. After obtaining the list of seven special dealers from the DCSO, Champhai, audit conducted (September 2010) a joint inspection at the premises of these dealers. At the time of audit interaction (in presence of the Area Inspector of FCS&CA Department), the seven special dealers reported that out of allocated quota of kerosene oil they used to sell a quantity of two KL to the consumers of neighbouring Country (Myanmar) every month through Indo-Myanmar international border at a more lucrative selling cost, as the quantity received by them monthly was in excess of the actual need of the consumers.

The Government stated (December 2010) that the reply would be intimated after receiving the actual position from the concerned DCSOs. However, further reply from the Government was awaited (February 2011).

(viii) Disproportionate issue of Kerosene oil in the villages

On spot verification of sale accounts of the 17 dealers of Kerosene oil (out of 46 dealers in Champhai and Aizawl districts) and ration cards of the consumers audit noticed that the consumers of some villages⁹ received full quota of Kerosene oil as per Department's prescribed

⁹ 1. Aizawl district: Ratu, Bawngtha, Bawlte, Darlung

2. Champhai district: Kelgang, Kawkulh, Zokhawthar

scale (three litres) every month, whereas the consumers of some villages¹⁰ received only between 1.5 litres to two litres per month.

Probing the reasons for disproportionate distribution of Kerosene, the concerned dealers revealed that in every consignment of 12 KL, the transporters appointed by the Department used to deliver short quantity of Kerosene oil in the range of 1.3 – 3.0 KL per consignment. As a result of this it was not possible for them to distribute proportionately to every consumer as per approved scales.

The Government stated (December 2010) that the reply would be intimated after receiving the actual position from the concerned DCSOs. However, no further reply from the Government has been received as of January 2011.

1.2.14 Infrastructure Development – Maintenance of supply godowns

1.2.14.1 Withdrawal of funds from Government accounts presenting false bills

Central Government Account (Receipts and Payments Rules), 1983 provides that no money should be drawn from the Government Treasury, unless it is required for immediate disbursement.

Scrutiny of the records of the Drawing and Disbursing Officer (DDO) of Directorate of FCS&CA revealed that in violation of the prescribed financial procedures, the DDOs irregularly encashed the following amount from Government Treasury by presenting bills showing the reconstruction of Supply Godowns and improvement of approach roads to godowns without actual execution of works. The details of funds encashed from the Treasury are given in the table below:

Table - 1.2.12

Date of Expenditure Sanction	Details of Sanctions and Drawals		
	Month of drawals	Amount drawn (₹ in lakh)	Purposes
13 December 2005	February-March, 2006	102.00	Reconstruction of 34 supply godowns
20 December 2006	February-March, 2007	65.00	Reconstruction of 24 supply godowns
		15.00	Improvement of 17 godown approach roads
TOTAL		182.00	----

Source : Departmental records

¹⁰ 1. Aizawl district: Darlawn, N. Vervek, Khawruhlian
2. Champhai district: Mingbung, Zawlse, Farkawn, Sialhawk, Khawbung

Audit scrutiny of the relevant files and records maintained by the Directorate, FCS&CA indicate doubtful expenditure of ₹ 1.82 crore due to the facts stated below:

- ❖ In case of expenditure sanction of ₹ 1.02 crore accorded in December 2005, though the recommended list of contractors (works supervisor) was received on 24 January 2006, the Department drew the entire fund of ₹ 1.02 crore in February–March 2006 by presenting false bills into Treasury, showing – (i) Issue of work orders on 24 November 2005 to the contractors against the recommended list received on 24 January 2006 (ii) Commencement of works from 24 November 2005 and (iii) Completion of works on 31 January 2006. As per physical progress reports received from the concerned DCSOs, reconstruction of works however, continued upto next financial year of 2006-07.
- ❖ Similarly, in case of expenditure sanction of ₹ 0.80 crore accorded in December 2006, though the recommended list of contractors (works supervisor) was received on 30 April 2007, the Department drew the entire fund of ₹ 0.80 crore in February–March 2007 by presenting false bills into Treasury, showing – (i) Issue of work orders on 20 December 2006 to some selected contractors (ii) Commencement of works from 20 December 2006 and (iii) Completion of works on January 2007. However, after encashment of fund from the Government accounts, the department executed the works of reconstructions of 24 supply godowns and improvement of 17 godown approach roads through engagement of some other contractors by issuing fresh work orders on 30 April 2007 as per recommended list.
- ❖ Though the Department claimed the construction of following godowns under Aizawl and Champhai districts during 2005-07 with an expenditure of ₹ 0.15 crore, the physical conditions of the godowns were found to be in dilapidated condition in the course of joint inspections by the audit team along with the departmental officials during July to September 2010. The details of expenditure incurred against the godown and its conditions are summarised below:

