Economic Sector

CHAPTER II

ECONOMIC SECTOR

2.1 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 Economic Sector.

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

Table 2.1.1

(₹ in crore)

Name of the Departments*	Total Budget Allocation	Expenditure
Animal Husbandry, Livestock, Fisheries and Veterinary Services	57.38	46.96
Buildings	43.14	34.20
Commerce and Industries	88.49	88.52
Co-operation	11.21	10.55
Energy and Power	175.87	134.85
Food Security and Agriculture Development	77.88	63.51
Forest, Environment and Wildlife Management	130.46	74.85
Horticulture & Cash Crops Management	37.60	34.38
Irrigation and Flood Control	123.59	43.45
Mines, Minerals and Geology	2.53	2.53
Roads and Bridges	314.21	161.40
Rural Management and Development	201.87	138.27
Tourism and Civil Aviation	193.24	65.92
Transport (Motor Vehicles)	3.08	3.11
Transport (Sikkim Nationalised Transport)	32.90	32.13
Urban Development and Housing	258.30	87.94
Water Security and Public Health Engineering	105.60	48.23
Total	**1,857.35**	**1,070.80**

** There are 16 departments which are under Economic Sector*

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

Table 2.1.2

(₹ in lakh)

Sl. no.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Amount of funds transferred during the year
1	Animal Husbandry, Livestock, Fisheries and Veterinary Services	Dairy development	North- District Milk Producers Cooperative Union Ltd, Mangan	34.24
2	Forest, Environment and Wildlife Management	Environment Information Education & Awareness	State Environment Agency	14.37
3		National Medicinal Plants Board	State Environment Agency (Sikkim Medicinal Plant Board)	322.17
4		National Afforestation Programme	State Forest Development Agency	675.14
5		Pollution Abatement	State Pollution Control Board	5.12
6		Integrated Watershed Management Programme (North & East)	State Level Nodal Agency, Social Forestry Wing	115.02
7	Food Security and Agriculture Development	Support to State Extension Services for Extension Programme	State Agriculture Management & Extension Training Institute	249.26
8		National Project on Management of Soil Health & Fertility	State Agriculture Management & Extension Training Institute	65.00
9		National Mission on Micro Irrigation.	State Micro Irrigation Committee, Gangtok	400.00
10	Horticulture and Cash Crop Development	National Mission on Medicinal Plants	Small Farmers Agri-business Consortium (SFAC)	91.10
11		National Mission on Bamboo	Horticulture & Cash Crops Development Department	350.00
12		Horticulture Mission for North East & Himalayan States	National Research Centre for Orchid, Pakyong	800.00
13	Handicraft and Handloom (Directorate)	Human Resource Development	Sikkim Handloom & Handicraft development Society	5.00
14		Marketing & Export Promotion Scheme	Sikkim Handloom & Handicraft development Society	50.53
15		Marketing Support and Services and Export Promotion Scheme	Sikkim Handloom & Handicraft development Society	10.35
16		Baba Saheb Ambedkar Hasta Silpa Vikas Yojana.	Sikkim Handloom & Handicraft development Society	49.03
17		Design & Technical Upgradation Scheme	Sikkim Handloom & Handicraft development Society	21.80
18		Marketing Support and Services & Export Promotion Scheme.	Nayuma Women Cooperative Society, Gangtok	1.01
19	Information Technology	Electronic Governance	Centre for Research & Training in Informatics	255.69
20		North Eastern Areas	Centre for Research & Training in Informatics	2.57
21		PMGSY	Special Secretary, Sikkim Rural Road Development Agency	8,000.00
22		Aajeevika	Special Secretary, District Rural Development Agency (East) Sikkim	170.00

Sl. no.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Amount of funds transferred during the year
23	Rural Management and Development	DRDA(Admn)	District Rural Development Agency (East) Sikkim	123.87
24		Rural Housing(IAY)	District Rural Development Agency (East) Sikkim	501.54
25		National Rural Drinking Water Programme	State Water Sanitation Mission, Gangtok	6,919.17
26		Information, Publicity & Extension	Sikkim Renewable Energy Development Agency, Gangtok.	4.88
27		Off-grid DRPS	Sikkim Renewable Energy Development Agency, Gangtok.	1,033.00
28		Renewable Energy Fund Application for All Villages	Sikkim Renewable Energy Development Agency, Gangtok.	12.54
29		E-panchayats	Sikkim Rural Development Agency	60.86
30		Panchayat Mahila Evam Yuva Shakti Abhiyan	Sikkim Rural Development Agency	8.76
31		Panchayat Empowerment & Accountability Incentive Scheme	Sikkim Rural Development Agency	132.74
32		Integrated Watershed Management Program(IWMP)	Zilla Panchayat (East)	86.17
33		Integrated Watershed Management Program(IWMP)	ZillaPanchayat (West)	67.88
34	Science and Technology	Science & Technology Programme for Socio Economic Development.	Sikkim Consultancy Centre , a division of W. Bengal Consultancy Limited, Kolkata,	9.84
35		Sikkim State Science & Technology Programme	Sikkim State Council of Science & Technology	68.00
36		Science & Technology Programme for Socio Economic Development	Sikkim State Council of Science & Technology	7.71
37		Technology Development Programme	Sikkim State Council of Science & Technology	1.72
38		Research & Development Support (SERC)	Sikkim State Council of Science & Technology	58.00
39		Bio-informatics	Sikkim State Council of Science & Technology	3.90
40		Environment Information, Education & Awareness.	Sikkim State Council of Science & Technology	12.12
41	Tourism and Civil Aviation	Capacity Building for Service Provider	Institute of Hotel Management , Rumtek	27.27
42		Capacity Building for Service Provider	Food Craft Institute Kuchidumira, Hamch	26.43
43		NE Areas	Sikkim Tourism Development Corporation Ltd.	149.82
44		NE Areas	Travel Agent Association of Sikkim	27.90
			Total	**21,031.52**

Source: Central Plan Scheme Monitoring System

2.2 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 ₹ 769.75 crore (including funds pertaining to previous years audited during the year) of the State Government under Economic Sector were conducted. The Chapter contains two Performance Reviews on 'Forest Conservation and Protection in Sikkim' and 'Implementation of Pradhan Mantri Gram Sadak Yojana'; Integrated Audit of Animal Husbandry, Livestock, Fisheries and Veterinary Services Department and three transaction audit paragraphs.

The major observations detected in audit during the year 2011-12 are given below:

FOREST, ENVIRONMENT AND WILDLIFE MANAGEMENT DEPARTMENT

2.3 Forest conservation and protection in Sikkim

The State Policy of Environment, Forest and Land Use 2000 seeks to achieve sustainable forest management in the State i.e., maintaining environmental stability, conserving natural heritage, checking soil erosion, increasing forest cover/ productivity of land and preventing diversion of forest lands.

The Forest, Environment and Wildlife Management Department (FEWMD) was responsible for managing the forest cover, seven wildlife sanctuaries and one national park. The Department implemented a number of schemes to conserve and protect the forest and wild life in the State. The programmes viz., State Green Mission, Intensification of Forest Management Scheme (IFMS), Award of Twelfth and Thirteenth Finance Commission (TFC), State Ecology Fund, Bird Park at Rabdentse and Compensatory Afforestation were also implemented by the Department. However, the objective of achieving sustainable forest management in the State in accordance with State Forests Policy was not achieved in full as the Department had not prepared any perspective plan to undertake a time bound programme of afforestation. Similarly, scientific management of Protected Areas (PAs) as per National Wild Life Action Plan (NWLAP) 2002-2016 was also not achieved in full as the Management Plan to conserve *wildlife in each sanctuary was not approved by the State and Government of India.*

Perspective plan of the Department and the working plan for each district during the audit period was not drawn up to undertake a time bound programme of afforestation and actionable time frame to achieve the goal of covering the available area by tree cover.

(Paragraphs 2.3.8.1 and 2.3.8.2)

Absence of proper planning for establishment of Bird Park at Rabdentse led to delay in finalisation, implementation and completion of project costing ₹ 6.53 crore.

(Paragraph 2.3.10.3)

Delay in submission of work plan under Intensification of Forest Management Scheme (IFMS) and under Thirteenth Finance Commission led to delayed sanction, delayed implementation and rush of expenditure in the closing months of the years.

(Paragraphs 2.3.10.4 and 2.3.10.5)

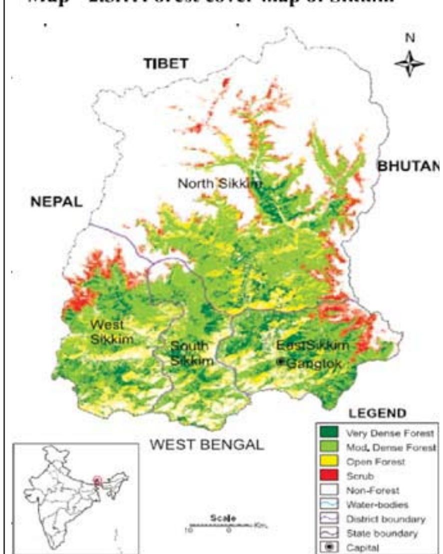
Management plan to conserve wildlife in each sanctuary had not been approved by the GOI. Thus, activities on conservation of wildlife in each protected area were being done in an ad hoc manner.

(Paragraph 2.3.10.9)

2.3.1 Introduction

Sikkim has forest area of 5,841 sq km representing 82.31 *per cent* of the total geographical area (7,096 sq km) of the State. There are seven wildlife sanctuaries and one national park covering an area of 2,179.10 sq km constituting 30.70 *per cent* of the State's geographical area.

Map – 2.3.1: Forest cover map of Sikkim



Source : Forest Survey of India

The Forest, Environment and Wildlife Management Department (FEWMD) through various Circles and Divisional Offices implemented a number of schemes to protect and conserve the forest and wildlife in the State.

Seven[1] major and eight[2] minor out of a total 29 schemes to conserve and protect forest were test-checked and evaluated of which eleven schemes were fully funded by Central Government; one scheme was funded under Twelfth and Thirteenth Finance Commission grants and one under Compensatory Afforestation Fund Management and Planning Authority (CAMPA). The funds for the remaining two schemes were borne by the

[1] *1. Bird Park at Rabdentse (CSS), 2.Intensification of Forest Management Scheme (CSS), 3.State Green Mission (State Scheme), 4. Sikkim Ecology Fund (State Scheme), 5. Twelfth/Thirteenth Finance Commission (Grants-in-aid), 6. Compensatory Afforestation (Non-Budget Scheme) and 7. National Afforestation Programme (Off Budget Scheme).*

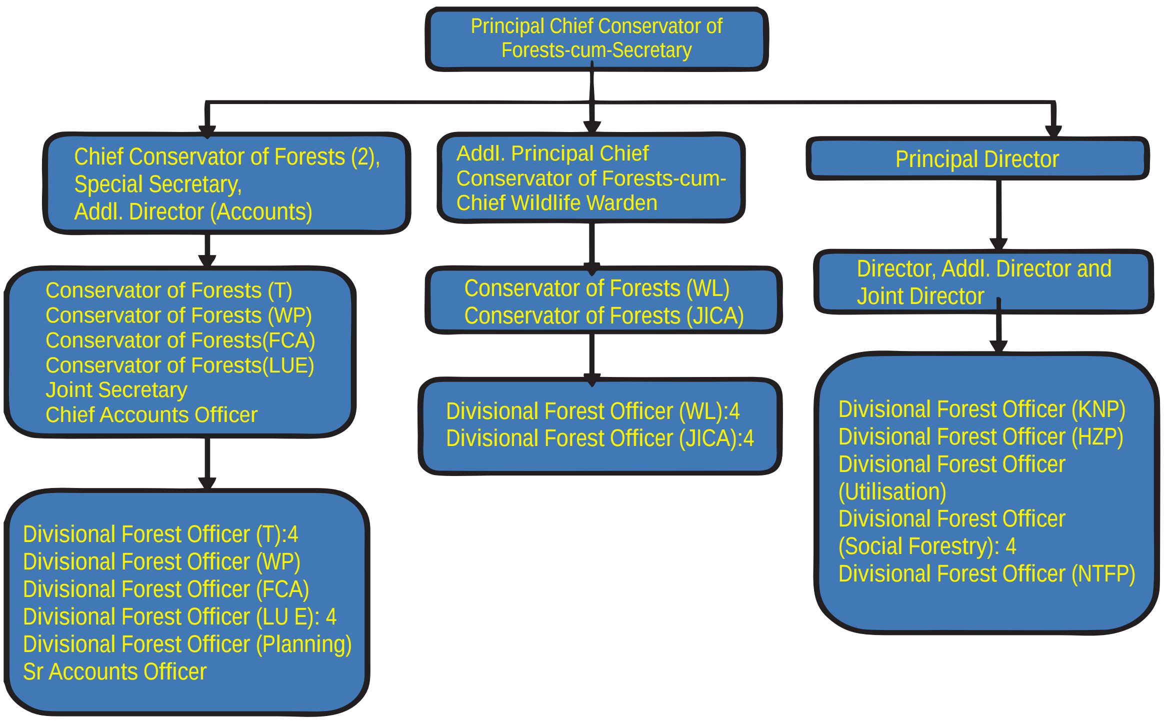
[2] *1.FambungLho sanctuary (CSS), 2.Pangulakha sanctuary (CSS), 3.Kyongnosla sanctuary (CSS), 4.Shingba sanctuary (CSS), 5.Moinam sanctuary (CSS), 6.Kitam sanctuary (CSS), 7. Barsey sanctuary (CSS) and 8. Khangchendzonga National Park (CSS).*

State Government.

2.3.2 Organisational Set-up

Principal Chief Conservator of Forests-cum-Secretary is overall in charge of the Forest, Environment and Wildlife Management Department and is assisted by the Additional Principal Chief Conservator of Forests-cum-Chief Wildlife Warden, Principal Director, Chief Conservator of Forests, Director, Conservator of Forests, Additional Directors and Joint Directors in head office and Divisional Forest Officers in district offices as shown below:

Chart 2.3.1



T: Territorial, WP: Working Plan, FCA: Forest Conservation Act, LUE: Land Use and Environment, WL: Wildlife, JICA: Japan International Co-operation Agency , KNP: Khangchendzonga National Park, HZP: Himalayan Zoological Park and NTFP: Non Timber Forest Produce.

2.3.3 Scope of Audit

A performance audit on Forest Conservation and Protection in Sikkim **for the period 2007-12** was conducted through test-check of records maintained at the Forest Secretariat, four district offices and records of four (out of eight) Protected Areas during April - September 2011 and the position was updated in April - May 2012. The control on forest areas have been segregated into two parts viz.,(i) 24 ranges under the control of normal foresters and (ii) eight Protected Areas (PAs) under the control of wild life foresters. Two ranges from each district constituting 33 *per cent* and four PAs, one from each district, constituting 50 *per cent* were selected on the basis of Simple Random Sampling Without Replacement (SRSWR) method.

2.3.4 Audit Objectives

The main objectives were to assess the performance of the State Government in taking up works with a view to conserve and protect forest, improve the sustainability of environment, provide infrastructure, reduce encroachment and preserve wildlife.

This included assessing as to whether:

- Long term and specific plans were formulated based upon accurate and reliable inputs and these plans resulted in augmentation of forest cover, infrastructure and protection of afforestation, plantations and wildlife;
- System of financial management was efficient and effective and procedure, rules and regulations specified thereof were adhered to;
- Effective efforts were made for protection of forest and wild life in an efficient, economical and time-bound manner; and
- The monitoring mechanism and evaluation of programmes were adequate and effective.

2.3.5 Audit Criteria

Audit objectives and findings were benchmarked against the following criteria:

- Provisions of the framework and guidelines issued by the Union Ministry/ State Government from time to time for implementation of schemes;
- Acts, Manuals, Notifications and Orders of the GOI / State Government / Supreme Court ; and
- Sikkim Financial Rules and Forest Schedule of Rates.

2.3.6 Audit Methodology

The performance review of Forest Conservation and Protection in Sikkim commenced with an entry conference (April 2011) with the Principal Chief Conservator of Forests-cum-Secretary wherein the audit objectives, scope, criteria and methodology were discussed. Audit methodology comprised discussions with executers, examination of records maintained by the Department, analysis of data, joint inspections and photographs as secondary/corroborative evidence, wherever necessary. Audit conclusions were drawn after the scrutiny of records, analysis of available data, joint physical verification of works executed, etc., and photographs taken as corroborative evidence supporting audit contentions wherever necessary. The report was finalised after taking into consideration the replies put forth by the Department. An exit conference was held on 17 October 2012 with the Principal Chief Conservator of Forests-cum-Secretary.

2.3.7 Acknowledgement

The office of the Principal Accountant General appreciates and acknowledges the support and co-operation of the Principal Chief Conservator of Forests-cum-Secretary, officers and staff of the Forest, Environment and Wild Life Management Department in providing necessary records and information for Audit.

Audit findings

2.3.8 Policy and Planning

2.3.8.1 State Forest Policy and its Perspective Plan

The State Government formulated (March 2000) its forest policy within the broad parameters of National Forest Policy 1988 for sustainable management of the forest and wild life resources. To translate the policy into action, formulation of perspective plan should ideally be prepared for charting out the plan of action of the Department. This would facilitate focused attention on important areas of concern and judicious utilisation of resources for forest conservation and protection. It was however, observed that the Department had not prepared any perspective plans. There was no comprehensive plan to chart out the course of action for achieving sustainable management of the forest and wild life resources, and programmes thereof to achieve them as the plan for both Central/State Schemes were adhoc in nature.

The Department stated (October 2012) that there was no logging operation in the State and the Department was mostly dependent on Centrally Sponsored Schemes and therefore, cannot constitute a perspective plan.

The reply was not acceptable as the State Forest Policy was formulated with the objective of increasing substantially the forest/tree cover in the State especially on all denuded and degraded slopes, rejuvenation of natural forests through inducing natural regeneration, etc. To translate the policy into an action, preparation of plan was necessary and important to address the objective of policy in a phased manner through intervention from available schemes/programmes.

2.3.8.2 Working Plan

The National Forest Policy 1988 envisaged that no forest activities should be permitted without approval of the Working Plan by the GOI. Further, as per directive of the Supreme Court (January 1998), forest works on regeneration, protection and development should be carried out strictly in accordance with the approved Working Plans.

It was seen that the Working Plan of South District was approved in August 2001 excluding the harvesting decisions (felling of trees). The Working Plans of East and West Districts were approved in August 2011 and of North District in March 2012. Thus, the three Divisions (except South district) had worked without approved Working Plans during the last five years which was not in conformity with the National Forest Policy 1988 and also not according to the direction of the Supreme Court.

2.3.8.3 Management plan

National Wild Life Action Plan 2002-16 envisaged preparation of Management Plan (MP) for each sanctuary by the State Government concerned. Audit noticed that the FEWMD had prepared a draft MP for each sanctuary in October 2008 but approval of the State Government as well as Government of India (GOI) had not been obtained (May 2012). Thus, in the absence of an approved MP, conservation activities in each PA were being carried out in an ad hoc manner and therefore lacked a holistic approach.

The Department stated (October 2012) that draft MPs were sent to the GOI for approval. Even though, the GOI had not communicated their approval but so far Annual Plan of Operations (APOs) were being sanctioned by the GOI on the basis of draft MPs which had been forwarded.

