CHAPTER I

SOCIAL SECTOR

1.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2012 deals with the findings on audit of the State Government units under Social Sector.

The names of the State Government departments and the total budget allocation and expenditure of the State Government under Social Sector during the year 2011-12 are given in the table below:

Table 1.1.1

(₹ in crore)

Name of the Departments*	Total Budget Allocation	Expenditure
Cultural Affairs and Heritage	30.79	23.46
Ecclesiastical	17.97	17.55
Food, Civil supplies and Consumer Affairs	22.25	18.80
Health Care, Human Services and Family Welfare	274.45	226.27
Human Resource Development	337.77	319.42
Labour	4.22	3.64
Social Justice, Empowerment and Welfare	155.85	81.83
Total	**843.30**	**690.97**

** There are seven departments which are under Social Sector*

Besides the above, the Central Government has been transferring a sizeable amount of funds directly to the implementing agencies under the Social Sector to different departments of the State Government. The major transfers for implementation of flagship programmes of the Central Government are detailed below:

Table 1.1.2

(₹ in lakh)

Sl. No.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Amount of funds transferred during the year
1	Cultural Affairs and Heritage	Dissemination of Art & Culture	Himalayan Heritage Research & Development Society	2.63
2	Ecclesiastical	Buddhist & Tibetan Studies	Managing Committee, Sangor Chetsong Centre, Gangtok	2.50
3		Buddhist & Tibetan Studies	Sikkim Namgyal Institute of Tibetology, Gangtok	63.50
4		Buddhist & Tibetan Studies	Sikkim Buddhist Development Trust, Rinchenpong	3.00
5		Health Care for the Elderly	State Health Society	149.33
6		Tobacco Control	State Health Society	12.39

Sl. No.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Amount of funds transferred during the year
7	Health Care, Human Services and Family Welfare	National Programme for Prevention & Control of Diabetes	State Health Society	405.41
8		National Cancer Control programme	State Health Society	88.79
9		Hospital & dispensaries under NRHM	State Health Society	217.47
10		NRHM Central Sector	State Health Society	14.50
11		NRHM Centrally Sponsored	State Health Society	1,631.15
12		National Aids Control Programme including STD Control	Sikkim State Aids Control Society	507.43
13	Human Resource Development	Sarva Siksha Abhiyan	State Mission Authority, Sarva Siksha Abhiyan, Gangtok	4,022.84
14		Rastriya Madhyamik Siksha Abhiyan (RMSA)	State Mission Authority, RMSA	692.07
15		Research & Development Support (SERC)	Sikkim Government College	10.05
16		Skill Development Initiative.	Sikkim Skill Development Mission Society	2.00
17		Marine, Research & Technology Development	Sikkim Manipal University of Health, Medical and Technological Science	1.50
18		Science & Technology Programme for Socio Economic Development	Sikkim Manipal University of Health, Medical and Technological Science	4.00
19		Grants for training	Sikkim University Tadong	3.50
20	Information and Public Relations	North Eastern Areas	Sikkim Express, Gangtok	0.03
21	Social Justice, Empowerment and Welfare	Prevention of Alcoholic and Substance (Drugs) Abuse	Association for Social Health in India	14.93
22		Grants-in-aid to NGOs for STs including Allied schemes	Human Development Foundation of Sikkim, GRBA Road, Chogneytar, Gangtok	25.60
23		Grants in aid to NGOs for STs including Allied schemes	Muyal Liang Trust	31.87
24		Support to SC, ST, OBC Finance Development Corporation Ltd.	Sikkim SC, ST, OBC Development Corporation limited	300.00
25	Water Security and Public Health Engineering	National River Conservation Plan	Water Security and Public Health Engineering Department	930.00
26	Rural Management and Development	MG-NREGS	Panchayat Raj Institutions	10,079.77
Total				**19,216.26**

Source: Central Plan Scheme Monitoring System

1.2 Planning and conduct of Audit

Audit process starts with the assessment of risks faced by various departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls, etc.

After completion of audit of each unit on a test check basis, Inspection Reports containing audit findings are issued to the heads of the departments. The departments are to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled based on reply/action taken or further action is required by the auditee for compliance. Some of the important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India for laying on the table of the Legislature.

During the year, test-check audits involving expenditure of ₹ 465.18 crore (including funds pertaining to previous years audited during the year) of the State Government under Social Sector were conducted. The Chapter contains one Performance Audit and five transaction audit paragraphs as given below:

RURAL MANAGEMENT AND DEVELOPMENT DEPARTMENT

1.3 Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme in Sikkim

The implementation of MGNREGS in the State helped in generating supplementary income through employment on demand to people living in rural areas. It enhanced their living standards, and in the last five years created as many as 3,123 durable community assets thereby providing improved rural connectivity, better irrigation facilities for rural farmers, taking measures for water conservation, flood control and land development, etc. The State also did a commendable job in formulating and establishing the State Employment Guarantee Scheme, State Employment Guarantee Rules, State Employment Guarantee Council, etc. There were impressive percentages of women and SC/ST amongst those employed under this scheme. There was also an increasing trend in Registering of Households and job cards were also issued timely. The State has also received a number of awards with regard to implementation of the Scheme.

However, areas of concern included non-preparation of Development Plans by Gram Panchayat (GP), perfunctory preparation of Annual Plans by Gram Sabhas only to identify the schemes to be taken up without any reference to their likely demand for employment, defective and unrealistic preparation of Annual Work Plans and Labour Budget, etc. as seen from the extent of underachievement with regard to the targeted employment generation.

Other shortcomings were that the introductory Gram Sabha meetings to register households were belatedly convened, job cards did not bear the computerised ID number, photos of all the adult members and in some cases, the unique number and bank account number, etc. The time schedule guidelines for fund flows were not adhered to by most of the functionaries. This resulted in belated and inadequate release of funds by State Government. It also resulted in retention of funds at the year end by the DPCs, belated downward transfer to Blocks and GPs, belated sanction of projects for implementation and diversion of funds. The claim of the DPC of provisioning of employment within 15 days of demand was not verifiable in audit as the *wage earners in considerable number of cases had neither submitted dated applications nor had the GPs issued dated receipts to the applicants. Payment of wages was delayed for periods ranging from 15 days to 2 months.*

An analysis of execution of various projects revealed that the stipulated wage material ratio of 60:40 was not adhered to by East district, measurement of work was not done by technical persons, and there were wide variation between the estimates and actual expenditure.

Overall, despite these inadequacies in the implementation of MGNREGS, the performance of the Sikkim Government is much better than the national average. Working on removal of these problems and deficiencies which have been brought out in this report would ensure better performance in Sikkim and ensure that the benefits envisaged under MGNREGA are fully exploited to enhance the livelihood security and standard of living of rural households besides generating productive assets, protecting the environment, empowering rural women, reducing rural-urban migration, fostering social equity and strengthening rural governance through decentralisation, transparency and accountability.

The State Government formulated Rural Employment Guarantee Scheme and also appointed Rural Employment Guarantee Commissioner to put in place the structural mechanism for implementation of MGNREGS in the State.

(Paragraphs 1.3.6.1.1 and 1.3.6.1.3)

Planning was not accorded due priority as Development Plans were never prepared and the Annual Plans were perfunctorily prepared by the Gram Sabhas without any reference to availability of manpower, income generating assets, priority to deprived groups and maintenance of assets created, etc.

(Paragraphs 1.3.6.2.1 and 1.3.6.2.2)

The Annual Work Plans and Labour Budgets were defective and unrealistic as the mandays expected to be generated was never achieved, expenditure was between 83 and 88 *per cent* during 2009-12 of the Annual Work Plans; and target to provide 100 days employment was not achieved in any of the years under review.

(Paragraph 1.3.6.3.2)

The State share was neither released in full nor on time. The DPCs not only retained funds of ₹ 5.14 crore to ₹ 38.64 crore at the year end, but also released funds to the BACs belatedly, with delay ranging between 2 and 131 days.

(Paragraphs 1.3.6.3.4 and 1.3.6.3.5)

Payment of wages was not made within a fortnight of the work done, the delays ranging from 15 days to 2 months.

(Paragraph 1.3.6.5.3)

Stipulated wage material ratio of 60:40 was not adhered to by the East district.

(Paragraph 1.3.6.6.2)

Maintenance of records under MGNREGA was very poor. The registers such as Application Registration, Job Card, Employment Register, Asset Register, Muster Rolls, MR Issue/Receipt and Complaint Register were not maintained properly.

(Paragraph 1.3.6.8)

1.3.1 Introduction

The National Rural Employment Guarantee Act, 2005 (NREGA) was enacted (September 2005) and implemented (February 2006) initially in the 200 most backward districts of the country. Remaining districts were covered in a phased manner (2007-09). The primary objective of NREGA was to enhance livelihood security by providing 100 days annual employment per annum to rural households, generate productive assets, protection of environment, empowering rural women, reducing rural-urban migration, fostering social equity and strengthening rural governance through decentralisation, transparency and accountability.

In Sikkim, the Act in the first phase covered North district (2006-07) followed by East, South (2007-08) and West (2008-09) districts. The name of the Act was changed to Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in October 2009.

1.3.1.1 Implementing agency

The Gram Panchayat is the single most important agency for executing works as the Act mandated earmarking a minimum of 50 *per cent* of the works to be executed by the Gram Panchayat. This statutory minimum, upto hundred *per cent* of the works may be allotted to the Gram Panchayat (GP) in the annual Shelf of Projects. The other Implementing Agencies are Block Development Officers and District Programme Coordinators.

1.3.1.2 Funding of the Scheme

The scheme is primarily funded by Central Government and partly shared by State Government as shown in the table below.