Table - 1.2.13

Name of District	Name of Godown reconstructed	Amount spent (₹ in lakh)	Physical conditions found in course of inspection
Aizawl	Aibawk PDC	3.00	Totally unsafe for storage of foodgrain in the godown as the posts/pillars and side walls were broken, water seepage inside the godown, leakage of water from the roof and full of rat holes in the floor.
	Darlawn FC	3.00	
Champhai	Ngopa SDC	3.00	Totally unsafe of storage of foodgrain in the godowns as there were water seepage inside the godowns and full of rat holes in the floor.
	Mimbung FC	3.00	
	Farkawn FC	3.00	

Source : Departmental records

Photographs of the godowns, in respect of Aibawk PDC, Mimbung FC and Farkawn FC are exhibited below:



Aibawk PDC



Mimbung FC



Farkawn FC

1.2.14.2 Storage loss due to poor condition of godowns

Godowns play an important role in efficient implementation and functioning of PDS.

Audit, however, noticed that in two godowns (Darlawn and Khawruhlian FCs) the storage loss of foodgrain occurred due to the following reasons:

- (i) The Storekeeper of Darlawn Centre reported (August 2009) that due to poor condition and low capacity of the godown he had to store foodgrain in other departmental godowns and private houses during his tenure from September 2006 to July 2009 which resulted in storage loss of 376 Qtls of rice; and
- (ii) Similarly, Storekeeper of Khawruhlian Centre reported (June 2009) that due to leakage of roof, walls and wet floor owing to non-cemented concrete floor of the godown, total storage loss of 390.27 Qtls of rice occurred during the preceding seven years (May 2002 to May 2009).

It was, thus, evident from above facts that Department did not take any effective measures for the proper maintenance of its supply godowns in time as a result substantial storage losses of foodgrain was occurred.

The Government stated (December 2010) that the concerned DCSOs have been asked to verify the matter and necessary action would be taken by the Department to avoid such huge loss of foodgrain in future.

1.2.14.3 Issue and Despatch of foodgrain from godowns

Section 4.8(i) of Supply Manual (revised) 2008 of Food, Civil Supplies & Consumer Affairs Department envisages that issue/despatch of foodgrain from the godown shall be made on the principle of “First in First out” basis. The basic principle is that stock received earlier shall be issued first to avoid deterioration of stock due to prolonged storage.

Audit, however, noticed that the clearance of stock on the principle of “First in First out” could not be practiced in most of the supply godowns due to existence of a single gate in the godowns viz. Darlawn, Khawruhlian and Hmuifang FCs. It was further noticed in audit that as per reports submitted by the incharges of the following Fed Centres, a quantity of 555.88 quintal of rice remain damaged as shown in the table below:

Table - 1.2.14

Sl. No.	Name of Fed Centre/ SDC	Date of Report	Damage quantity of rice (In quintal)	Cost of damaged rice (@ ₹ 9300 per quintal) (₹ in lakh)
1.	Vathuampui FC	30.06.09	350.00	32.55
2.	Chhipphir FC	26.04.10	151.00	14.04
3.	Tuipang SDC	22.06.10	20.00	1.86
4.	Vahai FC	22.06.10	2.00	0.19
5.	Ngopa SDC	23.09.10	32.88	3.06
Total			555.88	51.70

Source: Departmental records.