The reply was not acceptable as the Department could neither produce the document of having forwarded the MP nor the approval from GOI.

2.3.8.4 Perspective and Annual Plan (National Afforestation Programme)

According to Programme guidelines *(Para 4.2)*, FDA should draw a five year perspective plan, followed by year-wise annual plan of operation (APO) for treatment of the project areas in consultation with the JFMC/EDCs.

Audit noticed that although five year perspective plan and year-wise APO was prepared by the FDAs, it was without undertaking proper survey. Area required to be considered for Aided Natural Regeneration (ANR) and Artificial Regeneration (AR) were not identified, records for total project area before implementation of project, area covered till date and balance to be covered were not reflected in the plans.

JFMC-wise register to record opening balance, addition, completion and closing balance of project area was also not maintained by any of the FDAs test checked in audit. Thus, it appears that the perspective plans and APO was perfunctorily prepared for submission to Government of India (NAEB) for obtaining funds under the programme rather than incorporating the attainable targets with respect to treatment of project areas for fulfillment of the objectives of the NAP.

2.3.9 Financial Management

The Department receives funds through budgetary allocation from the State for implementation of Centrally Sponsored Schemes, State Schemes and Externally Aided Projects. The Department also receives non-budgeted funds from the Government of India for implementation of schemes like Compensatory Afforestation Programme, National Afforestation Programme, etc.

2.3.9.1 Budgetary Outlay and Expenditure

The budgetary allocation of funds and expenditure incurred by the Department during 2007-12, were as under:

Table 2.3.1

(₹ in crore)

Year	Budget provision			Expenditure			Excess(+) Savings(-) (Revenue)	Excess(+) Savings(-) (Capital)
	Revenue	Capital	Total	Revenue	Capital	Total		
2007-08	38.72	2.79	41.51	37.06	2.34	39.40	(-)1.66(4.29)	(-)0.45(16.13)
2008-09	44.04	4.82	48.86	42.18	4.60	46.78	(-)1.86(4.22)	(-)0.22(4.56)
2009-10	55.63	6.83	62.46	52.14	6.66	58.80	(-)3.49(6.27)	(-)0.17(2.49)
2010-11	82.54	5.71	88.25	66.71	2.65	69.36	(-)15.83(19.18)	(-)3.06(53.59)
2011-12	116.43	5.57	122.00	66.85	4.11	70.96	(-)49.58(42.58)	(-)1.46(26.21)
Total	**337.36**	**25.72**	**363.08**	**264.94**	**20.36**	**285.30**	**(-)72.42(21.47)**	**(-)5.36(20.84)**

Source: Appropriation Accounts and Departmental statement of accounts.
Figures in the parenthesis indicate percentage

There were persistent savings in all the five years (2007-12) both in Revenue and Capital, particularly under Revenue in 2011-12. There were savings, both in Revenue and Capital provisions in all the five years ranging between 4.22 *per cent* and 42.58 *per cent* in respect of Revenue and 2.49 *per cent* and 53.59 *per cent* in respect of Capital respectively indicating a gap between planning and implementation of planned activities mainly due to delayed submission of schemes/projects to the Government of India.

The Department stated (June 2012) that the savings during 2011-12 occurred mainly under Externally Aided Project of Japan International Co-operation Agency (JICA) to the extent of ₹ 41.82 crore as the expenditure was restricted to the extent of reimbursement made by JICA. Similarly, savings of ₹ 2.07 crore under Sikkim Ecology Fund was attributed to non-furnishing of bank guarantee for advance payment by the supplier. The Department in its subsequent reply (October 2012) reiterated the same.

2.3.9.2 Non-budgeted scheme financed under CAMPA

Prior to the formation of CAMPA in August 2009, the work under Compensatory Afforestation Programme was executed out of budget allotted by the State Government and thereafter from 2009-10, the funds were received directly from the CAMPA, Ministry of Environment and Forest, GOI. The details of funds received and expenditure incurred during the period of audit were as follows:

Table 2.3.2

(₹ in crore)

Year	Fund available	Expenditure	Closing balance
2007-08	0.26	0.26	-
2008-09	0.11	0.11	-
2009-10	8.16[3]	4.43	3.73
2010-11	14.19[4]	13.34	0.85
2011-12	10.09[5]	10.08	0.01
Total	**32.81**	**28.22**	

Source: Departmental figures

[3] *includes interest of ₹14.89 lakh*
[4] *includes interest of ₹23.43 lakh*
[5] *includes interest of ₹19.88 lakh*

➢ ***Outstanding Net Present Value (NPV)***

In case of diversion of forest land for non-forestry purposes, the NPV was to be realised at prescribed rates from the user agency as cost of benefits lost in respect of forest tracts. Audit scrutiny (April 2012) revealed that in 2 cases involving 57.652 ha, the State CAMPA had not realised the NPV funds totalling ₹ 3.19 crore as detailed at **Appendix 2.3.1**. The Department stated (June 2012) that the matter was being pursued persistently and the receipt of NPV would be intimated as and when received from user agencies.

➢ ***Loss of interest***

According to CAMPA guidelines, the funds received by the State CAMPA may be invested in any nationalised bank, Government securities, bonds, etc. It was noticed that the State CAMPA received a fund of ₹ 8 crore from GOI on 22 August 2009 against which the State CAMPA invested ₹ 7 crore in the Union Bank of India on 2 December 2009. There was delay in investment by 101 days leading to loss of interest of ₹ 0.10 crore[6]. In reply, the Department stated (June 2012) that the observation was noted for future guidance.

2.3.9.3 Off-Budget Scheme financed under National Afforestation Programme

The National Afforestation Programme (NAP) is a significant off-budget Central Sector Scheme implemented by the State through funds provided by the GOI. The year-wise actual release of funds by GOI and funds utilisation are shown below:

Table 2.3.3

(₹ in lakh)

Year	Opening Balance	Fund			Fund available	Expenditure	Closing Balance
		GOI	Interest	Total			
2007-08	86.75	1,208.48	-	1,208.48	1,295.23	958.35	336.88(26)
2008-09	336.88	697.86	-	697.86	1,034.74	944.50	90.24(9)
2009-10	90.24	819.94	0.99	820.93	911.17	802.93	108.24(12)
2010-11	108.24	1,207.29	-	1,207.29	1,315.53	1,174.41	141.12(11)
2011-12	141.12	987.71	-	987.71	1,128.83	832.26	296.57(26)
Total		**4,921.28**	**0.99**	**4,922.27**		**4,712.45**	

Source : Departmental figure

During the period (2007-12), the Department had available funds amounting to ₹ 50.09 crore (GOI: ₹ 49.21 crore, ₹ 86.75 lakh as opening balance and ₹ 0.99 lakh as interest). At the end of March 2012, the Forest Development Agencies (FDAs) utilised ₹ 47.12 crore (94 *per cent*) and balance ₹ 2.97 crore was lying unutilised as per departmental records.

Audit scrutiny revealed that there was delay in release of funds by GOI to SFDA[7] and also from SFDA to FDAs[8], as enumerated in succeeding paragraphs.

[6] *@5 per cent per annum x Px101/365 days*
[7] *State Forest Development Agency.*
[8] *Forest Development Agencies.*

➢ ***Delay in release of funds by GOI***

The Programme guidelines *(Para 6.5.1)* stipulated release of 50 *per cent* of the approved cost of the APO of the State by NAEB to the State FDA as first installment at the commencement of the financial year, preferably by 30th April, without waiting for Utilisation Certificate and Progress Report of the previous year in order to match the timing of plantation activities.

Audit scrutiny revealed that despite this provision, first installment was released belatedly, recording a delay of 55 to 245 days during 2007-12 as detailed in **Appendix 2.3.2**. The FDAs did not initiate adequate steps to obtain the funds on time.

➢ ***Release of funds by SFDA to FDAs***

The Programme guidelines *(Para 6.5.1)* enjoined upon the SFDA to transfer the proportionate funds to the concerned FDAs within seven days of receipt of funds from NAEB.

Audit scrutiny revealed that SFDA, which was formed during May 2010 transferred the proportionate funds to the concerned FDAs belatedly, recording a delay of 5 to 73 days as detailed in **Appendix 2.3.3**.

➢ ***Release of funds to JFMCs/ EDCs***

The Programme guidelines *(Para 6.5.2)* enjoined upon the FDAs to transfer 80 *per cent* of the funds to the concerned JFMCs/EDCs within 15 days of receipt of funds for implementation of the works to be undertaken by JFMCs/EDCs. The balance 20 *per cent* of the funds should be released after utilisation of 50 *per cent* of funds already released to JFMCs/EDCs.

Audit noticed that four FDAs (out of five) did not transfer the funds to JFMCs/EDCs within 15 days of receipt of funds to enable the JFMCs/EDCs to undertake implementation of the works envisaged in the annual plan. Not only were the funds not released on time but the release was also much less than the stipulated 80 *per cent* of the funds to the concerned JFMCs/EDCs.

While the delay in release of funds to JFMCs/EDCs ranged between 5 and 203 days in the five FDAs checked in Audit, the release of funds ranged between 60 and 70 *per cent* of the stipulation (80 *per cent)* indicating a shortfall of ₹ 19.63 lakh (25 *per cent*) and ₹ 99.10 lakh (56 *per cent)*. The details are shown in the **Appendix 2.3.4**. The short and belated releases of funds by FDAs to JFMCs constrained the JFMCs in executing the programme as per micro plan.

2.3.9.4 Departmental receipts

The main source of internal revenue receipts was from the royalties of forest produce (sand, stone, timber), entry fees from garden, park, etc. and receipt as per Forest Conservation Act (FCA) 1980. Forest receipts realised during the years 2007-12 and percentage of variation were as under:

Table 2.3.4

(₹ in crore)

Year	Target	Actuals	Variations :Excess (+) or shortfall (-)	Percentage of variation
2007-08	7.50	10.95	(+) 3.45	(+) 46.00
2008-09	8.00	11.26	(+) 3.26	(+) 40.75
2009-10	8.10	8.79	(+) 0.69	(+) 8.52
2010-11	11.00	12.25	(+) 1.25	(+) 11.36
2011-12	11.00	12.53	(+)1.53	(+)13.91
Total	**45.60**	**55.78**	**(+) 10.18**	**(+) 22.32**

Source: Finance Accounts and Departmental statement

The above table indicated that during the above period, there was excess receipts as compared to the targets ranging from 8.52 *per cent* to 46 *per cent. Thus, there was* a variation between the estimates and the actual receipts. It was also seen that receipts increased from ₹ 10.95 crore to ₹ 11.26 crore (2007-08 to 2008-09), which however, decreased to ₹ 8.79 crore during 2009-10.This was due to reduction in receipts under the head 'Receipt from FCA Act 1980' on account of elimination of crop compensation upon formation of State CAMPA in August 2009.

The Department stated (October 2012) that it was difficult to estimate closely, as the recoveries made by the works departments on royalties depend on sanction, budgetary support and resource available. However, the Department was making efforts to coordinate with the concerned departments and work out a solution.

2.3.9.5 Expenditure Control

Financial Rules require that expenditure should be evenly managed and the rush of expenditure, particularly in the closing month of the financial year, should be avoided. The year-wise expenditure incurred in March as a percentage of the total expenditure in respect of two schemes[9] test-checked for 2007-12 are given below:

Table 2.3.5

(₹ in crore)

Schemes	Integrated Forest Management (IFMS) Scheme		Twelfth and Thirteenth Finance Commissions (TFC)	
Year	Total expenditure	Expenditure in March	Total expenditure	Expenditure in March
2007-08	1.52	1.23 (81)	1.44	0.58 (40)
2008-09	2.83	1.60 (57)	1.59	1.02 (64)
2009-10	3.29	2.92 (89)	2.07	1.36 (66)
2010-11	2.45	2.17 (89)	5.04	4.77 (95)
2011-12	2.87	2.73 (95)	5.02	4.20 (84)
Total	**12.96**	**10.65 (82)**	**15.16**	**11.93 (79)**

Figures in the parenthesis indicate percentage
Source: Detailed Appropriation Account and Departmental statement of Account

Audit analysis on both the above schemes revealed that funds ranging between 57 *per cent* to 95 *per cent* and 40 *per cent* to 95 *per cent* in respect of IFMS and TFC respectively were spent

[9] *Integrated Forest Management Scheme (IFMS) and Twelfth/Thirteenth Finance Commission (TFC).*

during the closing months of the financial years.

While admitting the fact, the Department stated (June 2012) that the rush of expenditure was due to delay in submission of proposal, obtaining approval and sanction was due to relocation of Secretariat, deployment of officers and staff in rescue operations owing to earthquake of September 2011. Department should ensure that delays are minimised and expenditure evenly incurred since the rush of expenditure in March was noticed during the entire period covered under review. The Department in its subsequent reply (October 2012) reiterated the same.

2.3.10 Programme Implementation

As mentioned in the preceding paragraph, the Department did not prepare the perspective plan and working plan. Instead, the plans for State /Central Schemes were scheme specific and ad hoc in nature and hence did not address the issue in its entirety.

Of the total expenditure of ₹ 360.64 crore incurred by the Department during 2007-12, audit test-checked an expenditure of ₹ 132.75 crore (37 *per cent*) incurred on seven[10] major schemes and eight[11] minor schemes (Protected Areas) implemented in the State. The audit findings are enumerated in the subsequent paragraphs:

2.3.10.1 Afforestation and Protection

➢ ***Afforestation***

The National Forest Policy (NFP) 1988 envisaged a goal to have a minimum of one-third of the total land area of the country under forest or tree cover. In the hills and in mountainous regions, the aim should be to maintain two-third of the area under such cover in order to prevent erosion and land degradation and to ensure the stability of the fragile eco-system. To achieve this, a massive time bound programme of afforestation and tree planting was necessary.

Afforestation covers all the plantation works carried out under different programmes and schemes so as to improve the forest cover. Against the target of 60,000 ha (600 sq km) plantation during the last five years (2007-12), the Department achieved plantation of 24,799 ha (247.99 sq km) registering a shortfall of 35,201 ha (59 *per cent*). In the absence of perspective plan (2007-12), only nominal increase of forest cover by 97 sq km (1.37 *per cent* as against 66 *per cent* as stipulated in the National Forest Policy 1988) could be achieved increasing the forest cover from 3,262 sq km[12] in 2005 to 3,359 sq km in 2011. This was due to the absence of a holistic approach towards planning. An analysis of the forest cover indicated that there was intermittent increase of moderate dense forest by only 3.51 *per cent* and decrease of non-forest by 1.37 *per cent* from 2005 to 2011, as per report of the Forest Survey of India as shown below:

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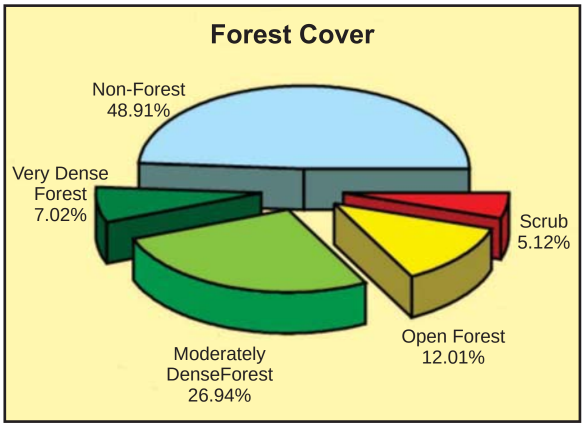
[10] 1. State Green Mission, 2. Bird Park at Rabdentse, 3.Intensification of Forest Management Scheme, 4.Twelfth/Thirteenth Finance Commission, 5.Sikkim Ecology Fund, 6.Compensatory Afforestation, and 7. National Afforestation Programme.

[11] 1.FambungLho sanctuary, 2. Pangulakha sanctuary, 3. Kyongnosla sanctuary, 4. Shingba sanctuary, 5. Moinam sanctuary, 6. Kitam sanctuary 7.Barsey sanctuary and 8.Khangchendzonga National Park.

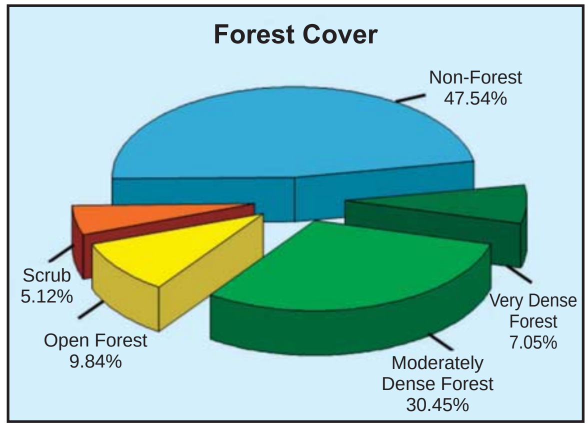
[12] Excludes shrub.

Chart 2.3.2



2005

Chart 2.3.3



2011

Source: Forest Survey of India.

While accepting the fact, the Department stated (May 2012) that the working plan for all the districts had been completed and now onwards the prescription of working plan would be followed for plantation and management of forest.

➢ ***Protection***

The Forest Department has been entrusted with the responsibility to protect some of the most valuable resources of the country. Protection of forest resources requires a strong infrastructure at the disposal of the protecting agency such as forest roads, buildings, vehicles, arms, wireless equipment, etc. It was noticed that schemes such as IFMS, TFC funded the above infrastructural requirements. Audit scrutiny revealed the following:

Encroachment: The Forest (Conservation) Act (FCA) 1980 envisages that no diversion of forest land is permissible without the prior approval of the Government of India. The State Government in its own Forest Policy (March 2000) also pronounced that there would be no regularisation of existing encroachments.

Audit analysis of encroachment in the forest area revealed that, no data was available for the years 2000 and 2001, but 3,613 ha of forest area were found under encroachment during the year 2002-03. However, the Department evicted illegal encroachments from 166.94 ha of forest area during 2004-05 to 2006-07 leaving a balance of 3,446.06 ha under encroachment at the end of 2007-08 as shown below:

Table 2.3.6

(Area in hectare)

Year	Total area encroached (Opening Balance)	Encroachment evicted	Net area under encroachment (Closing Balance)
2007-08	3,446.063	-	3,446.063
2008-09	3,446.063	-	3,446.063
2009-10	3,300.96	68.09	3,232.87[13]

Source: Departmental statement. Figures in respect of 2010-12 not compiled by the Department

[13] *North: 2305.69 ha, South: 396.67 ha, East: 528.47 ha and West: 2.04 ha.*

It was noticed that the closing balance of area under encroachment during 2008-09 was 3,446.06 ha but the figure of the opening balance for 2009-10 was 3,300.96 ha. The Department had not been able to explain this difference (November 2012). It was seen that the Department evicted 68.09 ha during 2009-10. Although, Monitoring Committee at the State level, PCCF level and the Forest Circle Level were formed (2002) to plan, monitor and evict the encroachers, however, no report on activities undertaken by those Committees were available on record. Thus, action taken by those Committees could not be examined. It indicates that the State adopted a rather passive attitude towards eviction from these encroachments contrary to its own policy.

The Department stated (May 2012) that a District Level Committee had been constituted to examine the cases of encroachment and recommend for regularisation wherever appropriate as per the FCA 1980. The report of the Committee was awaited. The Department in its subsequent reply stated (October 2012) that the Scheduled Tribes and Traditional Forest Dwellers (Recognition of Rights) Act, 2006 provides for regularisation of areas that have been occupied by the Tribals and Traditional Forest Dwellers. The process for identifying such people who have been in occupation of forest land for Recognition of Rights under this Act was also required to take place before eviction can be undertaken.