Table 1.3.1

Item of expenditure	% shared by	
	Central Government	State Government
Wages (unskilled)	100	Nil
Wages (skilled & semi-skilled)	75	25
Material	75	25
Administrative expenses	As decided by respective Governments	
Unemployment Allowance	Nil	100

(Source: MGNREG Act)

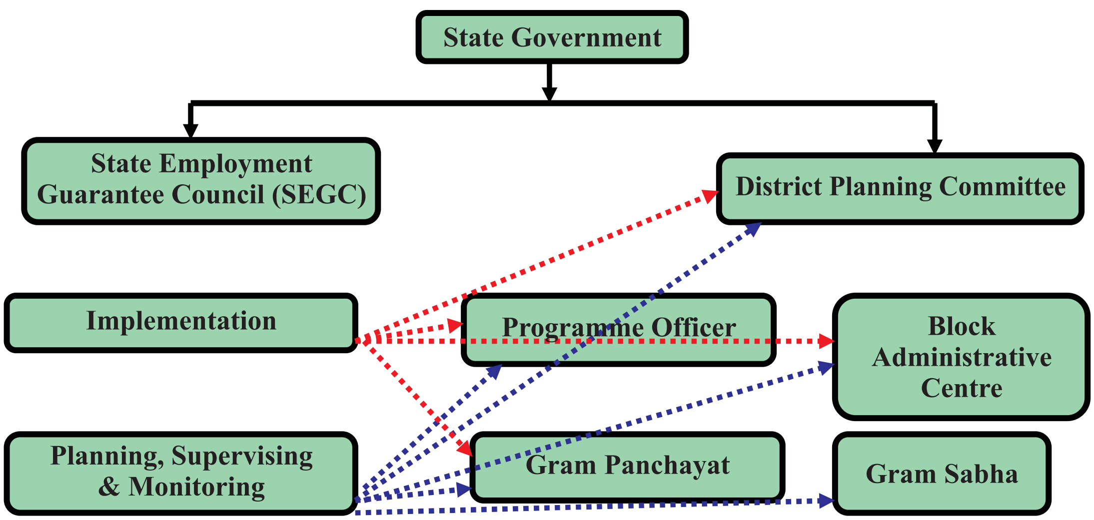
1.3.2 Organisational arrangements

At the State level, the State Employment Guarantee Council (SEGC), set up by the State Government, is responsible for rendering advice to the State Government on the implementation of the Scheme, and to evaluate and monitor it. Other roles of the State Council include deciding on the 'preferred works' to be implemented under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and recommending the proposals of works to be submitted to the Central Government.

At the district level, the Zilla Panchayats are responsible for finalising the District Plans and the Labour Budget and for monitoring and supervising the Employment Guarantee Scheme in the District. For this purpose, District Programme Coordinators (DPCs) have been designated for ensuring implementation of the Scheme in accordance with the Act. At the Block level, instead of Intermediate Panchayat in other States, Block Development Officers (BDO) are designated as Programme Officer (PO) in Sikkim. The PO essentially acts as a coordinator for MGNREGS at the Block level and is responsible for consolidation of the Gram Panchayat (GP) plans into a Block Plan and monitoring and supervision to ensure provision of employment within 15 days of demand. At the village level, the Panchayati Raj Institutions are the key implementing agencies for the programme providing a significant opportunity for demonstrating the role of village level Institutions in transforming their village infrastructure and addressing abject poverty. The GP is the pivotal body for implementation at the village level. The Gram Sabha recommends works to be taken up under MGNREGS, conducts Social Audits on implementation of the Scheme and utilises this forum for sharing information about the Scheme.

The organisational structure for implementation of MGNREGS in the State is as follows:

Chart 1.3.1



1.3.3 Audit Objectives

The Performance Audit was taken up with the primary objective to assess that the livelihood security by providing 100 days of annual employment to the targeted rural community at the specified wage rates were ensured and the protection of environment, empowering rural women, reducing rural-urban migration, fostering social equity, etc. were effectively achieved.

The other objectives were to assess whether:

- Structural mechanisms were put in place and adequate capacity building measures taken by the State Government for implementation of the Act;
- Procedures for preparing perspective and annual plans at different levels for estimating the likely demand for work and preparing Shelf of Projects were adequate and effective;
- Funds were released, accounted for and utilised by the State Government in compliance with the provisions of Act/Rules;
- There was an effective process for registration of households, allotment of job cards and allocation of employment in compliance with the Act/Rules;
- MGNREGS works were properly planned and economically, efficiently and effectively executed in a timely manner and in compliance with the Act and Rules;
- Durable assets were created, maintained and properly accounted for;
- Convergence of the Scheme with other Rural Development Programmes as envisaged was effectively achieved in ensuring sustainable livelihood to the targeted rural community and improving the overall rural economy;
- All requisite records and data were maintained at various levels and data automated completely to provide reliable and timely MIS;
- Complete transparency was maintained in implementation of the Act by involving all stakeholders in various stages of its implementation from planning to monitoring and evaluation; and
- There was effective mechanism to assess the impact of MGNREGS.

1.3.4 Audit Criteria

Relevant criteria from the following source documents were used to assess the audit objectives:

- MGNREG Act 2005 and amendments thereto;
- Guidelines - Operational Guidelines 2006 and 2008 issued by the Ministry of Rural Development (MoRD), GOI regarding MGNREGA and the circulars issued by MoRD;
- Fund Rules 2006, Financial Rules 2009 and Audit of Scheme Rules 2011 of MGNREGS;
- Reports of the State/District by National Level Monitors;
- Guidelines/Checklist for internal monitoring by State; and
- Performance indicators framed by Government of India/State Governments.

1.3.5 Audit Methodology

The Performance Audit commenced with an entry conference (February 2012) with the State Nodal Department. The meeting was attended by Commissioner-cum-Secretary, Rural Management & Development Department (RMDD) who is also the State Employment Guarantee Commissioner and Special Secretary, RMDD who is the State Nodal Officer for MGNREGS in Sikkim among others. Group discussions with the State Voluntary Social Audit unit and District implementing officers were also held (March 2012). The Performance Audit covering a period of five years (2007-12) was carried out through test check of records at RMDD (MGNREGS cell), DPCs offices at East and South districts, 4 Block Administrative Centre (BAC) offices[1] and 8 GPs[2]. Impact assessment of the Scheme was attempted through Household Beneficiary Survey (160), attending the Social Audit meetings (2) and physical verification of works (80) executed under the Scheme. The results of Performance Audit was discussed at the exit conference (01 November 2012) with the Secretary, RMMD and the draft report prepared duly taking into consideration the replies furnished by the Implementing agencies.

Image 1.3.1

Entry Conference in the Conference Hall of RMDD

1.3.5.1 Audit Sampling

A Stratified Multi Stage Sampling was applied for selection of samples. In the first stage, two districts (out of four) were selected by Simple Random Sampling without Replacement (SRSWOR). In the second stage, from each selected district, 2 Blocks were selected. In the third stage, 2 GPs were selected within each selected block and within each selected GP, 10 works and 20 beneficiaries were selected at random for physical verification and beneficiary survey respectively.

1.3.5.2 Scope of audit

The present Performance Audit covered a period of five years (2007-12). Records of State Nodal Department (RMDD); two districts (East and South), four BACs (Regu, Pakyong, Temi and Namchi) and 8 GPs[3] were examined.

1.3.5.3 Acknowledgement

Audit acknowledges the cooperation and support extended by the Commissioner-cum-Secretary, RMDD; its officers and staff; DPCs and its staff, BDOs and Gram Panchayat (GP)

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[1] *Regu, Pakyong, Namchi, Temi.*
[2] *Aritar, Dalapchan, Aho Yangten, Kartok Namcheybong, Assangthang, Maniram, Temi, Ben Nampring.*
[3] *Aritar, Dalapchand, Aho Yangten, Namcheybong, Temi, Ben Namprik, Assangthang and Maniram*

functionaries, etc..

1.3.6 Audit findings

The audit findings are enumerated in succeeding paragraphs.

1.3.6.1 Structural mechanism

The Act enjoined upon the State Government for setting up the Employment Guarantee Council; State Employment Guarantee Fund; appointment of full time dedicated personnel such as Gram Rozgar Sahayak, Programme Officer, District Programme Coordinators, etc. for implementation of MGNREGA. Besides, mechanism for training of MGNREGS functionaries; a network of professional agencies for technical support and quality control measures; etc. were also required to be instituted for effective implementation of the Scheme. The position in this respect in the State is given below.

1.3.6.1.1 State Employment Guarantee schemes

The Act (Section 4) enjoined upon the State Government for setting up of Employment Guarantee Scheme (SEGS) within six months from the date of commencement of the Act (September 2005) duly incorporating the essential features contained in the Act for providing not less than 100 days of guaranteed employment in a financial year to every household.

The State Government formulated (June 2006) SEGS and named it State Rural Employment Guarantee Scheme (SREGS) which *inter alia* covered all the essential features contained in the Act except for the cheque signing authorities at the District, Block and Gram Panchayat levels as described in **Appendix 1.3.1**. A summary of the Scheme was not published in two local newspapers as required under MGNREG Act (u/s 4(2) of Chapter-III) compromising the necessity of wide publicity and transparency.

1.3.6.1.2 State Employment Guarantee Rules (SEGR)

The Act (Section 32) prescribed for formulating rules for carrying out the provisions of the Act by the State Government *inter alia* covering the aspects of grievance redressal mechanism at the block and the district level and procedure to be followed in such matters; terms and conditions to determine the eligibility for unemployment allowance; provide for the manner of maintaining books of account of employment of labourers and the expenditure; and prescribing the time frame for each level i.e. GP, Block and District levels for proposing, scrutinising, and approving SREGS works.

The State Government formulated State Employment Guarantee Rules (SEGR) as late as November 2010, after a gap of four years nine months from the date of publication of the Act. The rules so made did not cover the aspects of utilisation of State Fund (as detailed in **Appendix 1.3.2**), also the time frame for proposing, scrutinising and approving SREGS works by GP, Block and District levels was not prescribed as of March 2012.

In the absence of defined time frames at GP, Block and District levels for proposing, scrutinising and approving SREGS works, there was difficulty in ensuring the Shelf of

Projects in advance thereby adversely impacting employment generation.

1.3.6.1.3 State Employment Guarantee Council

MGNREGA (Section 12) provided for setting up of a State Employment Guarantee Council (SEGC) by every State Government for advising the State Government on the implementation, evaluation and monitoring of the Scheme. SEGC was also required to decide on the 'preferred works' to be implemented under MGNREGS, recommending the proposals of works to be submitted to the Central Government and preparation of Annual Report on the implementation of the MGNREGS and submission to the State Legislature.

Audit scrutiny revealed (May 2012) that the State Government constituted SEGC in February 2008 recording a delay of nine months after enactment of the MGNREG Act. Similarly, Secretary, Rural Management and Development Department was designated as State Rural Employment Guarantee Commissioner (SREGC) during October 2007 by the State Government recording a delay of 16 months from formation (June 2006) of SEGC and the first meeting was held in May 2008.

Even after belated establishment, the SEGC did not discharge its duties as it convened only one meeting against the required 10 in five years, the list of "preferred works" to be implemented under the Scheme was not prepared; annual reports for submission to the State Legislature was not prepared; review, monitoring and redressal mechanism was not strengthened; monitoring of implementation of SREG Scheme was not undertaken and district wise studies not attempted.

1.3.6.1.4 Gram Rozgar Sahayak

The implementation of MGNREGS involved considerable organisational responsibilities at the Gram Panchayat level and accordingly 'Employment Guarantee Assistant' or Gram Rozgar Sahayak (GRS) were required to be appointed in each Gram Panchayats with clear delineation of duties.