The Department had not initiated (October 2010) any action towards disposal of 555.88 quintals of damaged rice valued at ₹ 51.70 lakh through proper write-off proposals. Thus, non practice of the above principle for clearance of stock led to deterioration of foodgrain due to its prolonged storage.

The Government, while accepting the facts stated (December 2010) that non-existence of a single gate in the godowns was due to unavailability of favourable site or location for construction of godowns and consequently the principle of “First in First out” could not be practiced in some centres. However, the Government further stated that the action would be taken to avoid the deterioration of foodgrain due to prolonged storages.

1.2.15 Welfare Institution Schemes

To ensure adequate standard of nutrition to inmates in the institutions meant for the welfare and development of the weaker sections, Scheduled Castes/Scheduled Tribes and backward classes, hostels (public or private) and including residential schools, the GoI allocated foodgrain (rice and wheat) during the period covered under performance audit. In Mizoram (October 2010), there are 5,276 inmates under 99 welfare institutions. The Department lifted and distributed the following allocated rice and wheat during 2005-10.

Table - 1.2.15

(Figures in MT)

Year	Total Quantity Allocated by the GoI		Quantity Lifted by Department		Quantity distributed	Short Lifted
	Rice	Wheat	Rice	Wheat	Rice	Wheat
2005-06	461.40	95.36	461.40	NIL	461.40	95.36
2006-07	508.40	47.68	508.40	NIL	508.40	47.68
2007-08	397.20	NIL	397.20	NIL	397.20	NIL
2008-09	317.76	NIL	317.76	NIL	317.76	NIL
2009-10	238.32	NIL	238.32	NIL	238.32	NIL
Total	1923.08	143.04	1923.08	NIL	1923.08	143.04

Source: Departmental Records.

Above table shows that Department failed to lift the allocated 143.04 MT of wheat during 2005-07, which resulted in inadequate supply of nutritional foodgrain to the inmates of the institutions.

The Government stated (December 2010) that the Department would check the records and the actual position would be intimated accordingly. However, no further reply has been received from the Government as of January 2011.

1.2.16 Monitoring

1.2.16.1 Inspection by departmental authorities

The GoI in its PDS (Control) Order 2001 emphasised that the State Governments shall ensure a proper system of monitoring with regular inspections of FPSs not less than once in six months by the designated authority. The State Government is required to issue orders specifying the inspection schedule, list of check points and the authority responsible for ensuring compliance with the said orders. Scrutiny of the records and information furnished by the Department revealed that the Department has so far not prescribed any schedule of inspections as emphasised by the GoI. During the period covered under review, only six inspections were carried out at the level of Joint Directors which implies sheer negligence in monitoring on the functioning of the PDS in the State.

While accepting the lapses, the Department informed (December 2010) that the proper system of Monitoring will be followed in future.

1.2.16.2 Vigilance Committees

In its PDS (Control) Order 2001, GoI further instructed for holding of meetings of the vigilance committee on the PDS at the State, District, Block and FPSs level on regular basis. The date and periodicity should be notified by the State Governments and the periodicity of such meetings should not be less than one meeting a quarter at all levels. It was, however, noticed in audit that State Government/Department has so far not constituted vigilance committee at the State, District and Block level except for the constitution of some village level vigilance committees. Though the Department claimed that the village level vigilance committees in the State has conducted 62, 58 and 76 meetings during 2007-08, 2008-09 and 2009-10 respectively, no details on notification issued for conduct of such meeting and minutes of the meetings thereof could be produced to audit.

The Government stated (December 2010) that the Department has created Vigilance Committee almost in every village of the State to ensure proper inspection and monitoring. However, details on notification issued for conducting of such meetings and minutes of the meeting thereof were not produced to audit.

1.2.16.3 Quality testing

In its PDS (Control) Order 2001, GoI instructed that before making the payment to the FCI, the representatives of State Governments or their nominees and the FCI shall conduct joint inspection of the stocks of foodgrain intended for issue to ensure that the stocks conform to the prescribed quality specifications. Scrutiny of the records of the Department and information provided by the FCI revealed that joint inspection was not conducted at all during 2005-10. The Department has neither carried out any quality test to ensure that the foodgrain conform to the necessary quality specification before the foodgrain are lifted from FCI nor arranged any testing facility in the base godown of FCI. Thus, the quality of foodgrain distributed under PDS remained questionable due to absence of quality control mechanism.