The reply was not acceptable as the Department was yet to take action on either regularisation or eviction.

Illegal felling of trees: Illegal felling of trees continued to be a major menace in forests. Cases of illegal felling of trees during the period of audit were as below:

Table 2.3.7

Year	No. of cases of illicit felling	No. of trees illicitly felled	Loss of timber (in cu mt)	Value of losses (₹ in crore)	No. of offenders arrested
2007-08	15	29	30.00	0.05	8
2008-09	54	72	52.00	0.09	4
2009-10	14	22	27.03	0.03	13
Total	**83**	**123**	**109.03**	**0.17**	**25**

Source: Departmental statement.   *Figures in respect of 2010-12 not yet compiled by the Department*

The above table indicates that in 83 cases, 109.03 cu mt of timber valuing ₹ 0.17 crore were lost, of which 25 offenders were arrested by the Department. The details of cases settled/pending and the fines imposed on those offenders were not on record. One of the reasons for inadequate control could be attributed to the absence of proper weaponry and mobility facilities at the level of frontline foresters as it was noticed that against the requirement of 40 rifles, the Department procured only 18 rifles from 2005 to 2010. This could also have an adverse impact on the morale and the motivation of the forces engaged in containing and arresting offenders.

The Department stated (May 2012) that utility vehicle had been provided to the Territorial Divisions and motor bikes to the Range/Block Officers in strategic places. Provision had been made under Sikkim Biodiversity Conservation and Forest Management Project to cater to the requirement of mobility for field level officials under Territorial and Wild Life Ranges. The Department also added that the variation in number of arms had arisen due to price fluctuation and admitted that not all the Range/Block officers were equipped, and that weaponry would be provided whenever the need arises. The reply of the Department corroborates the fact that not all the Range/Block officers had been provided with the required mobility, and with regard to purchase of arms, the Department had utilised only ₹ 10 lakh against the allotment of ₹ 16 lakh from the award of TFC.

Forest fire: A forest fire management policy provides for zoning of the forests on the basis of their vulnerability, assessed ecological impacts and intrinsic value so that different zones can be dealt with differently as per their requirements.

It was noticed that during 2007-08 to 2008-09, forest fires had damaged 1,654 hectares of forest land which led to an estimated loss of ₹ 3.50 crore. The information for the subsequent periods was not compiled in the Department and therefore, could not be examined in audit. Audit analysis on the information furnished by the individual Divisional Offices for the year 2009-2010 and 2011-2012 revealed that as much as 703.67 ha[14] of forest land was damaged. The forest fires were attributed to human negligence during dry weather. It was seen that despite spending ₹ 1.57 crore and ₹ 1.42 crore for forest fire control and management under IFMS and TFC respectively, it had not been successful in preventing fires. Had the Department conducted zonation in the vulnerable areas and prescribed treatment, the loss could have been reduced /avoided.

The Department stated (May 2012) that the observation was noted for future guidance.

2.3.10.2 State Green Mission

The State Government launched the State Green Mission (SGM) during 2006-07 with the objective to create green belts and avenues mainly for meeting aesthetic recreational needs of the people, beautify the areas for tourist attraction, reduce surface run-off discharge and check erosion in the downhill side, create a storehouse of genetic diversity by planting all indigenous trees, shrubs, herbs, conifers including fruits and medicinal plants, reduce encroachment of road reserve areas, reduce temperature and increase humidity through mass afforestation along the roads and vacant land, streams and waterfalls besides other aims to be covered by 2008-09. The Mission was extended for 2009-11for maintenance.

➢ ***Planning for State Green Mission***

Planning for implementation of the State Green Mission was required to be formulated through preparation of District Detailed Project Report (DDPR). The DDPR identifies strategies and operational schedules within a time bound frame work. It was noticed during audit that the Department had not prepared any DDPR. The results of non-preparation of DDPR are discussed in the succeeding paragraphs.

[14] *East: 323.15 ha, South: 300.02 ha and West: 80.50 ha*

(i) Plantation targets were to be fixed in the District Detailed Project Report (DDPR) after ascertaining individual road lengths and availability of space. It was however, observed that target and budget were finalised unilaterally from Head Office without preparation of DDPR. This indicated that there was lack of proper planning on the actual requirement of plantation and requirement of funds at the executing level (District level).

(ii) As per the approved plan, the Department was required to carry out 1,015 km of Avenue Plantation (AP) and 94 ha of Block Plantations (BP), for which 18.66 lakh seedlings were required. Against these, the Divisional offices executed 1,191.30 km of AP and 233.26 ha of BP by using 20.88 lakh of seedlings during 2006-07 to 2008-09.

(iii) Analysis of seedlings used vis-à-vis requirement as per approved plan (norms) revealed that seedlings used were less than the requirement by 6.84 lakh as detailed below:

Table 2.3.8

Phase	Year	Approved Plan		Seedling requirement as per Approved Plan (No. in lakh)	Achievement as per execution		Seedling requirement (No.in lakh)	Actual use (No. in lakh)	Less use of seedling (No. in lakh)
		AP (Km)	BP (Ha)		AP (Km)	BP (Ha)			
I.	2006-07	310.00	15.00	5.05	367.90	15.00	5.86	5.76	0.10
II.	2007-08	395.00	60.00	8.37	597.90	148.69	15.41	10.14	5.27
III.	2008-09	310.00	19.00	5.24	225.50	69.57	6.45	4.98	1.47
	Total	**1,015.00**	**94.00**	**18.66**	**1,191.30**	**233.26**	**27.72**	**20.88**	**6.84**

Source: Departmental figures

The Department while admitting that the preparation of DDPR was necessary, stated (May 2012) that the works were monitored and supervised from Head Office. The Department also added that excess achievement was due to active participation of the people. The reply of the Department did not address the issue of short utilisation of seedlings which was in contravention to approved plan (norms).

The Department in its subsequent reply stated (October 2012) that while undertaking avenue plantation, road conditions changed as a result of road widening, etc. and therefore, space for plantation was not available as planned. Besides, those saplings that survived from earlier plantation were also present at many road sides which accounted for reduced plantation as compared to the norm. The reply was not acceptable as the analysis of the monitoring report of Department itself speaks of less usage of seedlings and further the availability of saplings of earlier plantation was neither on record nor was adjusted from the requirement.

➢ ***Wasteful expenditure***

Joint physical inspections were conducted (July 2011) on the works executed under State Green Mission in eight Ranges, out of which in three ranges viz., Ranipool, Kyongnosla and

Yuksom, plantations to the extent of 19.50 km were destroyed owing to road widening and carpeting works carried out by Border Roads Organisation (BRO). Thus, execution of plantation work without coordination with the BRO resulted in wasted expenditure of ₹ 0.05 crore as detailed below:

Table 2.3.9

Name of the Range	Areas affected	Total km	Rate per km(₹)	Total amount (₹)
Ranipool	32 mile to Ranipool	3.00	36,518	1,09,554
Kyongnosla	Kupup	1.50	38,227	57,341
Yuksom	Yuksom	15.00 (on one side)	38,227/2	2,86,703
Total		**19.50**		**4,53,598**

Source: Departmental figures

Image 2.3.1

Kupup road 18 July 2011

The Department stated (May 2012) that necessary measures would be taken in future to avoid such expenditure.

➢ ***Survival rate of plantations***

The survival rate of plantation ranged between 68.75 and 73.50 *per cent* during 2006-09 as shown below:

Table 2.3.10

Year	Average percentage of survival
2006-07	68.75
2007-08	73.50
2008-09	72.00

Source : Monitoring report of the Department

Physical verification (July 2011) of plantation by audit of eight out of 24 Ranges involving all the districts of the State in the presence of departmental officers revealed that the survival rate of North district was lowest ranging between 37 and 44 *per cent*, followed by East 51 to 63 *per cent* and West 58 to 70 *per cent*. The details are shown in **Appendix 2.3.5**. Since, the Department had not set the benchmark on survival rate of plantations, the aforesaid survival rate could not be analysed with reference to benchmark.

The Department stated (May 2012) that decrease in survival rate was due to the road widening works and also forest fire. The reply indicated absence of coordination between BRO and the State Government (Forest Department) as pointed out in preceding paragraph and also inadequate monitoring mechanism to contain forest fire.

2.3.10.3 Bird Park at Rabdentse

➢ ***Improper planning and non-achievement of objective***

Sikkim harbours over 552 species of birds. Among these a variety of rare species birds were identified as threatened. In order to prevent the loss of bird population, the State Government came up with conservation strategies by conceiving the project 'Establishment of Bird Park at Rabdentse'.

The State Government engaged (May 2006) a consultant for the preparation of Concept and Feasibility Report (CFR) and also for estimating the budget for establishment of a Bird Park at Rabdentse. The consultant submitted (February 2007) the CFR at an estimated project cost of ₹ 63 crore phased out for three years (2007-08 to 2009-10), out of which phase I was for ₹ 5 crore, later revised to ₹ 6.53 crore by inserting new items of work by the departmental engineers which was approved by GOI (September 2008) and by State Government (October 2008). Accordingly, GOI released ₹ 6.50 crore (₹ 0.50 crore in 2008-09 and ₹ 3 crore each in 2009-10 and 2010-11).

Image 2.3.2

Bird Aviary under progress at Rabdentse 7 July 2011

Audit scrutiny revealed (May 2012) that the work order for the work 'Establishment of Bird Park at Rabdentse' was issued in March 2009 with stipulation to complete the work within 12 months i.e., February 2010. While the work was in progress, the project cost of Phase I was once again revised to ₹ 23.23 crore from ₹ 6.53 crore and submitted (October 2010) to GOI, which was not approved. The delayed progress resulted in the entire allotment of ₹ 3 crore pertaining to 2010-11 being surrendered. The project expected to be completed by February 2010, was behind schedule with physical progress of only 25 *per cent* as of May 2012. Thus, the injudicious estimation of financial requirement in the beginning and failure thereafter to obtain sanction against the additional fund, led to non-fulfilment of the objective of establishing the Bird Park.

Audit also noticed that advances of ₹ 2.96 crore were released to State Trading Corporation of Sikkim (STCS) (₹ 0.25 crore during March 2009 and ₹ 1.92 crore during March 2010) and contractor towards Mobilisation Advance (MA) for ₹ 0.79 crore in March 2010. Against these advances, while the STCS had supplied materials worth ₹ 0.52 crore as of May 2012; the deduction on account of MA from the contractor was effected to the tune of ₹ 0.23 crore as of May 2012. This led to a total fund of ₹ 2.21 crore (₹ 1.65 crore with STCS and ₹ 0.56 crore with contractor) remaining locked outside Government account.

While accepting the audit observation, the Department stated (May 2012 and October 2012) that the delay was due to the change in scope of work and the project would be completed within 2012-13 with the balance sanctioned grant available with the Department. The fact remains that the entire project was envisaged with an estimate of ₹ 63 crore but the Department at the initial stages revised the estimates which was not approved by the GOI. Therefore, it is evident that the Department would not be able to complete even the first phase of the project with the available funds.

2.3.10.4 Intensification of Forest Management Scheme (IFMS)

The scheme Integrated Forest Protection Scheme (IFPS) had been formulated by the merger of two schemes i.e., Forest Fire Control and Management and Bridging of Infrastructure Gaps in the Forestry Sector. The IFPS was renamed as Intensification of Forest Management Scheme (IFMS) from 2009-10. The Scheme aimed at bringing about infrastructure development and forest fire control and management. The scheme was financed by the GOI and the State Government in the ratio of 90:10. Audit scrutiny revealed the following:

➢ ***Delayed submission of Annual Works Plan (AWP)***

As per scheme guidelines, AWP was to be submitted to GOI within a reasonable time frame so that AWP could be executed within the same year.

Audit analysis (June 2011 and May 2012) revealed that the submission of AWP to GOI was delayed and there was delay in obtaining the State Government approval also as shown below:

Table 2.3.11

Year	AWP sent to GOI	AWP sanctioned by GOI	AWP approved by State Government.
2007-08	26.09.2007	06.12.2007	28.02.2008
2008-09	03.05.2008	06.07.2008	22.10.2008
2009-10	08.05.2009	15.10.2009	13.01.2010
2010-11	Not available	14.07.2010	15.11.2010
2011-12	10.05.2011	19.07.2011	28.11.2011

Source: Departmental figures

The delay resulted in partial/non-utilisation of funds as detailed below:

- ***Non-utilisation of funds***

The Department proposed (September 2007) the AWP for the year 2007-08 at ₹ 2.20 crore. The GOI sanctioned (December 2007) AWP for ₹ 1.68 crore which was administratively approved (February 2008) by the State Government. Audit analysis (June 2011) revealed that due to delay in the process as stated above, the Department could utilise only ₹ 0.64 crore leading to non-utilisation of ₹ 1.04 crore as detailed in **Appendix 2.3.6**.

Thus, the objectives to provide forest fire control and management, working plan, survey and demarcation and strengthening of infrastructure for forest protection could be achieved only to the extent of 55 *per cent*, 17 *per cent* and 55 *per cent* respectively during the year 2007-08.

While accepting the fact, the Department stated (May 2012) that attempts would be made to minimise the procedural delays and also added that in future attempts would be made so that non/underutilisation is brought to the minimum. The Department in its subsequent reply (October 2012) reiterated the same.

- ***Construction of quarters for front line foresters***

(i) The IFMS aimed at bringing about infrastructure development which stressed on the provision of offices and residences for front line foresters. As per the AWP approved by GOI, the Department was required to construct 43 quarters for the front line foresters during 2007-12 at a cost of ₹ 4.47 crore.

Audit observed (June 2012) that the Department constructed 34 (79 *per cent*) quarters by spending ₹ 3.41 crore pertaining to the front line foresters as detailed in **Appendix 2.3.7**. Thus, the objective of bringing about infrastructure development for front line foresters was partially achieved**.**

(ii) Joint physical inspection conducted in July 2011 at Ranipool Range revealed that the Block Office building at Assam Lingzey was in a dilapidated condition due to non-maintenance by the Department and no record of its being utilised could be produced even after the physical verification.

Image 2.3.3

Block Office at Assam Lingzey 19 July 2011

While accepting the fact, the Department stated (May 2012) that the construction of quarters were delayed and the remaining quarters were proposed to be constructed in the following years. The Department in its subsequent reply stated (October 2012) that the unconstructed quarters which had not been taken up earlier were constructed in the following years and all the quarters were finally completed. While no documentary evidence in support of completion of all the 43 quarters could be produced to Audit, delay in completion of the quarters could not be justified by the Department.

2.3.10.5 Twelfth and Thirteenth Finance Commission

The broad objective of providing grants-in-aid under Twelfth Finance Commission was to preserve and maintain forest wealth. The funds provided was an additionality over and above the State's own plan funds. Twelfth Finance Commission (TFC) approved maintenance of forest at an approved outlay of ₹ 8 crore for the years 2005-10. Thereafter, allocation as per the Thirteenth Finance Commission for the years 2010-15 was for ₹ 40.56 crore against which allotments for 2010-11 and 2011-12 were ₹ 5.07 crore in each year.

Audit scrutiny revealed following:

➢ ***Delayed submission of Annual Works Plans (AWPs)***

AWP for the year 2010-11 was drawn up almost at the end of the year (November 2010) which was approved by State High Level Monitoring Committee (SHLMC) in December 2010 leaving little time for execution. Owing to delay in submission of proposal, there was short execution of the components in the areas of (i) enhancement and conservation of biodiversity and (ii) eco restoration of hill slopes leading to rush of expenditure in March to the extent of 95 *per cent.*

The Department stated (May 2012) that attempts would be made to minimise the procedural delays. The Department in its subsequent reply (October 2012) reiterated the same.

➢ ***Irregular expenditure***

According to Twelfth Finance Commission's (TFC) stipulations, the funds allotted under TFC were not to be used for repairs/maintenance of quarters/offices and emphasis was given to regeneration and protection of forests. Accordingly, the modified revised Perspective Plan (PP) was approved (January 2006) by SHLMC.

Audit scrutiny (June 2011) however, revealed that the revised PP excluded items such as repair of quarter and office, but it incorporated “maintenance” which was not admissible. It was seen that ₹ 6.90 lakh was incurred on maintenance of seven check posts against the grant. It was also noticed that the electrification of the wireless repeater station at Tendong, South Sikkim was not incorporated in the PP. However, the item was irregularly included in the AWP and a fund of ₹ 14 lakh was transferred (August 2008) to the Energy and Power Department for providing the same. The status of work was not on record.

The Department stated (May 2012) that the protection of forests depends heavily on the check post and it was thus repaired. The Department in its subsequent reply (October 2012) reiterated the same.

The reply was not acceptable as the funds provided under this grant did not have provision for repair works.

2.3.10.6 Sikkim Ecology Fund

The Sikkim Ecology Fund and Environmental Cess Act was notified in 2005 and the Rules thereunder were framed in 2007. As per the Act, whoever brings non-biodegradable materials to the State of Sikkim with whatsoever purpose would be levied environmental cess at the rate of one *per cent* of total turnover on sale price and in respect of hotels, resorts and lodges, it would be levied at the rate of five *per cent*.

The broad objective of this fund was to protect and improve the quality of environment, control and abating environment pollution and to take measures for restoration of ecological balance of the State. Audit scrutiny revealed the following:

➢ ***Non preparation of Perspective Plan (PP)***

Principal Chief Conservator of Forests-cum-Secretary (PCCFS) was appointed as the prescribed authority for proper utilisation of the funds, who was assisted by members consisting of senior officers from Finance, Revenue and Expenditure Department, FEWMD and Planning Department. However, planning on utilisation of funds was neither defined in the Act and Rules nor was worked out by the Authority. It was seen that the Annual Work Programme (AWP) submitted by various wings of the Department was passed during the meeting held under the chairmanship of the PCCFS.

Audit scrutiny (June 2011) revealed that the budget for Sikkim Ecology Fund (SEF) was provided every year. Thus, there was a need to prepare a Perspective Plan (PP) for a long term goal to achieve the objectives in a holistic manner. It was noticed that no PP was prepared. Only the AWPs were proposed and got passed annually in an ad hoc manner.

The Department stated (May 2012) that requirement for preparation of PP is well taken and appreciated and the PP and the AWP would be prepared soon. The Department in its subsequent reply (October 2012) reiterated the same.

➢ ***Delayed response time***

The Department procured four tranquiliser guns along with its accessories for ₹ 0.12 crore during March 2011. However, it was seen that none of the Divisional Offices in the Districts was provided with the said guns and the same were stored in the Head Office at Gangtok. Under the circumstances, it may be concluded that in case of emergency, the response time would be too long defeating the objective of procuring the guns. In this context, incidence of menace by black beer throughout the State during 2009 may be referred to in which the State Government had spent a sum of ₹ 8 lakh towards crop compensation and allied expenses due to delayed response.

The Department stated (May 2012) that the guns could not be provided to the Districts due to lack of trained manpower and that training would be provided and the guns would be issued soon.

- ***Diversion of funds***

The broad objective of SEF was to (i) protect and improve the quality of environment, (ii) control and reduce environment pollution and (iii) take measures for restoration of ecological balance of the State.