Audit scrutiny revealed that the GRSs were not aware of their responsibilities as the duties were not delineated by the PO or the DPC at the time of appointment or thereafter. As a result, GRSs were not aware of the requirement to maintain all REGS related documents at the GP. The job cards were not updated, dated receipts against work demanded not given, "pro-active disclosure" as stipulated in the Act (*paragraph 1.4)* was not observed in the GP, etc. Thus, the spirit of the Act to give guaranteed employment in transparent manner was compromised in absence of the dated application as the employment within 15 days could not be verified in absence of dated receipt against demand for work.

1.3.6.2 Planning

Planning is critical to the successful implementation of the MGNREGS. The basic aim of the planning process in the Scheme is to ensure that the District is prepared well in advance to offer productive employment on demand. The preparedness and planning in the State is given below:

1.3.6.2.1 Development Plan

Section 16 (3 & 4) of the Act enjoined upon GPs to prepare a Development Plan duly indicating the components of assessment of labour demand; identification of works to meet the estimated labour demand; estimated cost of works and wages; benefits expected in terms of employment generation and physical improvements (water conservation, land productivity) and forward the same to the PO for scrutiny and preliminary approval prior to the commencement of the year.

Audit noticed that Development Plans were never prepared by any of the GPs. The Panchayat functionaries at GP level were not even aware of such Plans. They were simply drawing up the list of works to be taken up under MGNREGS during the ensuing year based on proposals passed in the Gram Sabha. The GPs never attempted identification of manpower required to complete unfinished works of previous year, cost benefit analysis, etc. Even the PO had never reminded GPs for preparation and submission of Development Plans. Absence of Development Plans affected comprehensive planning for guaranteed employment and convergence with other Schemes as indicated in **paragraph 1.3.6.5 and 1.3.6.7.**

The Department stated (September 2012) that the Development Plan is an Annual work Plan that comprise of a Shelf of Projects for each village which in turn is a compilation of the Gram Sabhas resolutions. The reply is not acceptable as the Development Plan is like a rolling plan which should include assessment of labour demand; identification of works to meet the estimated labour demand; estimated cost of works and wages; benefits expected in terms of employment generation; etc. which were not done. The GPs simply prepared a list of works and submitted the same to the Block without any reference to the above.

1.3.6.2.2 Annual Plan

SREGS (Para 12(b)) required preparation of Annual Plan by GPs. The Annual Plan will be the working plan that would identify the activities to be taken up on priority in a year and the framework for facilitating the identification. The PO will scrutinise the annual Plan for its technical feasibility and match the demand for employment. The DPC will scrutinise the plan proposals of all the BACs, examining the appropriateness and adequacy of works in terms of likely demand as well as their technical and financial feasibility. The DPC will coordinate the preparation of detailed technical estimates and sanction.

Audit checks in eight GPs, four BACs and two districts revealed that this procedure was not adhered to. Instead the Gram Sabha only identified the Schemes to be taken up, which was compiled by the PO in the BAC without any reference to likely demand for employment. As a result, there was mismatch between annual plans and actual execution in employment generation and in achieving the number of households which were to complete 100 days of employment as detailed in **paragraph 1.3.6.3.2.**

The Department stated (September 2012) that the Shelf of Projects is a compilation of Gram Sabhas resolutions which were compiled at Block level and sanctioned by the DPC. The reply is not acceptable as the assessment of labour demand; identification of works to meet the estimated labour demand; estimated cost of works and wages; benefits expected in terms of employment generation; etc. were not included in the Annual Plan. Only Shelf of Projects were prepared by the GPs.

1.3.6.3 Financial Management

Government of India (GOI) releases funds through the National Employment Guarantee Fund directly to districts for implementation of MGNREGS based on requirement submitted by the State Government. The Act and Operational Guidelines prescribed that budget will be based on a realistic estimate for the works to be taken up as per the annual Shelf of Projects in the Development Plan. State Secretaries should ensure timely submission of Labour Budgets (within January 31 each year) for all the districts to avoid delay in fund release. For this, it is important that the districts follow time bound coordination at each level in the planning process from GP to District Planning Committee.

Audit noticed that this prescription of time schedule was not followed by any of the functionaries leading to cascading effect on fund management, especially with regard to belated release of funds to Districts, Blocks and GPs, and belated sanction of projects for implementation etc. as detailed in succeeding paragraphs.

1.3.6.3.1 State Employment Guarantee Fund

The Act and the Operation Guidelines enjoined **upon** the State Government to establish State Employment Guarantee Fund (SEGF) by notification in the lines of National Employment Guarantee Fund and also to administer the fund as a Revolving Fund duly formulating rules to govern the Fund.

The State Government constituted (August 2008) the SEGF. However, rules for operation and maintenance of the above fund was established belatedly (February 2012). This resulted in deposit of MGNREGS fund (₹ 254.17 crore) in other flagship programmes such as Prime Minister Gram Sadak Yojana (PMGSY) and Swarnajayanti Gram Swarojgar Yojana (SGSY). Similarly, Revolving Funds under MGNREGS at the District, Block and GP levels were also not set up.

1.3.6.3.2 Annual Work Plan and Labour Budget

The National Employment Guarantee Fund Rules 2006 (*Rule-5*) stipulated for submission of Annual Work Plan and Labour Budget by the State to the Union Ministry by January each year for release of funds to State Employment Guarantee Fund based on State's performance on implementation of the Scheme. The Labour Budget, duly containing the details of anticipated demand for unskilled manual work in the district and the plan for engagement of labourers in the works covered under the Scheme, was required to be prepared by District Programme Coordinator (Section 14 (6) of the Act).

Audit noticed that the Annual Work Plan and Labour Budget were defective and unrealistic as the man days expected to be generated was never achieved; expenditure was between 83 and 88 *per cent* of the Annual Work Plan during 2009-12; target to provide 100 days employment was also not achieved as shown in the table below:

Table 1.3.2

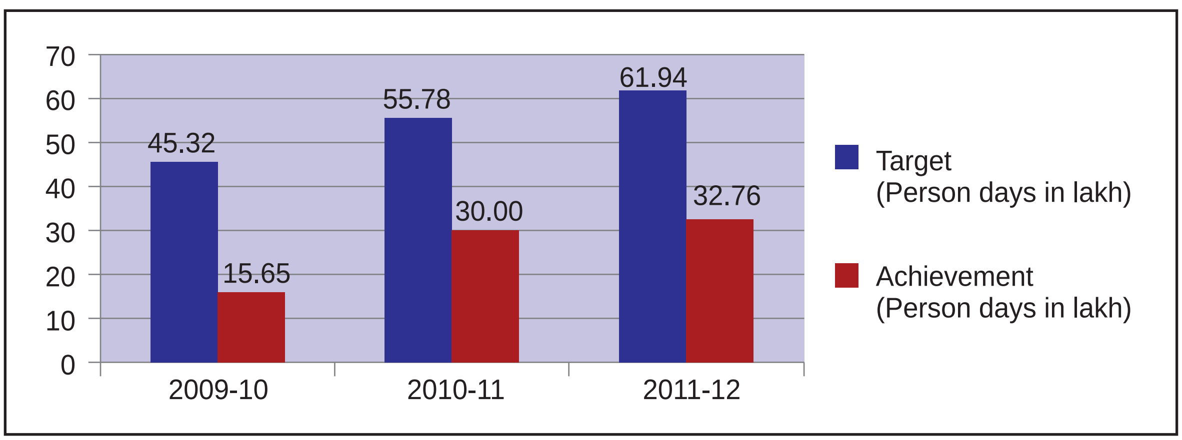
Sikkim State						
Year	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**Total**
Total Rural Households	NA	NA	95,407	91,190	93,834	**2,80,431**
Total Rural BPL Households	NA	NA	21,204	26,812	28,922	**76,938**
Total Jobcards issued	36,328	62,478	74,570	77,270	79,282	**3,29,928**
Projected person days	NA	21,58,000	45,32,216	55,77,680	61,94,460	**1,84,62,356**
Projected number of HH to be provided 100 days employment	NA	NA	35,521	46,250	56,510	**1,38,281**
Projected expenditure (₹ in lakh)	NA	2,734.18	7,528.70	8,933.43	11,865.15	**31,061.46**
Actual person days generated	72,883	2,25,934 (10)	15,65,373(35)	30,00,740 (54)	32,75,845 (53)	**81,40,775 (44)**
Total expenditure incurred (₹ in lakh)	1,050.87	3,806.60 (139)	6,407.48 (85)	7,458.13 (83)	10,386.00 (88)	**29,109.08 (94)**
Number of HH completed 100 days	35	NA	2,753	7,980	8,731	**19,499**

Source: MIS data, Figures in bracket indicate percentage, NA=Not available with the Department.

Audit analysis revealed the following:

- Although almost all the households demanding employment were provided with employment, the total employment generation during the year 2009-12 was 15,65,373, 30,00,740 and 32,75,845 person days as against the projected employment generation of 45,32,216, 55,77,680 and 61,94,460 person days as shown in the graph below. This indicated achievement of 35, 54 and 53 *per cent* of employment generation during 2009-12 against the projected employment generation.