1.2.16.4 Online monitoring and Management System

The Department has not set up an online monitoring and management system as of January 2011. The Department, however, established (2008-09) the “State Consumer Helpline” as an alternate consumer disputes redressal mechanism to cater to consumers in rural and backwards areas. Through, this State Consumer Helpline system, the Department resolved (October 2010) so far only 14 cases against the 21 cases received.

The Government stated (December 2010) that all the seven cases were referred to the District Forum for further examination.

1.2.17 Internal Control and Internal Audit

Internal Control/Internal Audit is an important management tool of a Department to examine and evaluate the level of compliance with Departmental/Financial rules and procedures. To oversee the Internal Control System, the State Government posted one Deputy Director (Accounts) in the Department. It was, however, observed that though the Internal Control System exists, the same has not been effective in terms of financial management of the Department as evidenced from the instances reported in Paragraph 1.2.14.1 viz. drawal of funds before execution of works. In order to improve the Internal Audit System, the Department established (June 2006) an Audit Cell. However, the objectives of creation of the Audit Cell remained largely unachieved, as a result, large scale short accountal and leakages of foodgrain and cash in the supply godowns as well as short remittance of sales proceeds by the godown incharges under Aizawl and Champhai districts were noticed during review period.

While accepting the facts, the Government stated (December 2010) that the Department would make efforts to achieve the objective of the Audit Cell.

1.2.18 Conclusion

Public Distribution System (PDS) is one of the most important functions of the State Government which helps in providing food security to a large number of consumers. The performance of PDS in the State with reference to the provision of PDS (Control) order, 2001 revealed that the State Government had made no efforts to evolve a well defined criteria for identifying BPL and AAY beneficiaries. The excessive issue of Family Ration Cards with inflated population has an adverse impact on the distribution of foodgrain to the PDS beneficiaries in the State. Effective distribution of timely allotted foodgrain to all consumers in the State at prescribed quantity and rates were not achieved due to misappropriation of a major portion of the foodgrain by the Programme Managers at the field level which led to huge shortage of foodgrain meant for distribution to the consumers at prescribed rates. There was inadequate/improper maintenance of godowns causing substantial storage losses of foodgrain. The PDS consumers were overburdened owing to higher selling price of foodgrain than the price approved by the Government. The Department failed to claim reimbursement of transportation charges claims under Hill Transport Subsidy Scheme due to non submission of reimbursement bills with requisite records and documents at the appropriate time. Monitoring was lax leading to improper documentation at every level and absence of mandatory inspection by departmental authorities resulted in rampant existence of malpractices and misappropriation of stores and cash under the PDS programme. Due to absence of systemic quality test mechanism, quality of foodgrain distributed under PDS remained questionable. The Internal Control Mechanism was either dysfunctional or had little effect in exercising control. As a result, there were cases of financial indiscipline and irregularities in the implementation of the PDS.

1.2.19 Recommendations

- In conformity to the GoI's Public Distribution System (Control) Order, 2001, the Department must formulate suitable Guidelines for the purpose of identification of BPL families.
- The State Government should ensure distribution of foodgrain to the PDS beneficiaries at the prescribed scale and at the approved price.
- The Department should fix responsibility of all field level officers/officials with respect to monitoring, quality checking and proper accounting of foodgrain.
- Physical verification of stores and cash maintained by the godown incharges must be mandatory and should be carried out at prescribed intervals.

- Adequate provision for the upkeep and maintenance of the supply godowns should be made by the Department to avoid storage losses and damages.
- The Department should carry out regular verification of the retailer's sales accounts to ensure that no malpractices occur in the sale of foodgrain to consumers.
- Monitoring mechanism in the Department should be strengthened in order to ensure effective implementation of the PDS in the State.