Audit scrutiny (June 2011) however, revealed that the Department spent ₹ 12.03 lakh during 2009-2011 on the works on construction of walls for the monastery, strengthening of Range Office etc., as detailed at **Appendix 2.3.8**, which did not fall within the ambit of SEF leading to diversion of ₹ 12.03 lakh.

The Department stated (May 2012) that ₹ 12.03 lakh was spent on above items with a view to minimise environmental hazards, improve aesthetic view of the local area. Besides, the walls for the monastery were constructed as provided under the provision of Funds. The Department in its subsequent reply stated (October 2012) that with the objective to protect biodiversity of the monastery complex and the monastery, wall was constructed. The reply was not tenable as the construction of walls also does not fit within the scope for which funds were sanctioned.

2.3.10.7 Compensatory Afforestation

Compensatory Afforestation (CA) was one of the most important conditions stipulated by the Government of India (GOI) to be ensured while approving proposals for de-reservation or diversion of forest land for non-forest uses. CA was to be carried out over twice the area that had been diverted. In order to streamline the process and in compliance with order issued by the Supreme Court in 1995, Compensatory Afforestation Fund Management and Planning Authority (CAMPA) was constituted (April 2004) at the Union level for the purpose of management of the funds and according approval for non-forestry uses of forest land. In line with the Union CAMPA and as per directives of the GOI, State CAMPA was formed in August 2009.

Audit scrutiny revealed following

- ***Non-completion of afforestation***

No Annual Plan of Operation (APO) and progress report prior to the formation of State CAMPA (August 2009) was furnished to Audit. Audit analysis on the CA carried out prior to the formation of State CAMPA revealed that despite the fund availability of ₹ 12.31 crore, 147 cases comprising 942.95 hectare was not afforested as of September 2009 as shown below:

Table 2.3.12

Period	From 1980 to 2009
Total no. of cases to be covered	231
Total hectares to be covered	3,095.69
Total no. of cases covered	84
Total hectares covered	2,152.74
Balance no. of cases to be covered	147
Balance hectares to be covered	942.95

Source : Departmental notes

The reasons for non-completion of afforestation regarding the above cases were not on record.

Further, Audit analysis on the CA undertaken progressively since inception (1980) to March 2012 revealed that the Department was yet to accomplish the afforestation on 1,992.19 ha of land against the target of 4,731.43 ha as shown in **Appendix 2.3.9**.

The Department stated (June 2012) that no activity was undertaken prior to the formation of State CAMPA and after transferring (November 2006) the fund to the Ad hoc CAMPA only the maintenance of CA was taken up with a meagre fund. The funds of the compensatory afforestation received from the user agencies were transferred to the Ad hoc CAMPA while the fresh cases of CA started accumulating further. The Department in its subsequent reply reiterated (October 2012) the same. The reply was not acceptable as the balance of 1,992.19 ha of CA as on 31.03.2012 also included the cases which were brought forward since 1980 (prior to the formation of Union CAMPA) during which period the Department had the fund availability of ₹ 12.31 crore at their disposal which could have been utilised but was transferred to Union CAMPA in August 2006 and November 2006 despite, the GOI intimation (June 2004 and August 2006) that the State Forest Department could utilise funds lying with them for taking up the required activities. The Department further added (October 2012) that delay in achievement of CA was also due to less receipt of funds from the Union CAMPA.

➢ ***Delayed implementation of Catchment Area Treatment (CAT) Project***

The Catchment Area Treatment (CAT) plan pertains to preparation of a plan for treatment of erosion prone areas of the catchment through biological and engineering measures. A CAT plan also includes the social dimensions associated with the catchment and not only controls the sedimentation of reservoir but also provides a life support to the local population through their active involvement. Scrutiny of implementation of CAT in the State revealed the following deficiencies:

i) As per the terms of environment clearance under FCA, Government of India approved (January 2006) diversion of 7.4598 ha of forest land for construction of 99 MW Chuzachen Hydro Electric Project at Chuzachen, Rongli, by Gati Infrastructure Limited (GIL). Accordingly, funds amounting to ₹ 1.69 crore was transferred (March 2007) by GIL to the CAMPA. The CAT plan was to be completed within three years from the date of approval of project i.e., by January 2009. Scrutiny revealed that the work pertaining to the 1st phase started after three years of approval of conversion during 2009-10. A further analysis of APO 2009-10 revealed that the proposal (APO

2009-10) was submitted belatedly (September 2009) and approved (November 2009) leading to inclusion of CAT works valuing ₹ 0.52 crore as against the Management Plan of ₹ 0.75 crore. Even this low pegged target could not be achieved. This led to shortfall in execution to the extent of 150 ha of plantation and 1,463 cum of stone masonry works reflected in APO of 2009-10.

ii) Similarly, GOI approved (May 2008) the diversion of 32.0506 ha of forest land for construction of 96 MW Jorethang Loop Hydro Electric Project in South and West Sikkim by Dans Energy Private Limited (DEPL). Accordingly, ₹ 1.37 crore was transferred (March 2008) by DEPL to the CAMPA. As per the terms of environment clearance, the CAT plan was to be completed within five years from the date of approval of the project i.e., within 2012-13. However, it was seen that the work pertaining to the 1st phase (2008-09) started during 2009-10 with delay of one year. It was also noticed that the APO for 2009-10 was for ₹ 0.68 crore. However, the proposal for the same was submitted as late as September 2009 and was approved in November 2009. Due to belated submission of APO, the Department could only complete work valued at ₹ 0.60 crore. Delay in submission led to non-inclusion of 35 ha afforestation work in the APO as the plantation season was already over.

The Department stated (October 2012) that there was a shortfall in achievement of the CAT Plan due to less receipt of funds from the Ad hoc CAMPA. But the fact remains that the Department could not even utilise the funds received from the Ad hoc CAMPA.

➢ ***Extra expenditure on CAT plan***

Diversion of 236.73 hectares of forest land for construction of hydel projects by five power agencies were approved by the GOI during January 2006 to May 2008. As per approval received on these diversions, Catchment Area Treatment (CAT) programme was to be completed within periods ranging between three to five years. Audit scrutiny (July 2011 and May 2012) revealed that despite the stipulations to complete the CAT programme within the scheduled period, the proposals were sent belatedly for sanction. As a result, sanction was belated and thus execution also delayed by one to three years which led to increase in rate of items of work and consequently led to cost escalation in these projects by ₹ 1.89 crore as detailed in **Appendix 2.3.10**.

The Department stated (October 2012) that due to less receipt of funds, the CAT Plan could not be achieved as programmed and subsequently resulted in the cost escalation of CAT Plan in the successive years. The reply was not acceptable as the proposal for work was submitted belatedly which led to increase in rate of items of work and consequently led to cost escalation.

2.3.10.8 National Afforestation Programme

National Afforestation Programme (NAP) was launched by the Government of India with the objective of sustainable development and management of forest resources by securing people's participation in planning and regeneration efforts and to promote the partnership concept in the management and administration of forests and common property resources.

The scheme was being implemented through the Forest Development Agencies (FDAs). FDAs are registered as a Federation of all Joint Forest Management Committees (JFMCs) within a territorial/wildlife Forest Division under the Societies Registration Act, 1860, of which the Conservator of Forests (CF) was the Chairman and the Divisional Forest Officer (DFO) was the Member-Secretary of respective FDAs. Other members were to be drawn from the JFMCs, Panchayats and the field level functionaries of the Department. Under the project, grants-in-aid were released directly by the Ministry of Environment & Forests (MoEF) to the FDAs concerned who were made responsible for implementation of the scheme. The revised plan of operational guidelines effective from 2010-11 envisaged a three-tier institutional set up, namely SFDA at the State level, FDA at the Forest Division level and JFMC at the village level for effective implementation of the scheme. Joint Forest Management (JFM) would be the central and integral part of the project under the scheme. To this end, focused efforts were to be made at all levels for constitution of JFMCs in all forest-fringe villages, creation of awareness about JFM procedure, micro-planning and its implementation, capacity building of JFMC members and participatory monitoring and evaluation.

Important aspects of the programme management of NAP was examined and the results are enumerated below:

➢ ***Formation of Joint Forest Management Committees***

The programme guidelines stipulates setting up of JFMCs at the village level for effective implementation of the scheme. The guidelines also enjoined upon the FDAs to strengthen the existing JFMCs and create new ones in villages where those Committees did not exist. FDA should make the effort to explain to village communities, through JFMCs, the objectives and the scope of the project, mutual obligations, etc.

Audit scrutiny of records revealed that JFMCs and EDCs were not constituted in 688 villages as detailed below:

Table 2.3.13

District	Villages	No. of JFMC/EDC actually created	Shortfall
East	275	69	206
North	103	43	60
South	255	48	207
West	274	59	215
Total	**907**	**219**	**688**

Source: Departmental figures

This would have an impact on coverage of the scheme all over the State and deprival of the targeted communities from their right of enjoying the benefits of forest resources, collection of non-timber forest produces, development of social and community infrastructures and improvement of living conditions through enhanced income levels as envisaged in the programme.

➢ ***Micro-planning***

Micro-planning is a major component of the National Afforestation Programme (NAP). According to the programme guidelines *(Para 4.3),* the work programme based on micro-plans has to be drawn up by the FDAs prior to project implementation in consultation with JFMCs and the local communities to ensure that the micro-plans are not in conflict with the existing working plans of forest of these areas. Audit scrutiny of five FDAs and 20 JFMCs / EDCs revealed that each State had had to prepare operating guidelines for preparation of micro-plans. This however, had not been prepared by the State Government. This had therefore, resulted in a number of lacunae in the preparation of micro-plans as detailed below:

- Three FDAs (out of 5) had achieved (September 2010) the task of formulating the micro-plans at JFMC levels and remaining two FDAs were in the process of formulating micro-plans for the JFMCs under their jurisdictions.
- Micro-plan prepared for one JFMC had been used as template for other JFMCs/EDCs to emulate and therefore, there was uniformity in the micro-plans in the FDAs (5) test-checked in Audit. The modelling for activities under various interventions suggested in the programme guidelines, especially to suit local requirement, was therefore not addressed appropriately in the micro-plans.
- Although micro plans were prepared in consultation with the JFMCs in three FDAs (out of 5 test checked), people were consulted only during the initial stages of micro-planning and not thereafter in 16 JFMCs.
- The participation of communities in the micro-planning process was often weak. There were negligible efforts on the part of Forest officials and Committee members to integrate micro planning in the overall developmental scenario of the district and to seek funding from outside the domain of forestry such as MG-NREGA, IWDP, etc.
- While carrying out micro-planning in the villages, participatory rural appraisal (PRA) exercises were not carried out in any of the 20 JFMCS/EDCs. Many members were not aware of the micro-plans in the JFMCs.
- Resource mapping for micro-plans was done without following Participatory Rural Appraisal (PRA) procedures properly.

Thus, micro-planning process in the JFMCs was inadequate as participatory approach was not followed adequately in PRA procedure and resource mapping exercise.

➢ ***Plantation***

The NAP inter-alia included physical and financial targets for various items of works such as i) Aided Natural Regeneration, ii) Artificial Regeneration, iii) Bamboo Plantation, iv) Pasture Development/Silvi Pasture, v) Mixed Plantation of trees having medicinal values, vi) Planting of canes and other allied activities.

The component wise position of target and achievement for the last five years (2007-12) of 4

FDAs[15] (out of five[16]) test-checked in the performance audit is detailed in **Appendix 2.3.11**. It was seen that the Department achieved 100 *per cent* target of 7,005 ha (low altitude: 5,265 ha and high altitude: 1,740 ha) at an extra cost of ₹ 38.88 lakh against the sanctioned cost of ₹ 16.01 crore.

➢ ***Training and Capacity Building***

Programme guidelines (*Para 6.3)* stipulated imparting of training to the members of FDAs, JFMCs/ EDCs, and also to build their capacity through organising linkages with the programmes/schemes of other departments/organisations in the public and private sector for the furtherance of the objectives of the scheme. Special emphasis was to be given on the needs of the marginalised groups of the village community, the primitive tribal groups and traditional forest-based artisans.

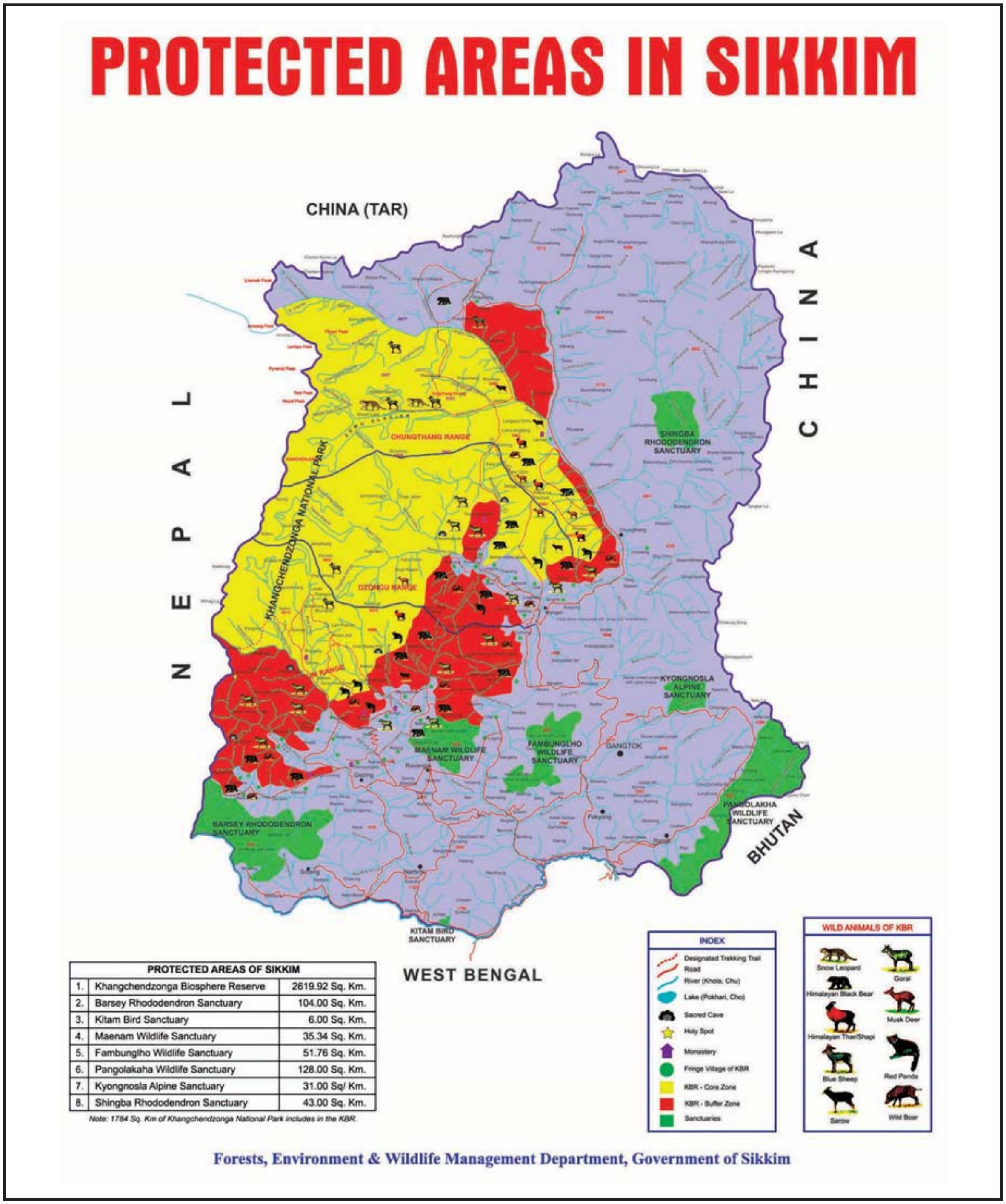
Accordingly, ₹ 31.71 lakh (out of ₹ 36.55 lakh) was utilised towards imparting training to office staff (202) and community members (4,294) of JFMC/EDC during the period 2007-12 by five FDAs. While no training programme for FDAs were organised, the details of training imparted to JFMC / EDCs were not readily available with the FDAs and JFMCs/EDCs. The details of selection of resource person, name of the resource person, topics covered, date and duration of training programme, feedback of the participants, etc. were not available. Thus, suggested packages in the programme guidelines for the training were not adhered as detailed in the **Appendix 2.3.12.**

2.3.10.9 Protected Areas

In order to protect critical ecosystems and also to preserve genetic resources, over the years, Protected Areas (PAs) were created in the State. Following a decision taken under the National Wildlife Action Plan (NWLAP), adopted by the country in 2002, for meeting the new challenges in wildlife conservation, the National Board for Wildlife was constituted in September 2003 as a statutory authority with the responsibility for providing a thrust to conservation activities.

[15] *East (T), West (T), West (W) and KNP*
[16] *East (T), West (T), East (W), West (W) and KNP*

Map 2.3.2



Source: Forest, Environment and Wildlife Management Department, Government of Sikkim

Audit scrutiny revealed the following:

➢ ***Absence of approved Management Plan (MP)***

Implementation of the Management Plan (MP) ensures policy based action for scientific management of PA with proper prioritisation. This institutional mechanism guides the Divisional Officer in implementing and proper monitoring with reference to such plan. The

Supreme Court of India in February 2000 directed that conservation activities in PAs shall not be undertaken unless the MP is approved by the GOI.

A test check of records (May 2011) of seven sanctuaries and one national park covering an area of 2,179.10 sq km constituting 30.70 *per cent* of the State's geographical area revealed that draft MPs in respect of all these PAs were prepared in October 2008. However, no document could be shown as to whether these MPs were submitted to the State Government and the GOI for approval. Thus, in the absence of an approved MP, conservation activities in each of the PA was carried out in an ad hoc manner, apart from violating the Supreme Court's directives.

The Department stated (May 2012) that these MPs had already been forwarded to the GOI for approval and it was presumed that the MPs had been accepted by the GOI. The reply was not acceptable as no records were produced either of having forwarded these MPs to the GOI or receipt of GOI approval.

➢ ***Non-creation of trust funds out of revenue generated***

According to NWLAP 2002-16, all tourism receipts and penalties collected from PAs should go to a local trust fund to be operated by Joint Committees headed by the Divisional Officers of PA concerned. The funds collected from PAs should be utilised in the ratio of 70:30 for community benefit work and for development activities of the PAs.

It was noticed that entry fees of ₹ 0.58[17] crore was collected by the Divisional Officers during the last five years ending March 2012 and deposited as revenue into Government account instead of creating local trust funds. Thus, the funds collected for community benefit works and for development activities of the PAs were not made available for the purpose it was collected. The Department stated (May 2012) that a proposal had been initiated on the above lines with the State Government.

➢ ***Non-demarcation of zone inside PAs***

For systematic management of PAs, zones had to be demarcated into core and buffer zone. Core zone consists of wilderness zone, habitat improvement zone and eco-tourism zone. Wilderness zone was to be so managed as to retain them in their pristine status and development in this zone should be restricted to the minimum. Within the habitat improvement zone, managerial intervention on habitat manipulation is to be carried out for development as an ideal wild life habitat. Further, for eco-tourism zone, this zone may partly overlap with both the above zones to encourage eco-tourism activities. Furthermore, the buffer zones include the forest areas adjoining the sanctuaries/national park.