Chart 1.3.2



Bar Graph showing target and achievement in respect of person days in lakh during 2009-12

- Based on the approved Annual Work Plan and budget of ₹ 283.27 crore sanctioned for the years 2009-12, the first tranche (taking 60 *per cent*) release should have been

₹ 169.96 crore for the above period. As against this ₹ 106.14 crore, only was released in the 1st tranche (taking 60 *per cent* of approved Labour Budget) leading to shortfall ranging between 12 and 37 *per cent* even after considering the closing balances of ₹ 57.87 crore. The details are shown in the table below:

Table 1.3.3

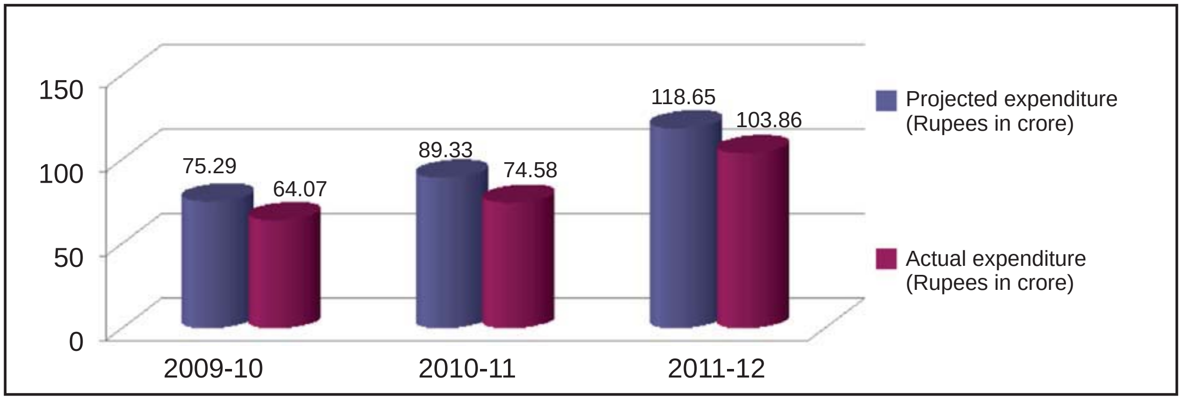
(₹ in lakh)

Year	Total Budget	60%	Released	Closing Balance	Shortfall
2009-10	7,528.70	4,517.22	2,891.27	3,864.06	-
2010-11	8,933.43	5,360.06	2,431.14	937.67	1,991.25 (37)
2011-12	11,865.15	7,119.09	5,291.44	985.32	842.33 (12)
Total	**28,327.28**	**16,996.37**	**10,613.85**	**5,787.05**	

Source: Annual Accounts (2007-11) & MIS Report (2011-12) on MGNREGS and Labour Budget
Figures in bracket indicate percentage

➢ Similarly, the actual expenditure was ₹ 64.07 crore, ₹ 74.58 crore and ₹ 103.86 crore during 2009-12 as against the projected expenditure of ₹ 75.29 crore, ₹ 89.33 crore and ₹ 118.65 crore indicating 85, 83 and 88 *per cent* of the projected expenditure as shown in the chart below:

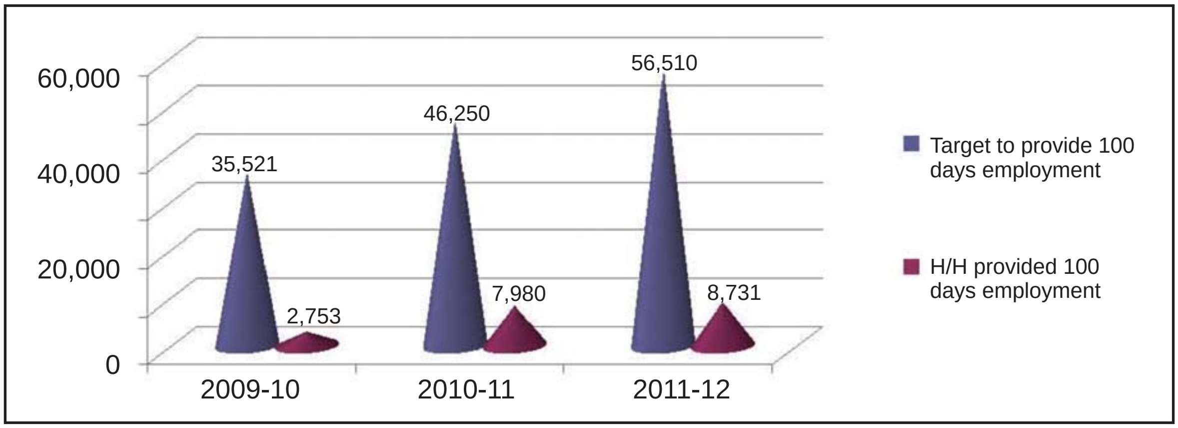
Chart 1.3.3



Bar Graph showing projected and actual expenditure during the years 2009-12

➢ The most important aspect of provision of 100 days of guaranteed employment to the wage earners was also partially achieved. As against the target of providing 100 days employment to 35,521, 46,250 and 56,510 households during 2009-12, the State could provide 100 days employment to 2,753, 7,980 and 8,731 households as shown in the graph below indicating 8, 17 and 15 *per cent* of achievement against the projection.

Chart 1.3.4



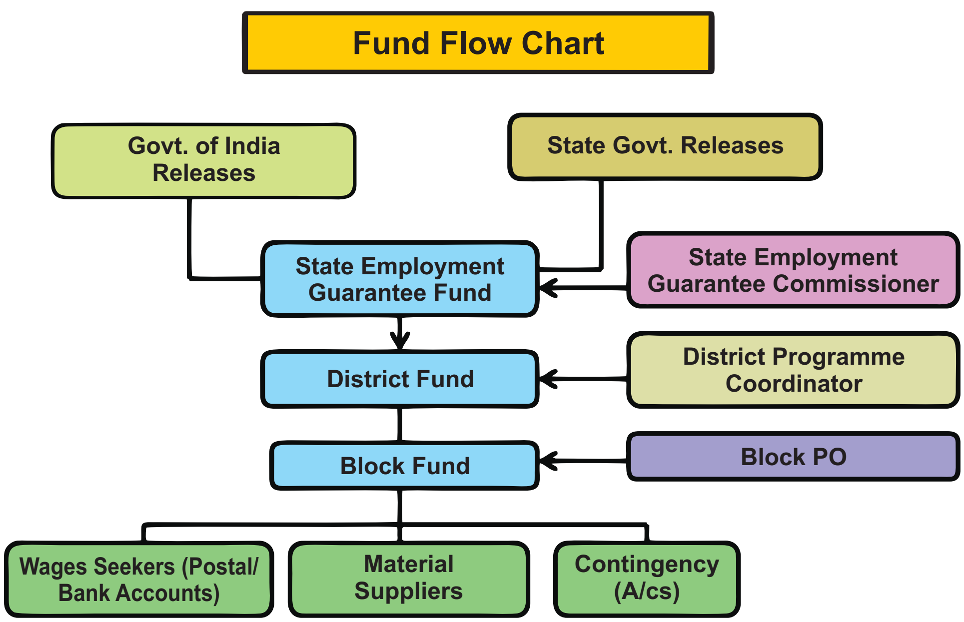
Bar Graph representing target and achievement in providing 100 days employment

The Department stated (September 2012) that the database was incomplete and analysis from the incomplete database would result in faulty conclusions. The fact however, remains that in the absence of complete and accurate database at any level, the actual position could not be verified in Audit.

1.3.6.3.3 Fund flow

The fund flow mechanism for implementation of the scheme in Sikkim is depicted below.

Chart 1.3.5



The financial position indicating total availability of funds and expenditure there against for the period 2007-12 is shown below:

Table 1.3.4

(₹ in lakh)

Year	Opening Balance	Total Receipts			Total Availability	Expenditure	Closing Balance
		Centre	State	Misc.			
2007-08	559.44	880.02	93.00(6)	32.63	1,565.09	1,050.87(67)	**514.22**
2008-09	514.22	4,151.64	202.78(4)	70.39	4, 939.03	3806.60(77)	**1,132.43**
2009-10	1,132.43	8,857.35	171.29(2)	110.47	10,271.54	6,407.48(62)	**3,864.06**
2010-11	3,864.06	4,448.55	30.00(0.4)	53.19	8,395.80	7,458.13(89)	**937.67**
2011-12	937.67	10,079.77	350.00(3)	3.88	11,371. 32	10,386.00(91)	**985.32**
Total		**28,417.33**	**847.07**	**270.56**	**36,542.78**	**29,109.08(80)**	

Source: Annual Reports on MGNREGS for 2007-11 & MIS for 2011-12
Figures in bracket indicate percentage

Analysis of fund flow revealed following:

1.3.6.3.4 Release of State Share

Audit checks revealed that the RMDD requisitioned for release of funds (State share) to the State Government during October each year. Against the proposal of ₹30.79 crore, only ₹ 8.47 crore was released by the State Government, resulting in short release of ₹ 22.32 crore with reference to the demand. The details are shown in **Appendix 1.3.3.** The State Nodal Department i.e. RMDD did not take up the issue with the State Government for release of full share.

Not only the funds were not released in full, but also released belatedly. Against the requirement to release State share within 15 days of release of Central share the State released its share belatedly, with delays ranging between 22 and 221 days during 2007-11. No reason for such delay was on record.

1.3.6.3.5 Release of funds to DPC, PO and GPs

The funds to the DPC, PO and GP are to be released within 15 days of receipt of funds from the State, District and Block respectively. While there was no delay in release of funds from State to District level, delay in release of funds from DPC to PO was noticed. Audit observed that the DPCs not only retained funds of ₹ 5.14 crore to ₹ 38.64 crore at the year end, but also released funds to the POs belatedly, with delays ranging between 2 and 131 days. This was despite fund requisition by the POs to the DPCs, which was not released in full. As against the fund requirement of ₹ 4.14 crore for five POs[4], only ₹ 1.75 crore was released by the DPC (East) during 2007-09, resulting in short release of ₹ 2.39 crore. This led to delayed payment of wages to wage earners and material suppliers.

1.3.6.3.6 Monthly squaring of accounts

The Act and the Operation Guidelines stipulated introduction of monthly squaring of accounts to ensure that all money released under MGNREGS is accounted for under (a) bank balance, (b) advances and (c) expenditure vouchers. However, the State had not introduced the system

[4]*Regu; Rakdong Tintek; Gangtok; Duga and Rhenock*

as yet even after five years of implementation of the Act. As a result, actual expenditure and available balances with GPs, POs and DPCs were not readily available. In absence of the system, monthly closing of accounts was not done in most of the test checked GPs.

1.3.6.4 Registration, job cards and employment to households

The Act guarantees 100 days of employment to rural households on demand each year. For this, the MGNREGA Operational Guidelines enjoined submission of application for registration by households to the GP; undertaking of door-to-door survey, and issue of Job cards within a fortnight by GPs.

The position in this respect is given below:

1.3.6.4.1 Registration of households

The Act empowers rural households to apply for registration under the Scheme for 100 days employment in a year. The GPs would be required to register the households after due verification.

Audit scrutiny revealed that although registered households showed an increasing trend, it ranged between 79 and 85 *per cent* of the total households across the State; the most households were registered in West district (85 to 100), followed by South (87 to 92) and North (78 to 85) districts as shown below:

Table 1.3.5

Year	Particulars	East	West	North	South	Total
2009-10	Total rural H/H	31,599	31,250	8,008	24,550	**95,407**
	H/H registered	21,368 (68)	26,563 (85)	6,417(80)	21,415(87)	**75,763(79)**
	Job cards issued	21,071 (99)	26,047 (98)	6,381(99)	21,071(98)	**74,570(98)**
2010-11	Total rural H/H	31,902	27,278	7,718	24,292	**91,190**
	H/H registered	21,983(69)	27,278(100)	6,567(85)	22,076(91)	**77,904(85)**
	Jobcards issued	21,939(99)	26,996(99)	6,458(98)	21,877(99)	**77,270(99)**
2011-12	Total rural H/H	31,870	28,208	8,623	25,133	**93,834**
	H/H registered	22,715(71)	27,631(98)	6,686(78)	23,001(92)	**80,033(85)**
	Jobcards issued	22,608(99)	27,327(99)	6,615(99)	22,732(99)	**79,282(99)**

H/H: Households, Source: MIS, Figure in bracket indicate percentage

Audit however, noticed that an introductory Gram Sabha meeting as required under the Act was not convened in the eight GPs test checked in Audit. The survey by Audit also confirmed (April-May 2012) that introductory Gram Sabha was not convened in majority of cases and the households came to know about the Scheme through Gram Sabha (66 *per cent*), Panchayat Members (33 *per cent*) and Gram Rojgar Sahayak (4 *per cent*).