Demarcation of zones was mentioned in the draft MP prepared by the Divisional Office. However, audit scrutiny (June 2011) of the Annual Plan of Operations (APOs) of Shingba, Kyongnosla, Moinam Sanctuary and the Khangchendzonga National Park indicated that

[17] *Fambonglho: ₹32,830, Pangolakha: ₹ 6,095, Kyongnosla: ₹ 13,005, Barsey: ₹ 6,19,320 during 2010-11 and KNP: ₹ 50,48,335, Moinam: ₹ 56,445.*

zonation was not included in APOs of any of the sanctuaries in any year. Thus, the objectives of classification of zones were not achieved.

While accepting the fact, the Department stated (May 2012) that delay in the exercise for zonation was due to inadequate manpower especially the frontline staff coupled with the difficult mountainous terrain. It was further stated that the PA managers had already been directed to take initiative for zonation.

➢ ***Non-survey of sanctuaries on total boundary in running kilometre***

Demarcation of boundary of the PA was important so as to protect the PAs from encroachment, human-animal conflict, etc. Although, the total area of these PAs were found recorded, the total boundary length in terms of running km of these PAs were not on record.

As per the analysis of the Department, on an average, ten pillars was required to cover a distance of one kilometre. It was seen that in these eight PAs, 188.40 km was covered during the last five years (2007-12) incurring an expenditure of ₹ 1.04 crore as detailed at **Appendix 2.3.13**. However, no record could be shown on survey or GPS undertaken for estimating the total requirement of boundary pillars. Thus, the erection of boundary pillars was done in an ad hoc manner without ensuring that the actual requirements were met.

While accepting the fact, the Department stated (May 2012) that all PA boundaries would be ascertained and included in the MP and in future all boundary works would be proposed after survey with GPS.

➢ ***Non-declaration of areas outside PAs as ecologically fragile***

Under the Wildlife Protection Act 1972 and the NWLAP 2002-16, the State Government was to identify key factors responsible for degradation of habitats including grasslands, wetlands, forests, etc., outside PAs particularly in areas adjacent to PAs. The process of identification and declaration of areas as eco-sensitive zone for protecting flora and fauna and their habitats was to be completed by 2004. Further, as per Wildlife Conservation Strategy 2002 approved in XX1st meeting of the Indian Board of Wildlife (IBWL) under the chairmanship of the Prime Minister, land falling within 10 km of boundaries of PAs was to be declared as ecologically fragile zones.

It was noticed that the State Government did not initiate any action either to identify or to declare any area outside the boundaries of PAs as ecologically fragile zones till date (April 2012). Hence, the activities of the populace outside/adjacent to the boundaries adversely affecting the wildlife could not be ruled out.

The Department stated (May 2012) that declaration of areas falling within a crow-flight distance of 10 km outside the boundary of each PA was not feasible in the hilly terrain like Sikkim. Thus, proposal to include a crow-flight distance of 500 mt. outside the boundary of each PA as submitted to the GOI was returned asking for details of land use pattern of these proposed zones. The proposal would be resubmitted on completion of works. Thus, as of date (July 2012) demarcation of the ecologically fragile zone by the Department had not been done.

➢ ***Inadequate enforcement of Wildlife (Protection) Amendment Act 2002***

The Wildlife (Protection) Amendment Act 2002 provides protection of wildlife with a view to ensuring the ecological and environment security of the country. In accordance with the said Act, the State Government had appointed Chief Wildlife Warden (CWLW) and also constituted the State Board for Wildlife (SBW) and the rules had been framed in this regard. As per Act, SBW should meet at least twice in a year and advise the State Government in the selection and management of areas to be declared as PAs, formulation of policy, amendment of any schedule and in any matter connected with the protection of wild life.

It was noticed that as against the requirement of minimum ten meetings of SBW in the last five years, they met only once in 2010-11 (20 May 2010). Audit analysis on meeting held on 20 May 2010 viz., agenda discussions, resolutions passed and its follow-up revealed that 22 agenda items were submitted against which 20 were passed. However, review conducted by the Department on action taken on the meeting of 20 May 2010 held on 19 June 2012 revealed that the Department could achieve the targets in only five agenda items which were included in the minutes of the meeting as shown below:

Table 2.3.14

SI No	Items
1	Drinking water supply connection for Rhenock areas from Pangolakha Wildlife Sanctuary.
2	Drinking water supply connection for Kupup areas from Pangolakha Wildlife Sanctuary.
3	Drinking water supply connection for Sang areas from Fambonglho Wildlife Sanctuary.
4	Construction of defence road between Flag hill-Dokla passing through Pangolakha Wildlife Sanctuary.
5	Sky walk project at Bhaleydunga, Maenam Wildlife Sanctuary.

Source: Departmental report

Important items such as notification of eco-sensitive zones around PAs and zonation of PAs were not taken up (November 2012).

2.3.11 Monitoring and Evaluation

Monitoring and evaluation is required for corrective measures with regard to deviations and deficiencies in implementation of various development activities and data for future planning. It was, however, seen that the monitoring mechanism was either absent or deficient in the Department leading to slow progress of works, funds lying unutilised and non-achievement of objectives as summarised below:

IFMS: According to GOI guidelines, a review and monitoring Committee under the chairmanship of PCCF should be constituted for periodic review of the scheme. Conservator of Forest (CF/HQ) would be the member Secretary of the State Monitoring Committee and other CFs would be the members of the Committee. The member Secretary should convene a meeting at least half yearly and review the progress of the Scheme. Audit analysis revealed that no such Committee had been formed and no review and monitoring of the Scheme conducted which led to delay in implementation, non-utilisation of funds and also rush of expenditure in the last month of the year as detailed at **paragraphs 2.3.9.5 and 2.3.10.4.**

TFC: As per the TFC Grant guidelines, High Level Monitoring Committee (HLMC) should be constituted at State Level which was responsible for the monitoring of works, ensuring adherence to specific conditionalities in respect of grants, approving of work plans, etc. and also to conduct meetings on quarterly basis to review the utilisation and to issue directions for midterm correction where required. It was noticed that although the HLMC at State Level had approved the Perspective Plan (PP) and the respective Annual Work Plans (AWP), the formation of HLMC and monitoring of works was neither on record nor produced. These deficiencies consequently led to delayed submission and deviation in the PP & AWP and also rush of expenditure in the last month of the year as detailed at **paragraphs 2.3.9.5 and 2.3.10.5.**

NAP: Programme guidelines prescribed for monitoring of the Scheme by the SFDA, FDAs and the State Forest Department. In addition, the State Level Coordination Committee (SLCC) and the National Level Steering Committee (NLSC) would also meet periodically to monitor the progress of the Scheme. The SLCC against the requirement of meeting five times during the period 2007-12, met only twice[18]. The meeting noted good progress in the area of plantation, but was lagging behind on income generating activities, forest protection and decentralisation of works. No action were initiated towards the shortcomings pointed out by the SLCC. SLCC also in turn, did not follow up the matter with the FDAs for corrective measures.

Besides above, other schemes viz, State Green Mission, Bird Park at Rabdentse, State Ecology Fund and Protected areas were also implemented. However, barring the State Green Mission, monitoring and evaluation were neither provided in the schemes nor conducted leading to non-achievement of the objective of setting up of the Bird Park, locking up of Government funds, non-demarcation of zone, inadequate enforcement of Wild Life Protection Act, etc.

2.3.12 Conclusion

The State Government formulated a Forest Policy in 2000 but did not prepare Perspective Plans and also did not prepare all the Working Plans till March 2012 to ensure proper and effective implementation of policy in order to enhance the forest cover in the State in a time bound manner. Although a number of schemes were implemented to increase and conserve the forest cover in the State, the forest cover could be increased by only 97 sq km. during 2005-11. The Bird Park of Rabdentse remained incomplete for more than two years after expiry of scheduled date of completion even after incurring an expenditure of ₹ 1.31 crore due to absence of proper planning. The work plans under IFMS and Twelfth/Thirteenth Finance Commission were submitted belatedly resulting in delayed sanction and implementation besides rush of expenditure in the closing month of the years. Joint Forest Management Committees, a central and integrated part of forest activities had not been formed in 688

[18] *(i) 29 April 2011 and (ii)2 November 2011*

villages out of a total of 907 villages. Compensatory Afforestation of 1,992.19 ha was not taken up by the State Compensatory Afforestation Fund Management and Planning Authority. Monitoring and evaluation in the Department were not being done adequately.

2.3.13 Recommendations

- The State Government should prepare a perspective plan in order to bring all the degraded forest areas under forest cover in a time bound manner in pursuance of the National/State Forest Policy.
- Annual Plans of all the schemes should be processed in time to ensure timely conservation, protection of forest and utilisation of funds.
- Action should be taken for Compensatory Afforestation pending works under CAMPA. Action should also be taken to expeditiously realise the amounts outstanding towards 'Net Present Value' from defaulting user agencies.
- Joint Forest Management Committees should be formed in the remaining 688 villages.
- Prescribed monitoring mechanism should be put in place for all schemes in order to achieve the desired outcomes.

RURAL MANAGEMENT AND DEVELOPMENT DEPARTMENT

2.4 Implementation of Pradhan Mantri Gram Sadak Yojana (PMGSY)

A number of visionary declarations aimed at development of the rural areas and improvement of quality of life of the rural masses have been pronounced from time to time by the State Government, considering the huge rural population (75 per cent) and incidence of poverty in the State. This included development of a comprehensive network of all-weather roads connecting the masses to marketing hubs, health centres, educational Institutions, Government Offices/Institutions and other Welfare Centres. Introduction of the PMGSY by the Government of India (GOI) in December 2000 with the objective of providing all weather road connectivity to rural habitations within a target date came as a boon to the State of Sikkim which had been relying exclusively on Central grants and loans from various agencies (LIC, GIC, NABARD, NCDC, etc.) towards the entire infrastructural development in the State. Keeping in perspective the importance of road connectivity for overall development of the State and the State Government's declaration to bring about a conspicuous change in the lives of the rural populace, a performance evaluation of the PMGSY scheme (upto March 2012) was taken up during May – July 2012. Rural roads in Sikkim were to be constructed in two Stages (Stage-I and Stage-II). Stage-I comprised of formation cutting, slope stabilisation, protection works, etc., while Stage-II comprised of laying of water bound macadam (WBM) and bituminous surface course. The State had till March 2012 completed Stage-I of 163 roads out of which Stage-II of only 20 roads providing connectivity to 28 habitations had been accomplished. It was also seen in Audit that despite 100 per cent funding by the GOI and despite the State's poor revenue base, the Implementing Department (RMDD) failed to avail *optimum benefit for the State from the Central scheme. There was lack of clarity and preparedness for implementation of the Scheme at the inception stage leading to ineffective utilisation of programme funds. The planning process lacked adequate ground work and coordination and was thus deficient. Delay was evident at various stages resulting in non-completion of works within targeted date, abandonment of works and lesser devolution of funds by the GOI. Heavy financial liabilities, excess expenditure on works due to inflated estimates, failure to provide connectivity despite considerable expenditure, non-maintenance and upkeep of created assets, etc. were major deficiencies noticed in Audit.*

Absence of planning and proper clarity in implementation of the PMGSY at the initial stage led to utilisation of ₹ 35.87 crore on repair and upgradation of existing roads by the Roads and Bridges Department which was non-priority work.

(Paragraph 2.4.6)

Even as of March 2012, five years beyond the target date for providing connectivity to the 318 unconnected habitations, the Department had connected only 28 habitations constituting 9 *per cent* of the achievement after a total expenditure of ₹ 587.26 crore.

(Paragraph 2.4.7 & 2.4.8)

289 Stage-I road works got delayed by 1 to 66 months with 135 remaining incomplete. Out of 121 Stage-I works eligible for Stage-II, only 40 works had been taken up for Stage-II.

(Paragraph 2.4.9.2)

The Department made excess, irregular and unauthorised expenditure of ₹ 23.91 crore from the PMGSY programme funds meant for construction of roads on consultancy charges paid to a private consultant (Archtech Consultancy Pvt. Ltd).

(Paragraph 2.4.10.1)

2.4.1 Introduction

Pradhan Mantri Gram Sadak Yojana (PMGSY), a 100 *per cent* centrally sponsored scheme was launched in December 2000 for providing all-weather road connectivity to rural habitations with a population of 1,000 and above by the year 2003 followed by population of 250[19] and above by the end of 2007. The scheme aimed at improving the socio-economic condition of the rural population by providing basic access to social and economic services to the unconnected habitations within the targeted date.

A core network survey based on census Report of 2001 finalised in September 2003 showed an existing rural road network of 2,174.86 km (black topped – 1,286.49 km, WBM - 465.17 km and earthen - 423.20 km) in Sikkim connecting a total of 491 habitations. The core network prepared (September 2003) by the Department projected 410 unconnected habitations - 16 habitations with population of 1,000 and above, 138 habitations with population of 500 and

[19] *250 in case of hill states and 500 in case of others.*

above, 164 habitations with a population of 250 and above and 92 habitations with population below 250. Although the PMGSY envisaged coverage of habitations with population 250 and above for hilly States, Sikkim included 92 habitations with population below 250 also in the core network. This was a positive step as Sikkim also has sparsely populated habitations located in far flung mountainous areas in dire need of connectivity.

As of July 2012, a total of 97.16 km all-weather roads had been completed connecting 28 habitations. The programme was still ongoing with connectivity to 290 habitations with population of above 250 yet to be provided in terms of the programme target.

2.4.2 Organisational set-up

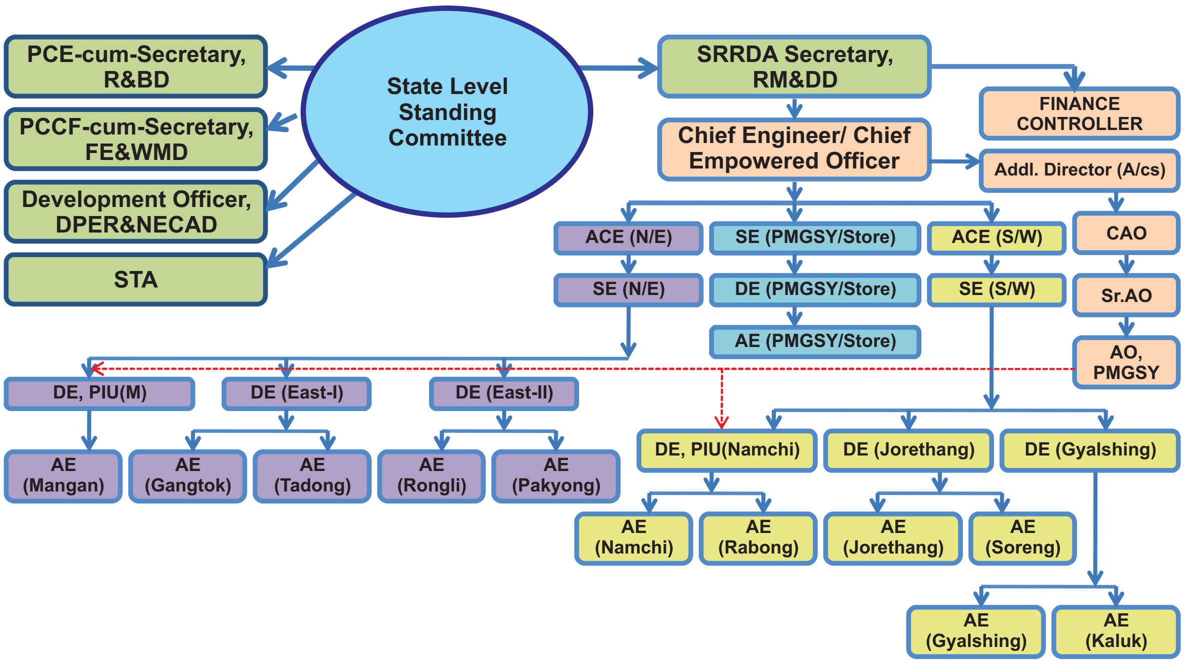
Institutional arrangement for implementation of the PMGSY

The Ministry of Rural Development (MoRD), GOI has been entrusted with the task of organising the PMGSY programme at the national level. The Roads and Bridges Department (RBD) acted as executing agency for PMGSY in Sikkim in the initial stage (2001-02). Thereafter, the RMDD took over as the nodal Department with overall responsibility for implementation of the PMGSY. The State Government created a State level autonomous Agency - the State Rural Roads Development Agency (SRRDA) in August 2003 with the Secretary, RMDD as the nodal officer to advise on technical specifications, project appraisal, organisation of funds, management of monitoring systems and periodical reporting to GOI. The SRRDA receives funds from MoRD for the PMGSY programme. All proposals are vetted by the SRRDA and put up to the State Level Standing Committee[20] (SLSC) before they are sent to the National Rural Roads Development Agency (NRRDA) for clearance by the MoRD.

The institutional mechanism for implementation of the PMGSY in Sikkim is depicted in the chart below:

[20] Consisting of the PCE-cum-Secretary, Roads and Bridges Department; PCCF-cum-Secretary, Forest, Environment & Wildlife Management Department; and the Development Commissioner, Development Planning, Economic Reforms and North Eastern Council Affairs Department, Government of Sikkim.

Chart 2.4.1



Note: DPER&NECAD: Development Planning, Economic Reforms and North Eastern Council Affairs Department.
STA : State Technical Agency.

The Secretary, RMDD acted as the State Nodal Officer and the Chief Engineer, RMDD as the Chief Empowered Officer of the Scheme who were supported by two Additional Chief Engineers, three Superintending Engineers, seven Divisional Engineers and twelve Assistant Engineers and other subordinate staff. The Jalpaiguri Engineering College had been appointed as State Technical Agency (STA) for scrutinising the estimates and DPRs.

2.4.3 Scope of Audit and methodology

The performance audit commenced with an entry conference with the Chief Empowered Officer in May 2012 at the SRRDA Headquarters in Gangtok. Records at the SRRDA Headquarters and the four district Project Implementing Units (PIUs) were examined during May – July 2012 selecting 40 *per cent* of the works executed in six phases[21] *(Phase II to Phase VII)* by Simple Random Sampling Without Replacement method. GOI sanctioned ₹ 728.48 crore for constructing 338 rural connectivity roads in the six phases out of which 134 roads involving expenditure of ₹ 347.96 crore were selected for test-check for the performance review. The audit findings were discussed (01 November 2012) with the departmental authorities in an exit conference. Replies of the Department have been suitably incorporated in the Report.

2.4.4 Audit Objectives

The performance audit was conducted with the objective of assessing whether:

➢ The Department had adequate planning and preparedness for implementing the

[21] *Works were sanctioned by the GOI every year in lots. Each lot was termed a phase.*

PMGSY;

- Funds for execution of the scheme were adequate, available on time and the overall financial management was sound;
- Each Stage of the Works (Stage-I & II) were taken up expeditiously as per the programme objectives and executed economically and effectively;
- Quality of works was ensured duly adhering to the laid down norms and procedures;
- Effective Planning for maintenance of executed works existed and regular maintenance of such works was taken up; and
- Implementation of the scheme was effectively monitored and evaluated.

2.4.5 Audit Criteria

The Audit objectives have been benchmarked against the following criteria:

- Norms laid down in the PMGSY Accounting Manual;
- Norms and stipulations laid down in the PMGSY implementation guidelines;
- Norms laid down in the Rural Roads Manual; and
- Hill Road Manual prescribed by the Indian Road Congress (IRC).

Audit Findings

2.4.6 Guiding Principles of PMGSY and Planning for rural roads

The spirit and the objective of the PMGSY was to provide good all-weather road connectivity to unconnected Habitations. PMGSY covered only rural areas. Urban roads, Major District Roads, State Highways and National Highways were excluded from the purview of the Programme. PMGSY also did not permit repairs to Black-topped or Cement Roads, even if the surface condition was bad. A habitation earlier provided with all-weather connectivity would not be eligible even if the present condition of the road was bad. Upgradation of existing roads was permitted in those Districts where all eligible Habitations had been provided all-weather road connectivity. Upgradation was however, not central to the Programme. Each road work that was to be taken up under PMGSY was required to form part of the Core Network. The Core Network was a minimal Network of roads necessary to provide basic access to essential social and economic services to all eligible habitations in the selected areas through at least one all-weather road connectivity. Preference was to be given to those roads which served larger population. For implementation of the PMGSY, District Rural Roads Plan was required to be prepared indicating the entire existing road network system in the District and also clearly identifying the proposed roads for providing connectivity to Unconnected Habitations. The Plan would first be prepared at the Block level (Block level Master Plan), in accordance with the directions contained in the Rural Roads Manual and the priorities spelt out by the District Panchayat. No road work could be proposed under the PMGSY for New Connectivity or Upgradation *(where permitted)* unless it formed part of the Core Network.

➢ ***Inadequate planning and incomplete/deficient core network of rural roads***

Before commencement of the Scheme, a comprehensive network of rural roads (Core Network) was required to be formulated depicting (i) existing rural roads constructed so far by the State Government and (ii) the minimal number of roads required to be constructed further for providing basic access to essential social and economic services to all eligible habitations through at least a single all weather road connectivity. The Rural Core Network for the entire State was required to be based on the Block Level Master Plans and the District Rural Roads Plans formulated for each Block and District of the State.

The implementing Department had no details of the habitation survey conducted by it in each Block/District with a view to implement the PMGSY Scheme. The Block Level Master Plan and the District Rural Roads Plan as required under the PMGSY guidelines had never been formulated. The Core Network finalised in September 2003 was incomplete and deficient. Phase I & II of the PMGSY works were taken up without framing the Core Network resulting in expenditure of ₹ 35.87 crore on repair/ upgradation of existing roads and consequent failure to provide connectivity to unconnected habitations on priority.

In reply (October 2012) the Department stated that District-wise plans were prepared and accordingly District Project Implementing Unit (DPIU) appointed in each district. Sikkim being a small State, Block level master Plan was not felt necessary.

Reply was not acceptable as the Department could not provide copies of District Plan.

➢ ***Absence of clear demarcation of area of operation and lack of co-ordination***

Clear demarcation of area of operation was fundamental to planning road construction. Although the RBD and the SRRDA were involved in construction of road network in the State, there was no clear demarcation of jurisdiction over which the two departments would confine their activities. A number of rural connectivity schemes were also being implemented by the RBD under various centrally sponsored schemes, State Plan schemes and schemes funded through loan from the National Bank for Agriculture and Rural Development (NABARD). The Government therefore, needs to clearly demarcate the area of operations of these Departments to facilitate proper planning and implementation of road connectivity schemes in the State.

2.4.7 Financial resources and their management

The PMGSY being a non-budget programme, funds were maintained in a separate account outside the Government Account in the State Bank of India branch at Gangtok in terms of the Accounting Manual of the programme. The year-wise position of sanction of funds by the GOI *vis-à-vis* actual release and the expenditure there-against is depicted in the table below.

Table 2.4.1

(₹ in crore)

Year	Opening Balance	Amount sanctioned	Amount released	Interest receipt	Total	Expenditure	Closing balance
2001-02	0	50.99	33.16	0	33.16	21.07	12.09
2002-03	12.09	0	0	0.20	12.29	8.38	3.91
2003-04	3.91	35.29	37.81	0.45	42.17	8.04	34.13
2004-05	34.13	0	0	0.84	34.97	14.68	20.29
2005-06	20.29	63.10	40.29	1.74	62.32	32.88	29.44
2006-07	29.44	149.01	36.26	0.75	66.45	56.74	9.71
2007-08	9.71	211.92	170.46	1.12	181.29	106.72	74.57
2008-09	74.57	254.56	55.00	2.41	131.98	114.76	17.22
2009-10	17.22	0	70.00	0.43	87.65	86.79	0.86
2010-11	0.86	0	76.77	0.56	78.19	74.25	3.94
2011-12	3.94	206.04	80.00	1.77	85.71	62.95	22.76
Total		**970.91**	**599.75**	**10.27**		**587.26**	

Source: SRRDA

During 2001-12, against the total sanction of ₹ 970.91 crore, GOI released ₹ 599.75 crore which was only 62 *per cent* of the total sanction under PMGSY. The short release of funds of ₹ 371.16 crore (38 *per cent*) by the GOI was due to various reasons - delay in submission of proposals, failure to execute sanctioned projects in time by the Project Implementing Units (PIUs) and contractors and corresponding hold-up in utilisation of the funds sanctioned earlier on implementation of the schemes.

➢ ***Quality of Expenditure***

The State received funds of ₹ 599.75 crore during 2001-12 from the GOI out of which ₹ 587.26 crore was spent for implementation of the PMGSY programme. Projects valued at ₹ 347.96 crore were examined in audit. It was found that there was excess/avoidable expenditure of ₹ 4.28 crore, unfruitful expenditure of ₹ 2.44 crore and blockade of funds of ₹ 72.66 crore. Besides, there was non-recovery of mandatory cess/liquidated damages of ₹ 38.64 crore and loss of opportunity to avail GOI support for providing connectivity to border areas of ₹ 8.33 crore. The detailed Audit observations are highlighted in succeeding paragraphs.

➢ ***Failure to avail funds targeted to provide connectivity to border areas***

In addition to the regular GOI sanctions for implementation of the programme, funds of ₹ 8.33 crore under the PMGSY for Indo-China Border (₹ 2.35 crore), Indo-Nepal Border (₹ 1.15 crore) and Indo-Bhutan Border (₹ 4.83 crore) were allocated for construction of roads in the border areas during the period 2003-07. Due to the Department's failure to submit proposals in time, the GOI did not release the allocated funds targeted to provide communication links to the population residing in far flung border areas of the State.

In reply the Department, *inter alia,* stated (October 2012) that funds of ₹ 8.33 crore could not be obtained for border areas as the Department had shortage of manpower and was pre-occupied and unable to concentrate on development of DPR and plan for construction of border roads.

➢ ***Blocking up of funds***

Huge amounts of interest free advances were paid to the contractors as mobilisation and equipment advances (5 *per cent* and 10 *per cent* of the value of work, respectively) simultaneously with the issue of work orders. Besides, advances were also paid to the consultant engaged for preparation of DPRs, etc. These advances were to be adjusted/recovered progressively from the contractors' bills as and when payments were made. Since there was considerable delay in taking up and executing the works, corresponding delay was there preferring bills by the contractors. Thus, the advances remained outstanding with the contractors for long periods of time. The year-wise position of outstanding advances with the contractors is depicted in the table below:

Table 2.4.2

(₹ in crore)

Year	Outstanding advances			Total
	Equipment advances	Mobilisation advances	Advance to consultant for DPR preparation etc.	
2004-05	-	1.19	0.85	2.04
2005-06	5.10	4.43	4.94	14.47
2006-07	16.73	9.10	14.00	39.83
2007-08	20.45	10.63	22.10	53.18
2008-09	23.89	11.89	27.64	63.42
2009-10	37.07	18.42	30.32	85.81
2010-11	28.48	13.86	30.32	72.66

Advances ranging between ₹ 2 crore and ₹ 86 crore remained with the contractors during the period 2004-11. This adversely affected availability of actual balance with the Department. The equipment and mobilisation advances recoverable from the contractors could not be treated as expenditure in the accounts. However, the Department reckoned these advances also as final expenditure.

The Department stated (October 2012) that (i) the mobilisation and equipment advances paid to contractors were given as per guidelines of the scheme. In most cases works were delayed due to which there was delay in recovery (ii) The preparation of DPRs, construction supervision, etc. for Phase IV to Phase VII were outsourced to the Consultant in terms of the Scheme guidelines due to manpower constraint, payment made to the Consultant in terms of work done as per agreement. Out of the outstanding advances of ₹ 30.32 crore, ₹ 4.21 crore had been adjusted. The reply of the Department was not acceptable as (i) the advances were paid without ensuring their rightful use towards purchase of equipment and mobilisation of man and materials (ii) there was no scope for payment of advances to the consultant under the scheme guidelines (iii) the rate of payment to the consultant was exorbitantly high as compared to GOI norms and, (iv) adjustment of ₹ 4.21 crore that the Department mentioned was actually the amount received from GOI towards consultancy charges and not the amount adjusted from the Consultant's bill.

2.4.8 Physical targets vis-à-vis achievement

Rural roads in Sikkim were to be constructed in two Stages – Stage-I and Stage-II. Stage-I comprised formation cutting, slope stabilisation, protection works and drainage works while Stage-II mainly comprised laying of water bound macadam (WBM) and bituminous surface course. Stage-II was to be taken up after two rainy seasons of completion of Stage I to ensure adequate stabilisation of slopes. Habitations would not be counted as connected till Stage-II was completed.

In terms of the scheme objectives, all unconnected habitations with a population of 1,000 persons and above were to be connected in three years (2000-03) and all unconnected habitations with a population of 250 persons[22] and above by the end of tenth plan period (2002-07). Year-wise targets were however not prescribed in the scheme guidelines.

The number of habitations connected as of March 2012 after completion of Stage-II works by the Department was as under:

Table 2.4.3

Type of Habitation (based on population)	Unconnected habitations at the start of programme (2000-01)	Targets set to be achieved by 2003	Actual achievement by 2003	Targets set to be achieved by 2007	Actual achievement by 2007	Actual achievement by 2012
1,000 and above	16	16	0	16	00	03
500 – 999	138	0	0	138	00	22
250 – 499	164	0	0	164	00	03
Total	**318**	**16**	**0**	**318**	**00**	**28**

Source: SRRDA.

Shortfall in achievement of targets

- Against the target of connecting 16 unconnected habitations with 1,000+ population by March 2003, the State did not achieve connectivity to a single habitation. The funds provided by GOI was utilised at the outset by the RBD on repair (₹ 13.16 crore) and upgradation (₹ 22.71 crore) of existing roads.
- All 318 unconnected habitations were to be connected by the end of the 10th Plan period (March 2007) in terms of the GOI guidelines. The Department, however, had not completed construction of any of the Stage-II works thereby failing to connect any habitation even by March 2007.
- Even as of March 2012, five years beyond the target date for providing connectivity to the 318 unconnected habitations at the commencement of the PMGSY, the Department had covered only 28 habitations constituting 9 *per cent* achievement.

The reasons for shortfall in meeting the targets was mainly due to (i) commencement of programme without basic preparatory works like arrangement of land, forest clearance,

[22] *Habitations with 250 persons and above for hilly States like Sikkim. For others the norm is 500 person and above.*

preparation of DPRs, etc. (ii) Irregular utilisation of programme funds on unauthorised repair/upgradation works instead of taking up new connectivity works (iii) inordinate delay in taking up and completing Stage-II works.

The Department stated (October 2012) that the delay in completion of works was due to problems in land acquisition, forest clearance and poor soil condition requiring longer duration for stabilisation of land after Stage-I work. However, fair weather roads to all unconnected habitations were provided to enable villagers to join the main stream.

Reply of the Department was not acceptable as construction of good all weather roads and not fair weather roads was the prime objective of the PMGSY for ensuring connectivity to the habitations. Land acquisition, forest clearance, etc. were to be obtained prior to approval and sanction of the project. The inordinate delay ranging between 3 to more than 5 years in most cases was much beyond the stabilisation period of one year which only led to further deterioration of the executed works under Stage-I.

2.4.9 Project Implementation

2.4.9.1 Time Control

One of the most important features of implementation of the PMGSY was timeliness of completion of the projects. The projects were to be completed by the PIUs within a period of nine working months from the date of issue of work order. In case the period for execution was likely to be adversely affected by monsoon or other seasonal factors, the time period could be suitably determined while approving the work programme but should not exceed 12 calendar months in any case. It was however, noticed that there were considerable delays in execution at each stage of the projects much beyond the stipulated time period as elucidated below.

2.4.9.2 Delay in execution of works

In terms of PMGSY guidelines, new connectivity works were to be executed in two Stages – Stage-I and Stage-II in terms of the implementation guidelines for hilly States. Only after execution of Stage-II a habitation would be considered as connected.

During the period 2001-12, the Department took up 298 Stage I works (new cutting) of length 1,422.32 km under Phase II to VII. Only 163 works (712.44 km) had been completed while 135 works (709.88 km) were still under progress. Only 9 works (30.36 km) out of the 298 had been completed within the stipulated 12 months time after the issue of work order. The delay in completion in respect of the 289 works ranged between 1 and 66 months beyond the stipulated time of completion as detailed in the table below:

Table 2.4.4

Year	Sanctioned	Completed	Incomplete	Works delayed	Delay in Months			
					1 to 12 months	12 to 36 months	36 to 60 months	Beyond 60 months
2001-02	17	17	-	17	03	14	-	-
2003-04	21	21	-	20	02	17	01	-
2004-05	34	31	03	29	02	21	02	04
2005-06	65	53	12	65	09	32	24	-
2006-07	76	32	44	74	09	20	45	-
2008-09	85	09	76	84	01	83	-	-
TOTAL	**298**	**163**	**135**	**289**	**26**	**187**	**72**	**04**

Source: SRRDA

Majority of the works (187) were delayed by 1 to 3 years while 72 works were delayed by 3 to 5 years. Four works were delayed by more than 5 years.

Out of the 163 completed Stage-I works, 121 roads became eligible for Stage-II between April 2007 and May 2012. The Department, however, took up Stage-II construction of only 40 roads out of the eligible 121 roads whose Stage-I had been completed. Out of 40 Stage-II works taken up, only 20 works had been completed as of May 2012. Stage-II construction was delayed by 1 month to 66 months in respect of the balance 101 works, as depicted in the table below:

Table 2.4.5

Year	Total works for which Stage I is completed	Total works for which Stage II is eligible	Total works for which stage II is taken up	Completed	Works delayed	Delay in Months			
						1 to 12 months	12 to 36 months	36 to 60 months	Beyond 60 months
2001-02	17	17	4	4	13	0	1	9	3
2003-04	21	21	15	7	14	0	1	13	0
2004-05	31	29	20	8	21	6	11	4	0
2005-06	53	38	1	1	37	12	25	0	0
2006-07	32	15	0	0	15	10	5	0	0
2008-09	09	1	0	0	1	1	0	0	0
Total	**163**	**121**	**40**	**20**	**101**	**29**	**43**	**26**	**3**

Source: SRRDA

The following were the main reasons for delay in execution of the works:

➢ One of the most pervasive reasons for delay in completion of the projects was non-finalisation of land *(private and forest)* for taking up the road projects in time although sanction for the projects was obtained from the GOI in advance. It was the responsibility of the State Government to ensure that the required land was available for the proposed road works immediately after the funds were sanctioned. A certificate that land was available was required to accompany the proposal for each road work. At the time of preparation of the Detailed Project Report (DPR), the Project Implementing Unit (PIU) was required to hold consultations with the local community, panchayats and forest officials and organise an informal transect walk with a view to determine the most suitable alignment, sort out issues of land availability, moderate any adverse social and environmental impact and elicit necessary community participation in the programme. All the preparatory works as above were required to be done at the stage of DPR preparation long before taking up the road projects so that the projects could be commenced forthwith. It was, however, seen that the works could not be taken up by the contractors even long after the issue of work orders due to non-acquisition of land from land owners and non-obtaining of clearance for forest land.

- Improper survey and poor contract management relating to monitoring progress of works with reference to prescribed milestones, failure to obtain and maintain currency of performance guarantees, failure to penalise and take timely action against defaulting contractors, etc. were other reasons for the tardy progress of works.

- The general disinclination to take up Stage-II works by contractors even long after completion of Stage-I was a major reason for failing to provide connectivity to the unconnected habitations. No contractor participated for construction of 25 Stage-II works in East District under Phase VIII despite advertisement for the works three times. The contractors evinced interest in executing Stage-I works[23] which mainly constituted hill cutting, protective walls, drains, throwing of spoils, etc. The Quality Monitors mainly focussed on checking quality of Stage-II works[24] *(which mainly comprised laying WBM and bituminous surface course)* during their inspection. The Department should, therefore, have considered executing both Stage I & II of a particular work through the same contractor to ensure completion of both the stages of the work.

- Lack of adequate monitoring and failure to impose penalty by the Department led to many contractors abandoning works before completion.

Some instances of delay/abandonment of works by contractors noticed on spot verification are depicted below:

[23] *Items like hill cutting and throwing of spoils under Stage I were not susceptible to measurement after execution and hence perceived to be highly profitable.*

[24] *Stage II works mainly comprised of laying WBM and bituminous surface course which were easily measurable / verifiable after execution.*

Image 2.4.1

Name of work: *Extension of road from Belling to Lungchuk (Stage-I)*
Scheduled date of Commencement: *August 2006*
Actual date of Commencement: *August 2006*
Scheduled date of completion: *August 2007*
Actual date of completion: *Incomplete*
Cost of work: *₹ 1.76 crore*
Contractor: *Shri Chandra Khaling*
Expenditure incurred till March 2012: *₹ 73.98 lakh*
Audit comment: *The work had been practically abandoned by the contractor after drawing huge amount of money through advances and the first running bill. Despite clear evidence of negligence and lack of seriousness by the contractor, no action was taken by the Department either to effectively monitor the work or to penalise the defaulting contractor.*

Image 2.4.2

Name of work: *NH 31A to Lower Martam (Stage-I)*

Scheduled date of Commencement: *September 2004*

Actual date of Commencement: *September 2005*

Scheduled date of completion: *September 2006*

Actual date of completion: *Incomplete. Work abandoned*

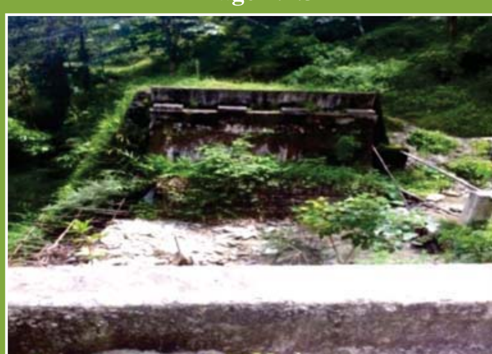
Cost of work:*₹ 2.28 crore*

Contractor: *Shri U.T. Ladhaki*

Expenditure incurred till March 2012: *₹ 1.35 crore*

Audit comment: *The work had to be abandoned due to objection by the BRO for construction of road at the take-off point touching the National Highway 31A.*

Image 2.4.3



Name of work: *PWD Road to Chenzey (Stage-I)*

Scheduled date of Commencement: *December 2005*

Actual date of Commencement: *August 2006*

Scheduled date of completion: *August 2006*

Actual date of completion: *Incomplete*

Cost of work: *₹ 1.06 crore*

Contractor: *Shri T. Lachungpa*

Expenditure incurred till March 2012: *₹ 78.90 lakh*

Audit comment: *Work held up for more than 5 years beyond the scheduled completion date due to bridge collapse indicating defective design and poor construction supervision.*

Image 2.4.4

Name of work: ***SPWD** Road Gangtok Rumtek to Kaiyathang (Stage-II)*

Scheduled date of Commencement: *May 2009*

Actual date of Commencement: *Not started*

Scheduled date of completion: *May 2010*

Actual date of completion: *Incomplete*

Cost of work: *₹ 0.46 crore*

Contractor: *Shri Anil Kr. Agarwal*

Expenditure incurred till March 2012: *₹ 6.81 lakh*

Audit comment: *Work could not be commenced and was held up due to hindrance and blockade by the land owner at the take-off point thereby stalling the work indefinitely.*

Image 2.4.5

Name of work: *Nimtar to Mangthang (Stage-I)*

Scheduled date of Commencement: *February 2008*

Actual date of Commencement: *February 2008*

Scheduled date of completion: *February 2009*

Actual date of completion: *Incomplete*

Cost of work: *₹ 3.11 crore*

Contractor: *Shri Sanjay Agrawal*

Expenditure incurred till March 2012: *₹ 2.09 crore*

Audit comment: *Work delayed due to delay in obtaining land clearance, delay by contractor and revision of work estimate.*

Image 2.4.6

Name of work: *Tashiding Phamtam - L Chongrang (Stage-I)*

Scheduled date of Commencement: *July 2006*

Actual date of Commencement: *February 2008*

Scheduled date of completion: *February 2009*

Actual date of completion: *April 2012*

Cost of work: *₹ 1.38 crore*

Contractor: *Shri C.B. Gurung*

Expenditure incurred: *₹ 1.31 crore*

Audit comment: *Work delayed due to delay in obtaining land clearance, delay by contractor, poor project management. Entire formation at the entry point washed away and damaged by landslides due to defective alignment.*

The implementation of many works by the Department was characterised by inadequate monitoring, defective plan and design, failure to obtain appropriate performance guarantee and non-initiating of timely action leading to delay and even abandonment of works as illustrated below.