1.3.6.4.2 Job cards

The Operational Guidelines to the Act envisaged issue of job cards to every registered household after due verification by the Gram Panchayat.

Audit noticed that although job cards were issued within the stipulated time frame, the cards did not bear the computerised ID number, telephone number of DPC, PO and other grievance redressal authorities as required under the Act. Besides, photos of all the adult members of the households were not affixed, bank account number not mentioned in many cases, the register was not updated from time to time and additions and deletions neither read out in the Gram Sabha nor sent to the PO. Unique number in 65 *per cent* of job cards test checked was not given. Entries in job card were also not in complete shape in 70 *per cent* cases test checked.

1.3.6.5 Livelihood security

The Act aimed to ensure livelihood security by providing 100 days of annual employment to the targeted rural community at the specified wage rates and provide job on demand.

The details of number of households registered, work demanded, provided, etc. are given below:

Table 1.3.6

Performance Indicator	2007-08	2008-09	2009-10	2010-11	2011-12
H/H registered	48,150	65,161	75,763	77,904	80,033
H/H issued job cards	36,328	62,478	74,570	77,270	79,282
H/H demanded works	8,310 (23)	9,138 (15)	35,211 (47)	52,121 (67)	55,765 (70)
H/H work provided	1,250 (3)	7,814 (12)	35,198 (46)	50,618 (65)	54,464 (68)
H/H completed 100 days	35 (3)	NA	2,753 (8)	7,980 (16)	8,731 (16)
Person days generated	72,883	2,25,934	15,65,373	30,00,740	32,75,845
No. of days per H/H	58	29	44	59	60

Source: MIS, Figure in bracket indicate percentage

As would be noticed from the above table, the number of days per household provided employment ranged between 29 and 60 during 2007-12. 3 to 68 *per cent* households who demanded work were provided with employment during 2007-12 while 100 days of employment could be provided to 3 to 16 *per cent* households. This was primarily due to belated finalisation of 'Shelf of Works', coupled with delayed sanction of works, followed by delayed release of funds by DPCs. This led to belated sanction intimation to the BACs and in turn to GPs for commencement of works. Consequently employment to workers was delayed and could be provided mainly during 3rd and 4th quarter of the year.

The Department stated (September 2012) that the State was able to provide consistently 80-85 days of employment to 60 *per cent* of rural households against the national average of 45-50 days to 25 *per cent* of rural households. The reply is not acceptable as the consolidated position was not available with the Department except for the MIS data which the Department termed as incomplete. Further, even in the eight GPs test checked in Audit, the average employment ranged between 55 and 86 days during 2009-12.

1.3.6.5.1 Employment within 15 days

The Act (Para 5 & 6 of Schedule-II) entitled all registered persons belonging to a household for employment under the Scheme upto 100 days in a financial year, within 15 days of the date of application for employment.

The DPC claimed to have provided employment within 15 days of demand to the registered households. This claim however, was not verifiable as in most cases applications were neither dated nor dated receipts given to the applicants by GPs. From the samples test-checked, audit observed that while in 16 cases the exact date of application was not on record, in 20 cases undated applications were received. As a result, employment provided within 15 days was not verifiable. In absence of dated application, unemployment allowances, if any, required to be paid in accordance with the Act were not paid.

1.3.6.5.2 Social equity

The Act and the Operational Guidelines stipulated adequate representation to women (1/3rd of the beneficiaries) and SC/ST as shown in the table below:

Table 1.3.7

(₹ in lakh)

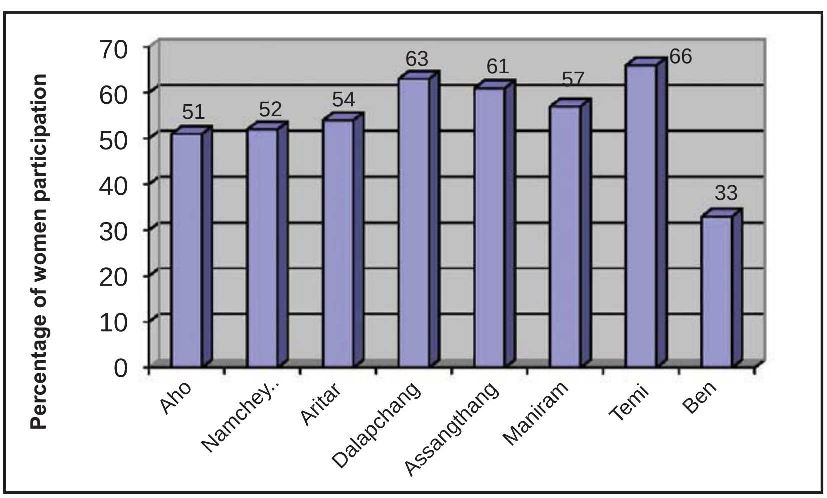
Year	H/H issued job cards			H/H employed			Person days				Wage expenditure		
	SC	ST	Others	SC	ST	Others	SC	ST	Others	Women	SC	ST	Others
2007-08	1,803	13,246	20,796	NA	NA	NA	369	68,838	3,676	21,255	NA	NA	NA
2008-09	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2009-10	3,813	27,843	42,871	NA	NA	NA	70,486	6,78,036	8,16,851	6,83,629	NA	NA	NA
2010-11	3,900	28,509	44,471	2,387	19,523	28,708	1,32,407	11,82,018	16,86,315	13,46,648	139.10	1,228.18	1,774.01
2011-12	4,045	29,048	45,994	2,582	19,903	31,979	1,48,893	11,77,342	19,49,610	14,65,173	175.54	1,385.80	2,299.02
Total	**13,561**	**98,646**	**1,54,132**	**4,969**	**39,426**	**60,687**	**3,52,155**	**31,06,234**	**44,56,452**	**35,16,705**	**314.64**	**2,613.98**	**4,073.03**

Source: MIS, Figure in bracket indicate percentage.

As seen from the table, the share in employment of ST and SC were 39,426 and 4,969 indicating 39 and 5 *per cent* respectively. Similarly, the share of women was 44 to 45 *per cent,* which is higher than the minimum required (1/3rd) as per the Act.

Similarly, in the eight test checked GPs, the share of women ranged between 33 and 66 *per cent* as shown in the graph below.

Chart 1.3.6



1.3.6.5.3 Payment of Wages

Payment of timely and adequate wages through appropriate means by bank or post offices is considered important for ensuring livelihood security to the wage earners under the scheme.

The position in this respect is given below:

➢ ***Payment on weekly/fortnightly basis***

Operational Guidelines stipulated payment of wages on weekly basis and not later than a fortnight from the date on which work was done (Section 3(3)), failing which compensation as per the provisions of the Payment of Wages Act 1936 (MGNREGA, Schedule II, Section 30) would be paid by the State Government.

Audit check in eight GPs revealed that payment of wages was usually delayed for periods ranging between 15 days and 2 months. Not only were the wages not paid on time, the compensation for delayed payment of wages were also not given to the wage earners.

➢ ***Payment through bank/post offices***

Although MGNREG Act stipulated payment of wages through post offices or the banks, the workers were paid wages in cash upto 2008-09. Only from 2009-10, accounts in post offices and banks were opened covering 25 to 82 *per cent* households, indicating that 18 to 75 *per cent* of households were still not covered as required under the MGNREG Act till 2011-12. The position is reflected in **Appendix 1.3.4.**

➢ ***Wage slip***

Payment should be made by the Branch Manager of the concerned banks based on pay order issued in favour of group of workers as per the Muster Roll and amount credited to his account. Amount should be disbursed to the worker only on production of wage slip and the withdrawal slip by the worker or his authorised representative. It was however, noticed that although pay order was appropriately drawn, wage slip was not generated to enable the workers to know the exact wages earned by them and to facilitate them to check with the bank/ post office credit in their account.

➢ ***Muster Roll***

According to the MGNREGA Operational Guidelines, digitised Muster Rolls (MRs) with a unique identity number is to be issued from the Block level to GPs. The GPs were required to keep a photocopy of MRs for public inspection. Audit check at four BACs and eight GPs revealed that the MRs without full Unique Identification Numbers were utilised, entries in muster rolls were altered using correcting fluid and overwriting, attendance of workers was not verified by any authorised official, the certificate of the inspecting official was not recorded and the Measurement Book was not cross referenced with the muster rolls.

1.3.6.6 Execution of works

MGNREG Act and Operational Guidelines stipulate obtaining of administrative and technical sanction for all works in advance by December of the previous year, provision of worksite facilities (medical aid, drinking water, shade, crèche, etc), adherence to wage material ratio of 60:40, etc.