2.4.9.3 Non-completion of road from Belling to Lungchuk

The work "Extension of road from Belling to Lungchuk" (3.76 km.) was awarded (July 2006) to a contractor at ₹ 1.76 crore to be completed by August 2007. Till July 2009, the contractor had drawn ₹ 1.19 crore upto his 2nd RA bill while only 26 *per cent* of the estimated quantity of work had been completed. Thereafter, the contractor practically abandoned the work. Important items of works such as hill cutting, bridge, drainage works, culverts, breast walls, road furniture and major portion of protective works were not taken up.

Spot verification by Audit revealed (August 2012) that the road was not accessible to any kind of vehicles. 80 *per cent* of the road had formation width of only 4 meters against the mandatory 6 meters. No breast walls had been constructed anywhere from take-off to end point resulting in occurrence of huge landslides as depicted in the photographs below:

Image 2.4.7

Rampant land slips due to hill cutting

Image 2.4.8

Work abandoned after partial execution

Against the sanctioned quantity of 44,520.61 cum hill cutting, the Department exhibited execution of 1,49,602.61 cum which was 336 *per cent* of the sanctioned quantity. With such huge hill cutting work, the formation width achieved for major portion of the road was only 4 metres against the width of 6 metres required to be achieved while a huge quantity of cutting still remained to be done. Out of the total hill cutting of 1,49,602.61 cum shown as executed, 28,446 cum pertained to blasting of rocks. However, the quantity of power gel (gelatine) issued for blasting was only 1,142.12 kg which could blast maximum 3,997.42 cum rocks as per norms[25]. Hence, projection of blasting 28,446 cum hard rock with only 1,142.12 kg power gel as against the norm of blasting only 3,997.42 cum rock defied logic.

The contractor was paid ₹ 73.98 lakh in excess of the amount estimated for hill cutting works by projecting excess hill cutting.

Thereafter the contractor abandoned the work. The Bank Guarantee (BG) submitted by the contractor towards performance security had long expired leaving the Department with no means to effect recovery of any kind. While only notices were issued to the contractor to resume work, no stringent action had been taken. The Department had expended 68 *per cent* of funds on 26 *per cent* of the work completed so far by the contractor in terms of the estimate. It was not clear how the Department would complete the balance 74 *per cent* work with available 32 *per cent* funds.

The Department stated (October 2012) that the work was under progress and efforts were being made to complete it before December 2012.

2.4.9.4 Abandonment of road from Upper Gelling to Middle Gelling

The work "Extension of road from Belling to Lungchuk (Phase VI) Stage-II" was awarded (December 2007) at ₹ 3.67 crore with the scheduled date of completion within 12 months (January 2009). Advances of ₹ 55.02 lakh[26] was paid to the contractor during February 2008. BG of ₹ 55.02 lakh valid for a period of one year (January 2009) was deposited (February 2008) by the contractor against the advances drawn.

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[25] 1 kg gelatine can blast 3.5 cum hard rock.

[26] Mobilisation – ₹18.34 lakh and Equipment – ₹ 36.68 lakh.

The contractor was paid 1st RA bill of ₹ 84.09 lakh against physical progress of 28 *per cent* of the work in September 2008. Immediately after receipt of this payment, the contractor abandoned the work. The Department issued notice to the contractor for completion of work only in February 2010 – 14 months after abandonment of the work. Six subsequent reminders were thereafter issued between February 2010 and May 2011. The contractor did not respond to any of the notices.

Image 2.4.9

Emulson drums lying idle at site of work.

The BG submitted by the contractor had already expired on 13 January 2009. Only on 27 January 2012, more than three years after abandonment of work and expiry of the BG, did the Department issue notice to the contractor for renewal of BG. By this time the contractor was in possession of ₹ 1.08 crore[27] in cash and kind paid by the Department over and above the payment due against the value of work done.

In the absence of valid BG or any other instrument of recovery, the Department had no means to make good the excess payment of ₹ 1.08 crore lying with the contractor. No action had been taken by the Department to penalise the contractor, terminate the contract or work out modalities for completing the work despite the fact that the work had been completely stalled for more than four years. Spot verification of the work in August 2012 revealed that the 676 drums of bitumen issued (September 2009) to the contractor had neither been used in the work nor was the same available at the site of work. Out of 276 drums of emulsion issued to the work, only 28 drums were available at site. Whereabouts of the balance quantity of the material was not known. The value of materials not available at site worked out to ₹ 54.66 lakh.

The Department stated (October 2012) that the scheme was not abandoned. The progress was delayed due to negligence of the contractor. Action against the contractor had been initiated. The Department had proposed to execute the balance work either by re-tendering or departmentally.

[27] *Balance of Mob & Equipment advance - ₹42.41 lakh (after recovery of ₹12.61 lakh in the first bill) plus value of stocks issued to contractor which was neither used in work nor recovered/returned - ₹ 65.56 lakh.*

2.4.9.5 PWD Road to Chenzey - Work held up due to bridge collapse

The work "Gangtok Rumtek PWD Road to Chenzey (2.518 kms)" was awarded (August 2005) to a contractor at ₹ 1.06 crore. In terms of the contract the work was to be completed by August 2006. The road work, *inter alia*, involved construction of a small bridge *(15 metre span)* over a seasonal stream en-route to the village of Chenzey. While concreting work of the bridge slab was under progress, the slab collapsed (May 2008). As of July 2008, the contractor had been paid ₹ 78.90 lakh while 74 *per cent* of the road work had been completed. The work had been held up since then leaving the village of Chenzey unconnected.

The Department accepted (October 2012) the fact that the work was held up due to bridge collapse. The bridge collapsed due to the contractor's negligence. The matter was *sub judice*. The reply failed to address the fact as to why the Consultant who was entrusted with construction supervision was not held responsible for the construction failure and penalised appropriately.

2.4.9.6 Gangtok Rumtek Road to Kaiyathang - Work held up due to land dispute

Stage-I of the rural connectivity road from SPWD Gangtok Rumtek Road to Kaiyathang (one km.) was completed in February 2008 at a cost of ₹ 42.78 lakh. The Department took up Stage-II of the work in May 2009 at ₹ 45.63 lakh and ₹ 6.81 lakh was paid to the contractor as mobilisation advance. During physical verification it was seen that at the take-off point the land owner blocked the road and did not allow execution of the work. The construction of the work had been held up since more than two years depriving the rural people of Kaiyathang the much needed connectivity. Thus, failure of the Department to ensure availability of land before taking up the work resulted in failure to provide connectivity to the targeted habitation. No action had been taken by the Department so far to resolve the impasse.

The Department stated (October 2012) that it had taken up Stage II work in May 2009 but could not achieve progress as the land owner at the take-off point blocked the road and did not allow execution of work. The Department had requested DC (East) for compulsory acquisition. The work would be taken up once the issue of land was settled.

2.4.9.7 Lungchok to Dikchu - stoppage of work due to non-arrangement of land

Construction of rural connectivity road from Lungchok to Dikchu (Dalapchand) was awarded (February 2008) to a contractor at ₹ 3.91 crore. The work commenced in March 2008 and ₹ 19.54 lakh and ₹ 39.09 lakh were paid as mobilisation and equipment advances respectively during February 2008. The contractor had drawn (September 2009) ₹ 58.58 lakh against his 1st RA bill.

While proceeding to execute the work near the take-off point, the land owners refused to provide land for construction. The Department proposed to change the alignment of the road by shifting the take-off point approximately 240 meters towards east from the original site, which was the only available alternative.

Image 2.4.10

Change of take-off point

Image 2.4.11

Veterinary Office nearby the new proposed take-off point

The land through which this new alignment passed belonged to the Animal Husbandry, Livestock, Fisheries and Veterinary Services Department (AHLFVSD). The Secretary, RMDD wrote (October 2011) to the AHLFVSD for transfer of land for construction of the road. No response had been received from the AHLFVSD. The road, targeted to be completed by February 2009, had not even been started as of August 2012 even after more than 3 years beyond the due date of completion. The contractor was in possession of advances of ₹ 58.63 lakh for more than 3 years but his bank guarantee provided as security for the advances had expired in February 2009 itself. No action had been taken by the Department to get the BG renewed. A spot verification by audit revealed that the proposed new alignment of the road passed close to the office building of the AHLVSD in the area as indicated in the photograph. There was possibility of disturbing the structure while taking up the new alignment which the implementing authorities need to look into.

The Department stated (October 2012) that it was actively pursuing the matter with AHLVSD as it was the only alternative.

2.4.9.8 Mangsabong SPWD Road to Topung - abandonment of work by contractor

The construction of rural connectivity road from Mangsabong SPWD Road to Topung (5.40 kms) awarded at ₹ 2.33 crore in July 2006 was scheduled to be completed by July 2007. Simultaneous with issue of work order, equipment advance of ₹ 23.25 lakh and mobilisation advance of ₹ 11.63 lakh were paid to the contractor. After drawing ₹ 99.28 lakh (August 2008) against the 1st RA Bill, the contractor stopped the work without assigning reasons. Despite several reminders from the Department and the local Panchayats, the contractor did not resume work. The Department could recover only ₹ 14.89 lakh *(Mobilisation Advance: ₹ 4.96 lakh and Equipment Advance: ₹ 9.93 lakh)* from the contractor's 1st RA Bill leaving a balance of ₹ 19.99 lakh with the contractor. No performance guarantee had been obtained from the contractor while awarding the work. Neither any penalty had been imposed on the contractor nor any serious action taken to get the work completed even after more than 5 years beyond the scheduled date of completion of the work. Thus, the rural residents of Topung were denied accessibility to the basic services and facilities targeted under the programme due to sheer negligence and casual approach of the Department in getting the work completed.

The Department stated (October 2012) that the work had been delayed due to negligence of the contractor. The Department was making efforts to recover the outstanding advances of ₹ 15.16 lakh from the contractor.

2.4.9.9 Non-imposition of liquidated damages

Although contractors failed to execute works within stipulated time as per terms of contract, other than issuing notices, the Department did not impose any liquidated damages. In terms of the condition of contract, a contractor should pay liquidated damages to the employer at the rate of one *per cent* per week subject to a maximum of 10 *per cent* of the initial contract price if the contractor failed to complete the work within the stipulated period. It was seen in Audit that ₹ 37.41 crore was to be recovered from contractors against 124 cases of delay. Due to the inaction by the Department, the contractors got away with non-execution of works despite payment of interest free mobilisation and equipment advances by the Department at the very outset before commencement of works.

The Department stated (October 2012) that the delay in completion of works could not be entirely attributed to the failure of the contractors. In cases where it could be established that the delay was due to breach of contract, appropriate action would be taken. Reply of the Department was not acceptable as the Department did not impose liquidated damages on the contractors even in a single case, even when there was clear default by the contractor. The Department also did not conduct any analysis to identify the exact reasons for the delay and the factors/parties responsible for such delay.

2.4.10 Economy of operation

Exercising economy in execution of the projects should have been a prime concern of the implementing authorities with a view to ensure value for money. Economy of execution could be ensured with proper determination of rates and quantities of various items of works at the time of working out analysis of rates and quantities, avoidance of excesses during execution, restriction and proper verification of items of works not susceptible to measurement after completion of execution etc. It was seen in Audit that the element of economy in estimation and execution was not given due importance while implementing the PMGSY leading to cases of excess, avoidable and unwarranted expenditure as elucidated below.

2.4.10.1 Excess and unauthorised expenditure on Consultant

With a view to supplement efforts made by the State Government for preparation of DPRs, the project implementation guidelines allowed the State Government to outsource project preparation activities partially or fully utilising the interest accrual available with the SRRDA subject to the conditions that (i) preparation of DPRs should be outsourced only if the available resources with the implementing agencies were not adequate to handle the volume of work (ii) cost of preparation of DPRs through outsourcing should not exceed ₹ 50,000 per km in hill region. There was no scope for engagement of consultants for activities like land arrangement, training of employees of the PIUs and the contractors, construction supervision, etc. from the PMGSY programme funds.

DPRs for Phase II, III and VIII had been prepared by the engineers of the Department without assistance from any external agency. For execution of Phase IV to VII (4 phases) of the PMGSY works during the period 2005-06 to 2009-10 the Department engaged a private agency Archtech Consultants Pvt. Ltd., Kolkata for preparation of DPRs, imparting training to the PIUs and the contractor's personnel, management of land, construction supervision, etc. at a total cost of ₹ 44.55 crore. Till July 2012, the Department had paid ₹ 31.02 crore to the consultants from the PMGSY programme funds as their fees while balance ₹ 13.53 crore was a liability on the Department towards future payments.

A total of 1,422.32 km road had been planned for construction during Phase IV to VII. In terms of the GOI norms, expenditure of ₹ 7.11 crore could be expended for preparation of DPRs at the maximum prescribed rate of ₹ 50,000 per km. As of March 2012, the total amount of interest accrued from the programme funds was only ₹ 10.27 crore. The Department spent ₹ 31.02 crore with additional committed liability of ₹ 13.53 crore against the maximum permissible expenditure of ₹ 7.11 crore and availability of funds of ₹ 10.27 crore *(from accrued interest)*. Thus, the Department made excess, irregular and unauthorised expenditure of ₹ 23.91 crore from the programme funds meant for construction of roads on consultancy charges besides an undischarged liability of ₹ 13.53 crore due to the Consultant. Further, the Consultant was allowed 10 *per cent* cost escalation per year after the first year. In terms of the scheme guidelines, payment of cost escalation for implementation of any of the activities under the PMGSY from the programme funds was not allowed. Hence, payment of cost escalation over and above the huge cost of preparation of DPRs in violation of the programme guidelines was irregular, unauthorised and clearly targeted to benefit the consultant. No cost escalation, whatsoever, had been paid to the local contractors who actually executed the works.

The Department stated (October 2012) that the available manpower with the PIUs being inadequate to handle the volume of works, the preparation of DPRs, construction supervision, etc. for Phase IV to VII, works were outsourced to the consultant as provided in the Scheme guidelines. Rate paid to consultant was inclusive of all cost (supervision and consultancy charges, etc.) and not only preparation of DPRs. Hence no excess, irregular and unauthorised expenditure was incurred.

Reply of the Department was not acceptable as (i) the PMGSY guidelines allowed engagement of Consultants for preparation of DPRs for road construction only at a fixed rate (ii) there was no scope for engaging consultant for land arrangement, training of departmental officers and contractor's personnel and construction supervision at exorbitant cost from the programme funds meant for road construction.

2.4.10.2 Irregular upward revision of estimates

The MoRD sanctioned 17 New connectivity roads (44.02 km) at ₹ 14.59 crore under Phase II. Out of the 17 works, 15 works were awarded to various contractors at rates ranging between 10 and 16 *per cent* below the estimated cost while 2 works were awarded at the estimated cost. During the course of execution of the 15 works, the value of 14 works were revised and enhanced to bring the cost of the works exactly upto the level of the sanctioned estimated cost citing various reasons like non-availability of stones at sites, etc. The revision of estimates was done under instructions from the departmental headquarters at Gangtok and was not based on actual requirement and requisition from the PIUs at the field. This gives reasons for suspicion that the motive behind upward revision of the cost was to exhaust the entire sanctioned funds for the works despite the fact that the contractors had agreed to execute the works at lower cost. The irregular revision of cost of the 14 works not only resulted in excess expenditure of ₹ 2.03 crore in the 14 works but also defied logic.

The Department stated (October 2012) that the rate had to be revised due to change in alignment of the roads during actual execution stage because of non-co-operation by the land owners. The upward revision of estimates had to be done since change of alignment was inevitable and was in larger interest of the public. The reply was not acceptable as the Department could not provide documentary evidence in support of its claim that estimates of all 14 roads had to be revised due to change in alignment. Further, there was change in alignment of all 14 works where there was savings resulting from the low bids of the contractors was not acceptable.

2.4.10.3 Incorrect incorporation of rate of stone spalls

Stone spalls are used in items of works like construction of reference pillars, back pillars, stone masonry, laying of boulder aprons in wire crates, etc. The cost of stone spalls was fixed at ₹ 120 per cum by the Department. While working out per unit cost of items of works using stone spalls, the Department, however, applied the rate of ₹ 1,200 per cum. of stone spalls in respect of stone masonry works and ₹ 300 per cum for reference pillars/back pillars and laying of boulder aprons in wire crates. This resulted in unwarranted cost inflation of these items of works leading to excess expenditure of ₹ 42.56 lakh in construction of 5,347.34 cum stone masonry, 221.25 km boundary pillars and 17,061.36 cum boulder apron works.

The Department stated (October 2012) that the error occurred inadvertently and after it had been pointed by Audit, the Department had started to recover the difference.

2.4.10.4 Non realisation of Building & Other Construction Workers' Welfare Cess

The Building & Other Construction Workers' Welfare Cess Act 1996 *(Central Act)* envisaged levy of a minimum one *per cent* labour cess on cost of construction incurred by an employer or any executing agency. The amount of labour cess so collected was to be transferred to the Building & Other Construction Workers' Welfare Board. In Sikkim, the State Government notified the Central Act in the State Gazette in September 1997 for adherence by all concerned and created in February 2010 the mandatory Board to whom the cess was to be rendered. Recovery of labour cess was to be done for all works awarded after 6 September 2010.