Image 1.3.2

During 2007-12, the State Government took up a total of 4,979 works (valuing ₹ 236.11 crore), of which 3,123 works were completed (valuing ₹ 189.62 crore), and remaining 1,856 works (valuing ₹ 46.49 crore) were under progress indicating physical completion of 63 *per cent* of works as shown below:

Table 1.3.8

(₹ in lakh and 'works' in numbers)

Year	Physical (P)/ Financial (F)	OB	Added	Total	Completed	CB
2007-08	P	106	408	514	201 (39)	313
	F	133.73	1,909.92	2,043.65	1,115.10(55)	928.55
2008-09	P	313	91	404	55 (14)	349
	F	928.55	4,668.62	5,597.17	4,455.78 (80)	1,141.39
2009-10	P	349	390	739	435 (59)	304
	F	1,141.39	4,790.93	5,932.32	4,959.58 (84)	972.74
2010-11	P	304	3012	3316	1,534 (46)	1,782
	F	972.74	6,077.19	7,049.93	5,318.20 (75)	1,731.73
2011-12	P	1,782	972	2,754	898 (33)	1,856
	F	1,731.73	6,030.86	7,762.59	3,113.26 (40)	4,649.33
Total	**P**	**106**	**4,873**	**4,979**	**3,123 (63)**	**1,856 (37)**
	F	**133.73**	**23,477.52**	**23,611.25**	**18,961.92 (80)**	**4,649.33 (20)**

OB- Opening Balance; CB- Closing Balance
Source: Departmental figure.
Figures in bracket indicate percentage

Audit analysis revealed the following:

1.3.6.6.1 Variation between estimated cost and actual cost

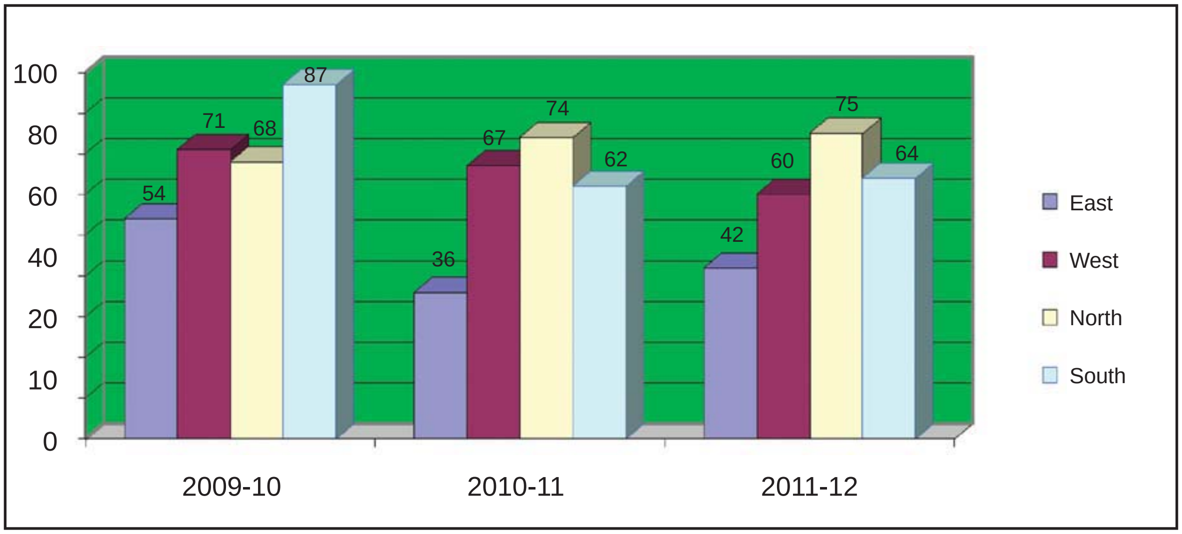
The Operational Guidelines stipulated framing of estimates based on proper survey, specific design on latest Schedule of Rates (SOR) and vetting by accredited engineers. The estimates were prepared by the Junior Engineers attached to the BAC, without proper survey and specification of each item of work. In the absence of accredited engineers, technical vetting was not carried out. The estimates were finally sanctioned by Assistant Engineers. Based on the estimates, sanction intimation to BAC were given by DPCs.

Audit noticed that there was wide variation between the estimates and actual expenditure on works. The gap ranged between 18 and 39 *per cent* in 20 cases (out of 80) in execution of works in eight GPs. This was due to insertion of extraneous wage component towards jungle clearance, excavation, ground leveling and head load, etc. In actual execution, the actual requirement of these items was much less than the estimation. This indicated that the estimates were not based on sound assessment.

1.3.6.6.2 Wage-material ratio

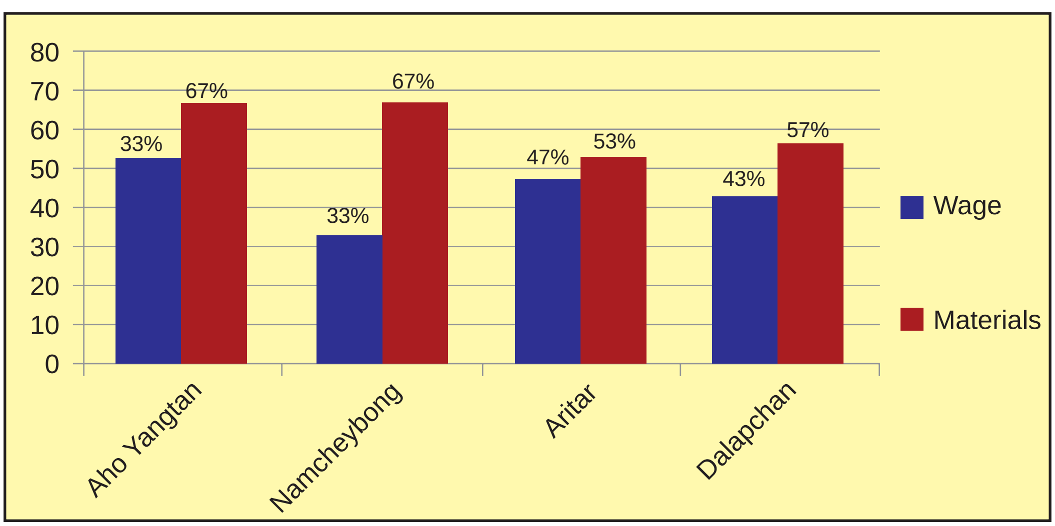
The ratio of wage costs to material costs should be no less than the minimum norm of 60:40 as stipulated in the Act. SREGS, 2006 also emphasised for maintaining the wage material ratio of 60:40. Test-check indicated that the wage material ratio was not adhered to in the East District. The ratio of wage to material ranged between 36 and 54 in many cases which is below that stipulated in the MGNREG Act. In the remaining three districts, the minimum ratio for wages was maintained as shown in the graph below.

Chart 1.3.7



The position was confirmed in the eight test-checked GPs of East (4) and South (4) districts. The wage material ratio in the GPs (Aritar, Dalapchand, Aho Yangten and Namchebong) of East district ranged between 33:67 and 47:53 as against the minimum of 60 *per cent* for wages, as shown in the chart below.

Chart 1.3.8



1.3.6.6.3 Sanctioning of works

Administrative Sanction and Technical Sanction for all works were required to be obtained in advance, by December of the year preceding the proposed implementation. Once a demand for employment was received, works would be started from the Shelf of Approved Works ready with technical and administrative sanctions. The GPs were generally the appropriate authorities empowered to 'start' works and to allocate employment among persons who had applied for work.

Audit noticed that the works were sanctioned by the DPC and communicated to GPs through BAC for commencement of work. It was noticed that Administrative Sanction and Technical Sanction were belatedly accorded between 5 months and 23 months by the DPCs instead of December each year. As a result, GPs although empowered to commence works and allocate employment could not do so till the receipt of sanction intimation by the DPCs. Consequently, commencement of works were delayed.

1.3.6.6.4 Project initiation

The Project Initiation meeting as stipulated in the Act and the Operational Guidelines before commencement of work on the worksite to explain the workers about their entitlements, wage payment, compensation in case of death or injury, quality and specification of works under the Scheme, etc. was not convened in any of worksites of the eight GPs test checked in Audit. This affected the quality of work execution as well as awareness of the workers about the Scheme. While the fact of inappropriate quality of works execution was corroborated by the State Quality Monitors in their report, the lack of awareness about workers entitlement (compensation for non-payment of wages on time) was confirmed during survey carried out by audit.

1.3.6.6.5 Measurement of work and Schedule of Rates

The Act required the State Governments to ensure notification of the Schedule of Rates (SOR), recording of measurement by qualified technical persons in the measurement book, etc. The position in this respect is detailed below:

- The comprehensive work, time and motion studies to observe out-turn and fixing rates after detailed location specific observations for preparation of SOR was not conducted by the State Government. As a result, productivity norms duly indicating possible out-turn under different geo-morphological and climatic conditions across and within Districts was not fixed.

  The Department stated (September 2012) that the creation of SOR was not agreed to by the Roads and Bridges Department which is the competent authority for preparation of SOR.

- Measurements, as required under the Act, by qualified technical personnel in charge of the worksite for recording in the Measurement Books was not undertaken in a majority of cases. Out of 80 works test checked in eight GPs, in 70 cases (88 *per cent*), no measurement was recorded.

- Similarly, daily measurements by Mates were also not recorded. In the absence of which, relationship between daily measurement of Mates and measurement by technically qualified personnel could not be established and vouched by Audit.
- Verification by qualified personnel a week before payment of wages was also absent affecting transparency besides actual extent of execution of works.

1.3.6.6.6 Project Completion Report

According to the Act (*Para 6.9*), a Project Completion Report (PCR) should be prepared on completion of every project as per the prescribed format alongwith a photograph of the completed work for verification.

Audit noticed that in none of the 80 works test checked in eight GPs involving four BACs, PCR and photographs depicting completion of works were placed. Thus, the completion of work or otherwise was not readily verifiable from records.

1.3.6.7 Convergence with other programmes

Operational Guidelines (amended upto 2009) of MGNREGA permitted (paragraph 14.1) convergence of the MGNREGS funds with funds from other sources for the creation of durable assets and additional employment. MGNREGS funds are intended to create additional employment; this will not happen if the employment currently generated by other programmes is displaced by the MGNREGS.

The only convergence programme attempted by the RMDD during 2011-12 was towards implementation of 'Chief Minister Rural Housing Scheme (CMRHS)'. The RMDD executed CMRHS and utilised ₹ 50,000 per house from MGNREGS fund for construction of CMRHS for rural poor. Out of ₹ 50,000, ₹ 20,000 was utilised for material and ₹ 30,000 for wages component. The payment of material component from MGNREGS was not permissible. Not only this, dovetailing of funds from other programme to MGNREGS was permissible and not *vice-versa*. This dovetailing also did not create additional employment to MGNREGS workers as it displaced the employment opportunity for other regular programme (CMRHS).

Thus, the only convergence attempted by the State was faulty and in effect did not contribute towards additional employment generation.

1.3.6.8 Records and data management

Maintenance of records under MGNREGA is critical to ensure verifiable compliance with the legal guarantee of 100 days of employment on demand and payment of unemployment allowance. The MGNREGA Operational Guidelines have specified details of records and registers to be maintained at different levels such as Application Registration Register, Job Card Register, Employment Register, Asset Register, Muster Rolls, MR Issue/Receipt Registers and complaint Register.

The position in this respect noticed during the course of Audit is given below:

- The Application Registration Register which records applications/requests for registration of household was maintained in all the eight GPs test checked in Audit. The photographs (20 *per cent*) of applicants, however, were not found attached to the job cards in many cases.
- In many cases, the applications for employment did not have the job card registration number, date from which employment was required, and the number of days of employment required.
- Employment Register was not maintained in seven GPs (out of eight). In one[5] GP, where Employment Register was maintained, it did not indicate the details of employment demanded, dated receipts of applications, employment allotted and employment actually taken up.
- The Asset Registers were not maintained in three GPS and maintained partially in five GPs (out of 8). In the absence of complete entries in Asset Register coupled with non-maintenance of Work Registers in GPs, the link between Asset Registers and the Work Registers could not be established.
- Muster Roll Receipt Register recording issue and receipt of Muster Rolls and omplaint Register which records details of complaints made and action taken was not maintained in eight GPs.
- The GPs did not maintain Work Register in absence of which duplication of works, if any, could not be verified in Audit.
- Management Information System (MIS) facility was not available with GPs which constrained GP functionaries to feed MIS data at BAC level leading to delayed updation of vital data on implementation of Scheme.

1.3.6.9 Transparency

The Act lays great importance to complete transparency in the process of administration and decision making, with an obligation on the government to *suo-moto* give people full access to all relevant information. Transparency is ensured through Social Audit, public grievance redressal system, people participation, consultation, consent and accountability.

The position in this respect is given in the table below:

[5] *Temi, under Temi Tarku BAC*

Table 1.3.9

Sl. No.	Particulars	Remarks
1	Social Audit	Social Audit was functional in all the four districts of the State.
2	Redressal System	The State Government designated (November 2008) the Programme Officer and the District Programme Coordinators as Grievance Redressal Officer at the Block and the District level respectively. However, their role was limited as no stakeholders came forward with any appeal which may be due to lack of wide dissemination of information and awareness.
3	Displaying of information	Information about works in local language at the worksite and in prominent places in Gram Panchayat was not displayed.
4	Employment Guarantee Day	Employment Guarantee Day was not observed in eight test checked GPs.
5	Information, Education and Communication (IEC)	IEC plan was not devised although some IEC materials were developed and distributed to the public by the RMDD
6	Accounts	Summary Accounts of MGNREGS were not displayed in any of the eight Gram Prasashan Kendras (GPKs).

1.3.6.10 Impact assessment

One of the objectives of MGNREGA is the creation of durable assets and strengthening the livelihood resource base of rural poor (Schedule-I, Section 2). Investments made under MGNREGS was expected to generate employment and enhance purchasing power, raise economic productivity, women's participation, strengthen the rural infrastructure by creation of durable assets, reduce distress migration, conserve and regenerate natural resources. The outlays for MGNREGS had to be transferred into outcomes. To assess this, the Operational Guidelines stipulated for carrying out regular evaluation and sample survey, District-wise and Block-wise studies to be commissioned by SEGC and DPC respectively. The position in this respect is given below:

1.3.6.10.1 Impact study by outside agency

The SEGC commissioned (February 2008) only one study by engaging Institute of Rural Management, Anand (IRMA), Gujarat and another study was conducted by Indian Institute of Management (IIM), Shillong at the instance of GOI. The reports indicated positive aspects of creation of supplementary income, social safety and empowerment, women empowerment, reduction in rural-urban migration and school drop-out. The causes of concerns were delayed payment of wages, inadequate availability of facilities at worksite, discontinuation of work because of lack of funds, etc. The Performance Audit also confirmed that the implementation of MGNREGS had positive impact on rural poor by providing supplementary income leading to empowerment and increased basic household facilities. However, a number of deficiencies and inconsistencies were noticed during Audit as reflected in this report.

1.3.6.10.2 Beneficiary survey

The beneficiary survey was conducted by Audit during the course of Performance Audit in eight GPs involving 160 beneficiaries from four BACs. 45 *per cent* of the beneficiaries rated the performance of MGNREGS in the State as Excellent; 38 *per cent* Very Good and 17 *per* *cent* Good and stated that the employment was provided within 15 days of demand. However, the survey disclosed minimal awareness of beneficiaries regarding unemployment allowances, insurance cover and health check up and that information boards were to be put up at work sites after completion of the works.

1.3.7 Conclusion

***T**he Scheme facilitated employment generation, adequate women participation, strengthening of rural infrastructure to a large extent, enhancement in purchasing power and improved health and educational status, etc.*

However, the implementation needed strengthening in planning, financial management and execution of works. The development and Annual Plans need be prepared as per the stipulations in the MGNREGS guidelines to capture realistic projection of employment and asset creation. The belated transfer of funds to Blocks and GPs need be addressed to ensure timely payment of wages to wage earners. The data and record management needs to be strengthened to capture appropriate complete data. Besides, submission of dated application by the wage earners and also issue of dated acknowledgement by the GPs needs to be insisted upon to ensure provisioning of employment within fifteen days of demand. Labour intensive works needs be executed to ensure compliance to the wage material ratio of 60:40.

1.3.8 Recommendations

The following are the recommendations for further improving the implementation of the MGNREGS in the State.

- Utmost priority may be accorded to Planning. Development Plans and Annual Plans may be prepared after due consultation process involving all stakeholders.
- Action may be initiated to ensure full and timely release of State share of funds, and funds should be released to BACs and GPs on demand to facilitate timely commencement of works and payment of wages to wage earners.
- Suitable steps to be taken to ensure that online data entry is done to increase transparency, accountability and reliability of the data.
- The State Government should also ensure that the requisite levels of inspection by different levels of officials are conducted at all levels.
- The Annual Work Plan and Labour Budget may be prepared realistically to ensure generation of expected mandays, provisioning of 100 days employment, etc.
- Stipulated wage material ratio may be adhered to and proper selection of works may be ensured to avoid infructuous expenditure on works.
- Data and record management may be strengthened to ensure availability of appropriate and reliable data.

LABOUR DEPARTMENT

1.4 Non-deduction/short realisation of Labour Cess

Non-deduction/short realisation of mandatory labour cess of ₹ 1.94 crore, besides violating the statutory provisions, adversely impacted the welfare measures targeted for the benefit of construction workers involved in various construction works all over the State.

The 'Building and Other Construction Workers Welfare Cess Ordinance' was promulgated by the Government of India in November 1995. The promulgation was followed by the enactment (August 1996) in Parliament, extending the provisions throughout the country, of 'Building and Other Construction Workers Welfare Cess Act 1996'. The Act envisaged levy of a minimum one *per cent* labour cess on construction cost incurred by an employer or any executing agency. The amount of labour cess so collected was to be transferred to the Building and Other Construction Workers Welfare Board. In Sikkim, the State Government notified (September 1997) the Central Act in the State Gazette for adherence by all concerned.

Despite the Government's notification for deduction of labour cess as early as in September 1997, the setting up of mandatory Board to whom the cess was to be rendered was created only in February 2010. Even after creation of the Labour Welfare Board and issue of a fresh circular in September 2010 insisting upon all departments to levy cess and render it to Sikkim Building and Other Construction Workers Welfare Board, a majority of the contractors were not levied with the cess.

Test check of records in three departments[6] revealed (February 2012) that in 124 cases[7], the departments had not deducted cess amounting to ₹ 1.90 crore during the period September 2010 to October 2011 as envisaged in the Act and in six cases, there were short deductions of ₹ 4.19 lakh. As a result, various components such as assistance in case of accidents, death benefits, pension benefits, loans and advances for house construction, insurance schemes, assistance for education of children, medical assistance and maternity benefits could not be fully extended to the welfare of labourers engaged in the construction activities in the State.

Thus, non-deduction/short realisation of cess of ₹ 1.94 crore adversely impacted the various welfare measures targeted for the benefit of workers involved in various construction works all over the State.

The matter had been reported to the Government / Department; their reply had not been received (November 2012).

[6] *SPWD (R&B) (non-deduction: ₹ 32.39 lakh; short deduction: ₹ 3.88 lakh);Building & Housing (non- deduction: ₹ 139.44 lakh); Tourism & Civil Aviation (non-deduction: ₹ 17.99 lakh; short deduction: ₹ 0.31 lakh)*

[7] *Out of 145 cases test checked.*

SOCIAL JUSTICE, EMPOWERMENT AND WELFARE DEPARTMENT

1.5 Unfruitful expenditure

The expenditure of ₹ 5.31 crore incurred on the project aimed at providing quality educational facilities to the socially and educationally backward children from the Other Backward Classes (OBC) remained unfruitful as the project was incomplete even after 10 years from the date of approval by the Cabinet.

The Social Justice, Empowerment and Welfare Department (SJEWD) initiated (July 2001) a proposal for constructing a residential school for OBC boys and girls at Kamrang, South Sikkim, for providing quality educational facilities to the socially and economically backward classes of the State. A land measuring 22.10 acre for this purpose was acquired at ₹ 65.13 lakh and handed over to the SJEWD in June 2002. The project was sanctioned at ₹ 6 crore by the State Cabinet in August 2002, except the cost and acquisition of land, and was to be executed by the Human Resource Development Department (HRDD).

The project was split into three phases: Phase I – Administrative-cum-class room block *(₹ 1.34 crore)*, Phase II - Hostel blocks for boys and girls (*₹ 1.70 crore*) and Phase III- Construction of staff quarters and multi-purpose hall (*₹ 1.46 crore*). The balance funds of ₹ 1.50 crore was earmarked for other services-external water supply, construction of approach road and footpath, development of play field, furnishing and furniture, boundary pillars and plantation. While the first and third phase of the project were to be funded by the State, funds for the second phase was proposed to be sourced from the Government of India from the Centrally Sponsored Scheme (CSS) of Hostels for OBC students (50:50 CSS).

The work for the first phase of the project, except electrification and purchase of furniture, was awarded to a contractor (March 2002) at 38 *per cent* above the estimate and completed in August 2005 at an expenditure of ₹ 1.66 crore. The approval of the Cabinet was obtained (December 2006) for electrification and purchase of furniture after a lapse of nearly five years from the date of award of the first phase and an amount of ₹ 47.29 lakh was incurred for purchase of furniture (March 2007) and electrification (August 2007). In the meantime, the building, without electrification, was handed over to the Department by the HRDD in July 2007. The Government also considered to hand over the school-cum-administrative building to the Kendriya Vidalaya Sangathan for temporary use, which, however did not fructify.

The cost of second phase of the project *(Hostel blocks for boys and girls)* was revised (June 2008) to ₹ 2.77 crore and awarded (January 2009) at ₹ 3.22 crore after tender.

The third phase of construction of staff quarter and multipurpose hall with revised cost of ₹ 2.34 crore was not even taken up (July 2012).

The HRDD in its progress report for June 2012 submitted to the GoI mentioned that the hostel building had been completed at a cost of ₹ 2.53 crore[8]. However, physical verification of the facility in July 2012 revealed that though the building was being used (the exact date of utilisation by the ITI was not on record) by the Industrial Training Institute, the electrification works, water supply, drainage and sanitation works were incomplete and the construction of approach road to the facility had not even been taken up.

Thus, lack of proper planning and synchronisation of the different components of the work by the HRDD and inadequate supervision by the Department resulted in non-establishment of the residential school for OBC students despite expending ₹ 5.31 crore even after 10 years from the date of approval by the Cabinet. Besides, there was also no record to indicate that other vital issues involved in running the school such as procedures for selection of students, appointment of teachers and administrative staff, arrangement of facilities for boarding and lodging in the hostel, quantum and source of funds for regular operation and maintenance of the facility, etc. had been planned, as of July 2012.

The Department while accepting (September 2012) the above facts regretted for the lapses. In a further reply, the SJEWD stated (November 2012) that the Hostel Building of Phase II had since been taken over on 30 October 2012. But the fact remains that since Phase III of the work had not even been taken up, it is uncertain as to when such facilities would be available to the intended beneficiaries.

WATER SECURITY AND PUBLIC HEALTH ENGINEERING DEPARTMENT

1.6 Unfruitful expenditure

Project initiated without proper survey and investigation and without ensuring availability of suitable land for construction of Sewerage Treatment Plants resulted in unfruitful expenditure of ₹ 6.03 crore with consequent failure to provide the necessary sewerage facilities to the intended beneficiaries.

The Namchi town with a population of 13,719 (2006) and estimated to grow to 33,508 in 2025 did not have any organised sewerage system. In its absence, the waste water found their way to the drains that ultimately flowed into the Rangit[9] river. The Department therefore, proposed a proper sanitation facility for Namchi town, with an organised sewerage system for disposal of sewage into the Rangit river after proper treatment, which would ensure proper hygiene and reduction of environmental pollution.

The project was approved (November 2007) by the State Level Sanctioning Committee for implementation under the Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT). The Union Ministry of Urban Development sanctioned (January 2009)

[8] Out of which ₹ 1.24 crore was provided (January 2009) by the GOI being part of its share under the Centrally Sponsored Scheme of Hostels for OBC students.

[9] Second largest river of the State

the project, 'Sewerage Treatment Project for Namchi town' at a cost of ₹ 10.97 crore[10] and released ₹ 4.94 crore as first instalment. The project envisaged laying of pipelines for carrying sewage, construction of inspection chambers at various intervals in the sewer line network and construction of two Sewerage Treatment Plants (STPs) – one at a site below District Jail and the other below Kamrang College. The civil works portion of the project valued at ₹ 2.36 crore was awarded (March 2009) to the lowest bidding contractor with the stipulation to complete the works within 24 months i.e., by March 2011. Supply orders for pipes and fittings were simultaneously placed on the State Trading Corporation of Sikkim and other suppliers.

It was observed that the two sites were selected injudiciously as both the sites were later on found unsuitable. The reasons for unsuitability of the site below the District Jail were (i) requirement of approach road whose construction costs were not included in the detailed project report, (ii) unsuitability of laying pipelines along boundary wall of the District Jail and (iii) unsuitable/unstable soil. Similarly, the STP site below Kamrang College was also unsuitable as the site was near the College.

During discussion, the Secretary, Water Security and Public Health Engineering Department stated (April 2012) that alternate site for the STP earlier proposed to be constructed below the District Jail was being identified. For the other STP proposed earlier to be constructed below Kamrang College, a site 12 kilometers away from the earlier location had been identified but the Department had not acquired land for the said purpose (September 2012). It was also stated (April 2012) that the construction of the additional sewage line to the new site of the STP 12 kilometres away was included in the second phase of the UIDSSMT project for Namchi town which was forwarded (March 2011 and May 2011) to GOI for funding. However, these large-scale changes as compared to original approved plan by GOI, had not been responded to. In the absence of approval against the changes from the appropriate authority, the future of the project was uncertain even after an expenditure of ₹ 6.03 crore.

The Department thus, sent the project proposal for the Sewerage Treatment Project for Namchi without ensuring its feasibility through proper survey and investigation. Availability of suitable land was also not ensured for construction of the STPs. Thus, the sanction of the GOI was obtained without conducting background work with due diligence which resulted in the stalled project and required further major changes to the original proposal. The stalled project deprived the residents of Namchi town of the expected sewerage disposal facilities and had also led to blocked/unfruitful expenditure of ₹ 6.03 crore as of August 2012 with no idea as to when the project was likely to be completed.

The matter was reported to the Department/ Government; their reply had not been received (November 2012).

[10] *Funded 90 per cent by the Government of India and 10 per cent by the State Government*

HEALTH CARE, HUMAN SERVICES AND FAMILY WELFARE DEPARTMENT

1.7 Failure to operationalise drug testing lab

Despite receipt of funds from the Government of India in December 2006, due to absence of approach road and water supply, the drug testing laboratory established in East Sikkim could not be operationalised and expenditure of ₹ 1.50 crore towards its construction, purchase of equipment and manpower remained unfruitful.

The Health Care, Human Services and Family Welfare Department of the Government of Sikkim submitted (November 2006) a proposal to the Ministry of Health and Family Welfare (MHFW) for establishment of a drug testing laboratory at Chuwatar, Singtam, East Sikkim at a cost of ₹ 1.75 crore[11] under the scheme 'Quality Control of Ayurveda, Unani, Siddha and Homeopathic drugs'. The lab was proposed to be established for quality control of Ayurvedic and Homeopathy drugs manufactured in the State and also to provide lab testing facilities for State Medicinal Plant Board functioning under the aegis of Forest, Environment and Wildlife Management Department, one Central Research Unit of Homeopathy working in the State and one Central Ayurvedic Research Institute working at Tadong, Gangtok. The MHFW sanctioned and released (December 2006) the maximum permissible amount of ₹ 1.50 crore under the scheme for establishment of the drug testing facility in the State.

Scrutiny of records (January - February 2012) revealed that the estimate of ₹75 lakh for the building component was prepared without including provision for the very basic items like electrification, external water supply and approach road. Eight months after receipt of funds from the MHFW, the Department realised these lapses and resubmitted (August 2007) a revised estimate of ₹ 1.05 crore for the building component of the project to the MHFW for sanction of funds, after including provision for water supply, electrification and approach road. While rejecting the revised proposal, the MFHW suggested (December 2008) that the Department arrange the additional funds from the State's own resources. The Department did not approach the State Government for the additional funds required for the project but re-designed the building by reducing the floor area of the lab by 33 *per cent* from the approved standard of 6,000 sq. ft. to 4,030 sq. ft. with a view to accommodate the cost of electricity and cost escalation within ₹ 50 lakh provided by the MHFW for the building component indicating that the proposal was prepared in an unprofessional manner without site verification and survey.

The building work (with reduced floor size) was put to tender and awarded (March 2009) to the lowest bidder at 15 *per cent* above the estimated cost to be completed in February 2010 (12 months), without ensuring provision for approach road and water supply. The building was completed at an expenditure of ₹ 49.87 lakh (February 2011) and taken over by the Department

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[11] *(I) lab equipment (₹ 80 lakh) (ii) building for housing the lab (₹75 lakh), and (iii) hiring human resources for five years (₹ 20 lakh).*

in March 2011. Physical verification (April 2012) revealed that the building was lying in a state of disuse in the absence of approach road, water supply, equipment and manpower, defeating the objective of establishment of the drug testing lab to test the drugs and other medicinal plants available in the State and regulation of its quality, marketing and trade in the State. The Department had never approached the State Government for providing additional funds for approach road and water supply for the project, even after denial of additional funds by the MHFW.

While accepting the Audit observations, the Department stated (August 2012) that the delay in procurement of equipment was due to non-completion of some minor works, which had since been completed and the proposal for procurement of the materials was under process along with the proposal to appoint manpower for the laboratory as per guidelines.

Thus, the facility created at a cost of ₹ 49.87 lakh remained unused and unmaintained while the balance fund of ₹ 1 crore provided by the MHFW was lying idle in the State Government Account. Further, it was not certain as to whether the reduced size of the building would be adequate to accommodate the lab and whether the earmarked amount of ₹ 80 lakh provided more than five years ago for the equipment would be sufficient to meet the cost of the equipment keeping in view the time and cost overrun.

DEPARTMENTS OF: BUILDING & HOUSING; WATER SECURITY & PUBLIC HEALTH ENGINEERING; URBAN DEVELOPMENT & HOUSING; HUMAN RESOURCE DEVELOPMENT; HEALTH CARE, HUMAN SERVICES & FAMILY WELFARE; ROADS & BRIDGES; IRRIGATION & FLOOD CONTROL; ENERGY & POWER; RURAL MANAGEMENT & DEVELOPMENT AND FOREST, ENVIRONMENT & WILD LIFE MANAGEMENT

1.8 Loss due to non-deduction of void on stone

Non-effecting of requisite deduction of void on stone, by works executing departments, led to loss of ₹ 0.59 crore to the Government.

Mention was made in the Comptroller and Auditor General's Audit Report (Paragraph 4.2) for the year ended 31 March 2002 about non-deduction of void[12] on stone and stone chips. The Public Accounts Committee (PAC), on being satisfied with the reply furnished by the departments[13] that the void at the rate of 15 *per cent* would be deducted from the stone, issued no recommendation (March 2005). The departments also informed (March 2005) the PAC that necessary direction in this regard had already been issued to the field divisions/sub-divisions for effecting the said deduction on all ongoing works.

[12] *Empty space between the stones and stone chips*

[13] *Irrigation & Flood Control Department; Energy & Power Department; Water Security & Public Heath Engineering Department; Building & Housing Department and Roads & Bridges Department*

Test check of vouchers pertaining to the period from March 2011 to March 2012 revealed (July 2012) that the departments had not effected the deduction in a number of cases. While the departments were adhering to the prescription in some cases, in a number of cases, the requisite deduction was not being effected. Out of 560 cases test checked involving ten departments[14], in 258 cases, 15 *per cent* mandatory deduction of void on stone amounting to ₹ 0.59 crore for supply of 93,55,224 cft of stone involving all the departments was not effected (details given in **Appendix 1.8.1**). The non-deduction of void led to a loss of ₹ 0.59 crore to the Government and extension of undue benefit to the contractors/suppliers of equivalent amount. The loss to the Government on account of non-deduction of void on stone is likely to increase many fold if the payment of all other cases are taken into consideration.

The matter was reported to the Government/Department; reply had not been received (November 2012).

[14] *Departments of: Roads & Bridges; Building & Housing; Water Security & Public Health Engineering; Urban Development & Housing; Irrigation & Flood Control; Human Resource Development; Energy & Power; Health Care, Human Services & Family Welfare; Rural Management & Development and Forest, Environment & Wild Life Management*