While working out the rates of various items of works involved in implementation of the PMGSY, a provision of one *per cent* of the total construction cost was kept in the rates of each item of work towards the Cess mentioned above. However, at the time of making payments to the contractors/consultants, the implementing authorities did not deduct cess from the contractors' bills. This resulted in undue favour to the contractors/consultant of ₹ 1.23 crore in 51 cases during the period October 2010 to March 2012. The non-deduction of cess defeated the objective of extending welfare to the construction workers in the form of assistance in case of accidents, death benefits, pension benefits, loans and advances for house construction, insurance schemes, assistance for education of children, medical assistance, maternity benefits, etc.

2.4.11 Maintenance and upkeep of assets

2.4.11.1 Non-existence of record of rights of lands purchased and assets registers

Land for construction of the PMGSY roads was to be arranged by the State itself as the GOI did not provide funds for the purpose. The State Government purchased land from the general public time and again incurring substantial cost from its own resources for laying PMGSY roads. It was, however, seen that no action was taken by the Department to get the land transferred and mutated in favour of the Government even after payments were made to the landowners. Thus, the Department did not possess any records of rights of the land purchased by it so far with public money. It was further seen that Assets Registers depicting the details of road assets created under the PMGSY and their progressive maintenance/growth had not been maintained by the Department.

The Department stated (October 2012) that the Land Revenue Department evolved a system to mutate land in favour of Government before land compensation was released to the land owners by the District Collectorate. The Department shall henceforth obtain records from the respective District Collectors and maintain parallel records in the Department.

2.4.11.2 Absence of road maintenance plan

In terms of the PMGSY scheme guidelines, a separate maintenance component funded by the State Government out of its resources was required to be provided in the DPR. In respect of hill roads where construction was done in two stages, interim maintenance, clearing of slips, etc., in the period between the first and the second stage were to be done departmentally. For maintenance after the second stage, initial five year maintenance was to be contracted out to the same contractor at the time of awarding the work for the second stage.

Despite the necessity of regular maintenance and upkeep to preserve the life of the roads created under PMGSY and despite clear injunctions by the GOI for providing maintenance cost by the State, the Government had not provided funds for maintenance of PMGSY roads upto 2005-06. During the period 2007-12, the State provided ₹ 8.54 crore to the SRRDA towards maintenance out of which only ₹ 3.52 crore had been spent leaving a balance of ₹ 5.05 crore (excluding ₹ 0.03 crore interest earned). Details of the maintenance funds provided and utilised are shown in the table below:

Table 2.4.6

(₹ in crore)

Year	Opening Balance	Maintenance funds provided by the State	Interest Received	Total	Expenditure	Excess(+) Saving(-)
2005-06	00	00	00	00	00	00
2006-07	00	0.27	00	0.27	00	(-)0. 27
2007-08	0.27	0.23	00	0.50	00	(-) 0.50
2008-09	0.50	0.15	00	0.65	0.15	(-)0.50
2009-10	0.50	0.39	0.03	0.92	00	(-)0.92
2010-11	0.92	2.00	00	2.92	00	(-)2.92
2011-12	2.92	5.50	00	8.42	3.37	(-)5.05
Total		**8.54**	**0.03**		**3.52**	

Source: SRRDA.

The funds provided, however, were without any analysis regarding the actual requirement. It was also seen that the Department had neither worked out any year-wise plan for maintenance activities nor ironed out their relative priorities by having inventories of different roads in a given area in terms of categories, physical features, condition, structural capacity, etc. Thus, maintenance of the created assets was not accorded due importance.

The Department stated (October 2012) that due to paucity of resources the State Government could not provide maintenance fund in full. The reply was not acceptable as the Department failed to utilise even the limited resources provided by the State for maintenance.

2.4.11.3 Non-plantation of trees along road side

In terms of the PMGSY guidelines, the State Government was to take up plantation of fruit bearing and other suitable trees at its own cost along the road side with a view to enhance the aesthetics and overall ambience of the road network and also as a measure to mitigate and arrest environment degradation resulting from substantial deformation of the land surface on account of the construction activities. Plantation of trees also help maintain the stability and strength of the road shoulders. Despite this requirement, the implementing agency had not taken up any plantation activity along the road sides.. No funds had been provided in the State's budget to meet the cost of plantation.

The Department stated (October 2012) that saplings were planted along the road side but due to lack of fencing and proper care the survival rate was less. The reply was not acceptable as (i) no funds were provided for road side plantation by the Department, (ii) there was no documentary evidence in support of procurement of planting materials.

2.4.12 Quality Control

For effective quality control, a three tier quality control mechanism was laid down. In the first tier, the Programme Implementation Units (PIUs) were to ensure that the materials and the workmanship conform to the prescribed specification and all the tests prescribed by the National Rural Roads Development Agency (NRRDA) were carried out. In the second tier, State Quality Monitors (SQMs) were to be appointed by the State Government for periodic inspection of works. In the third tier, the NRRDA would engage independent monitors designed as the National Quality Monitors (NQMs) for reporting on the road works with reference to quality.

It was seen in audit that in all the works selected and test-checked by audit, mandatory quality checks were shown to have been conducted by the PIUs. The PIUs made no adverse remarks against any work. However, in terms of the inspection reports of NQM and SQM out of 83 works inspected by SQM during January 2010 to July 2012, 55 works were reported as unsatisfactory and 28 works 'requiring improvement'. Further, out of the 57 works inspected by NQM during the same period, 44 works were reported as requiring improvement and 8 as unsatisfactory.

The above indicates that the quality of output and workmanship in implementation of the PMGSY in Sikkim was not satisfactory. It also indicated that the PIUs did not properly do the tasks assigned to them, as they did not point out many deficiencies which were there as seen from the NQM and SQM reports. No records were available to indicate any action taken by the Department to rectify the unsatisfactory works reported by the SQM and NQM.

In reply, the Department stated (October 2012) that action taken report were being prepared by the PIUs and submitted regularly to the NRRDA. The SRRDA had only three SQMs at the level of Superintending Engineer for whom it was practically impossible to ensure quality checks for all works. It was being proposed to increase the SQMs to at least 12.

2.4.12.1 Non-adherence to specifications in construction of masonry works

Road network in the State involved large scale construction of protective walls. While the quality control mechanism established under the PMGSY mainly checked quality of road surface and pavement construction, the quality and workmanship of walls was not accorded due importance. One of the major items of protective works taken up by the Department constituted construction of coursed and random rubble masonry. Such works involved usage of specified quantities and sizes of bond stones, hard stones, cement mortar and weep holes to ensure proper bonding, stability and strength of the walls. While determining the cost of construction of masonry walls in cement concrete mortar, cost of seven bond stones of specified size per cubic metre of wall was included to arrive at a realistic rate of work. Audit scrutiny revealed that at the time of execution of works, the requirement of using bond stones in construction of random rubble masonry/coursed rubble masonry was ignored. Usage of bond stones was not reflected either in the materials at site account or in the theoretical consumption statements. This indicated non-use of bond stones in 2.06 lakh cum of stone masonry (RRSM & CRSM) relating to 64 road construction works during 2005-10. Spot verification of few works further revealed that (i) hard stones *(other than bond stones)* used in the CRSM/RRSM walls were of arbitrary sizes without regard to the specified size of 30 cm (ii) packing with cement mortar *(which was to constitute 30 per cent of the volume of wall)* was done only on the side visible to public and not on the back of walls and (iii) no proper weep holes for driving moisture from the back filling were constructed in many instances. The photographs below illustrate the audit point.

The photograph of the wall on the right side indicates appropriate use of bond stones and weep holes.

Image 2.4.12

Protective walls constructed under PMGSY by the Department with random size of stones, non-use of appropriate bond stones and weep holes

Image 2.4.13

Sample protective wall constructed with appropriate use of bond stones and weep holes

Thus, due to non-adherence to specifications prescribed for construction of masonry walls, the quality, life and strength of the walls would be impaired/affected.

The Department stated (October 2012) that NQM and SQM inspect the works frequently during various stages of execution where the specifications in construction of masonry works were invariably examined thoroughly and defects observed rectified at site. The reply was not acceptable as observations of the NQM/SQM relating to construction of masonry walls was not available on records produced to Audit.

2.4.13 Human Resource Management

2.4.13.1 Absence of human resource deployment policy

There was no laid down system in the Department for appropriate deployment, retention and transfer of personnel in charge of implementation of the PMGSY. No norms had been laid by the Department for engagement of adequate number of technical manpower at various levels for effective initiation, execution, supervision and monitoring of the PMGSY works. Transfer of manpower was random without considering utility of the trained and experienced manpower for programme implementation. During the period 2010-12[28], the Department sent 30 engineers for training on various subjects like planning and implementation of the PMGSY, preparation of DPRs, project preparation, contract management, preparation of SBD, Quality assurance, maintenance of rural roads, non-conventional materials/technologies in road construction, etc. in various institutes like the National Institute of Rural Development (NIRD), National Institute of Training for Highway Engineers (NITHE), Indian Institute of Technology and the Central Road Research Institute (CRRI). 13 out of the 30 trained personnel had been transferred away during the same period to other Departments. The absence of appropriate human resource policy relating to deployment, training, retention and

[28] *The Department could produce training records only for the period 2010-12.*

transfer of manpower would be one of the prime reasons for the poor contract management, lack of monitoring and supervision, wide variation between sanction and executed quantities of works, poor follow-up of progress and delay in completion of schemes.

The Department stated (October 2012) that transfer and management of human resource is the prerogative of the Department of Personnel, Administrative Reforms and Training (DOPART) as per rotation policy of the State Government. However, efforts were being made to retain the capable and performing resources for at least three to five years.

2.4.14 Monitoring

Effective monitoring of the Programme was critical to implementation of the PMGSY in the State. To this end, the GOI developed the On-line Management and Monitoring System (OMMS), an IT based application which was the main tool for regular supervision of the Programme. Besides the OMMS, the implementing agency needed to monitor the progress of works with reference to the prescribed milestones, monitor renewal of Bank Guarantees and proper use of equipment advances and also ensure supervision by the project consultants. Lapses were seen in various aspects of monitoring as elucidated below.

➢ ***Ineffective monitoring through the OMMS***

The OMMS was the chief mechanism for monitoring the PMGSY Programme. The State Government was required to ensure that the implementing authorities were prompt in sending the requisite reports/information to the SRRDA as well as the NRRDA 'Online' in the relevant module of the OMMS. They were responsible for uninterrupted maintenance of the computer hardware and software as well as the Internet connectivity. The State Government was required to provide necessary manpower, space and facilities to set up the computer hardware at the District and State Level. Since the data would reside on the State Servers, the State level Agency was to ensure that the State Server was functional for 24 hours a day. It was the responsibility of the Executive Engineer/Head of the PIU to ensure effective up-time and Internet connectivity of the computers at the PIU/District level. He was responsible for ensuring placement of all Master data including the Rural Roads Plan in the database and for the constant updating and accuracy of data relating to the progress of road works, record of Quality control tests as well as the payments made. In case of continued failure to update data on the OMMS, further releases to the State/District concerned could be affected. The State Government was required to identify one officer of sufficient seniority and having adequate knowledge of Information Technology to function as State IT Nodal Officer. His function was to oversee the regularity and accuracy of the data being furnished by the Districts. The IT Nodal Officer, who formed part of the SRRDA, was also responsible to oversee the upkeep of the Hardware and Software as well as the computer training requirements of the personnel dealing with the PMGSY.

Audit however, observed that despite implementation of the PMGSY for more than a decade, no IT nodal officer had been appointed for supervision of the OMMS hardware and software. No data relating to work awarded, visit by NQM, SQM, etc. was fed in the OMMS from 2009-

10 onwards. No data relating to Comprehensive New Connectivity Priority List (CNCPL) had been fed since the commencement of the PMGSY. Huge discrepancies were noticed in the data fed into the OMMS system relating to the sanctioned cost and cost of award of work.

In reply, the Department stated (October 2012) that barring receipt and payments, all other entries were being updated regularly in the OMMS and the NRRDA was getting feedbacks from the OMMS. The discrepancies and data gap with manually maintained records had been considerably reduced in consultation with NRRDA and CDAC. The reply was not convincing as (i) data relating to 2008-09 had not been fed into the OMMS (ii) the data in respect of other years fed into the OMMS were characterised by numerous deficiencies.

➢ ***Absence of system for monitoring use of equipment advance***

In terms of the conditions of contract for construction of PMGSY roads, equipment advance upto 90 *per cent* of the cost of new equipment brought to the site of work, subject to a maximum of 10 *per cent* of the contract price could be paid to the contractors against provision by the contractors of an unconditional bank guarantee for the amount equal to the advance payment. The contractors were to use the advance payments only to pay for plant and equipment required specifically for execution of the works which was to be validated by supply of copies of invoices or other documents in support of procurement of the new equipment. Thus, the advance was allowed to the contractors only as temporary assistance for purchase of new equipment in the interest of expediting the work. The advance, therefore, could not be utilised for benefitting the contractors in any other way.

Audit scrutiny revealed (July 2012) that there was no system in the Department to monitor the use of equipment advances for the intended purpose. Although equipment advances of ₹ 67.86 crore had been paid to 300 contractors involving equal number of works during execution of Phase IV to VII, none of the contractors had submitted any documents in support of the purchase of new equipment. Thus, rampant payment of equipment advances to all contractors without verifying purchase of new equipment required for the works led to irregular outflow of ₹ 67.86 crore from the programme funds and consequent undue favour to the contractors to that extent, in violation of the terms of contract.

The Department stated (October 2012) that the audit observation had been noted for future guidance.

➢ ***Non-monitoring of progress of works with reference to prescribed milestones***

The terms and conditions of contract prescribed various milestones to be achieved during the contract period. The contractors were to achieve one-eighth of the value of entire contract work upto one-fourth of the period allowed for construction, three-eighth of the value of entire contract work upto half of the period allowed for completion of construction and three fourth of the value of entire contract upto three fourth of the period allowed for completion of construction. For any delay in completion of the works by the contractors, liquidated damages at the rate of one *per cent* of the initial contract price per week limited to maximum 10 *per cent* of contract price was to be imposed on the contractors. Despite these stipulations, the

Departmental officers did not monitor the progress of works with reference to the milestones prescribed. No liquidated damages were ever imposed on any contractor despite clear cases of delay by the contractors.

The milestones prescribed for achieving various stages of progress of works with reference to the given time frame was neither adhered to by the contractors nor insisted upon and monitored regularly and systematically by the Department.

➢ ***Failure to monitor renewal of performance guarantee***

The terms and conditions of contract of PMGSY works envisage production of performance security of 5 *per cent* of the value of work by the successful bidder within 10 days of the receipt of letter of acceptance either in the form of BGs or fixed deposits in the name of the RMDD from a Scheduled Commercial Bank. The period of validity of the BGs should be such that they were available with the Department until 45 days from the date of expiry of the defect liability period of five years.

Scrutiny of files relating to 59 works produced to audit revealed that no BG was obtained in case of 4 works. The 55 BGs furnished by the contractors had validity period of one year. After the expiry of one year period, none of the BGs were got renewed by the Department, although the defects liability period was still in currency and the works far from complete. Retaining the invalid BGs by the Department was meaningless as the same could not be invoked in the event of any default by the contractors. The value of BGs for which the Department failed to renew the validity worked out to ₹ 10.10 crore. The non-insistence by the Department to renew the BGs also constituted granting undue favour to the contractors as this saved the contractors from investing any amount towards renewal of BG. Besides this, the non-renewal of the BGs gave scope to the contractors to escape penalty in case any default or defect was found in their works.

In reply, the Department (October 2012) stated that there were some procedural lapses and action was being initiated for renewal of performance guarantee.

➢ ***Absence of supervision/monitoring by consultants***

The project Consultant *(Archtech Consultants Pvt. Ltd.)* was, *inter alia*, responsible for supervision of the execution of works by the contractors as per the terms of contract. It was, however, seen that no detailed modality had been laid down relating to the extent, degree and frequency of supervisory checks to be exercised by the Consultant. Neither any formats had been prescribed for submitting regular returns containing the consultants observations nor any periodicity of reporting prescribed in the agreement drawn with the consultant. The consultant also, on its own, had not at any time indicated or reported to the Department anything regarding the progress of works, indicating that the supervision existed only on paper, there being virtually no semblance of any supervision at the field.

The Department (October 2012) stated that the supervision/monitoring for Phase IV to VII works were done by the consultant and reports submitted to Head office periodically. Reply of the Department was not supported by any documentary evidence.

2.4.15 Impact Assessment

Impact assessment of the PMGSY with a view to ascertain the usefulness of the roads completed so far, the impact on the fragile environment of the State due to massive earth/hill cutting works and indiscriminate disposal of debris had not been conducted so far. Due to various deficiencies/delays and non-completion of works, full utility to beneficiaries as per the objectives were not attained. Also since there were no records of how large amounts of soil/debris were disposed of, it appears that there would be dumping and rolling of debris in agricultural land, forest areas negatively affecting the environment. With a view to assess the actual outcome of the scheme – both positive and negative and the measures required to be taken to mitigate the negative effects and enhance the positive achievement, the Department needs to initiate an impact assessment study early.

In reply, the Department stated (October 2012) that impact assessment study shall be initiated at the appropriate level.

2.4.16 Conclusion

Implementation of the PMGSY in Sikkim was beset with deficiencies in planning and execution. There was shortfall in meeting targets which was due to considerable delay at almost every stage of implementation – delay in getting clearance for land over which the roads were to be laid, delay by contractors and delay due to poor project management. The State also failed to ensure maintenance of many of the PMGSY roads as it had not worked out any maintenance plan for such roads. The excess expenditure on the projects were mainly due to engagement of consultant at exorbitant cost, inflated quantities and upward revision of work costs. Besides other deficiencies were non-obtaining performance guarantee and guarantee against advances, non-imposition of liquidated damages on defaulting contractors, non-deduction of mandatory cess from contractors' bills, non-adherence to technical specifications, etc. The Department needs to examine and initiate appropriate action to rectify the lapses and establish systems and procedures to ensure that the shortcomings are taken care of and that such deficiencies are not repeated in future.

2.4.17 Recommendations

- ➢ Adequate and proper planning may be done well in advance so as to provide connectivity to all unconnected habitations within targeted time frame.
- ➢ Land Acquisition and Forest clearance may be done on time to enable completion of all projects within due dates.
- ➢ Projects may be monitored regularly with reference to the prescribed milestones, performance guarantees obtained and stringent action initiated against defaulting contractors to avoid delay in execution.
- ➢ The Department may ensure that Bank Guarantees are valid. Also adequate penal provision should be provided in the contract and enforced as and when required.

- The rate analysis, estimates and execution of quantities of works may be rigorously checked and re-verified to avoid any excess projection of rates.
- The Department should work out a regular and periodical maintenance plan for the upkeep of PMGSY roads.

ANIMAL HUSBANDRY, LIVESTOCK, FISHERIES & VETERINARY SERVICES DEPARTMENT

2.5 Integrated Audit

Animal Husbandry, Livestock, Fisheries and Veterinary Services Department (AHLFVSD) is responsible for implementing the programmes aimed at overall improvement of the livestock position in the State, keeping them disease free, improving the economic condition of the livestock owners, genetic improvement of the livestock and maintaining/increasing the number of endangered species and preventing cruelties to the animals in the State. While the State did fairly well carrying out the welfare activities for the street animals and production of Angora wool through Angora Rabbit cultivation in North District, there were several areas where it needs to improve.

The Department was yet to achieve self-sufficiency in animal husbandry sector despite pronouncement of "Diary Mission 2009-12" (August 2009), "Poultry Mission 2009-12" (August 2009), and "Livestock Self Sufficiency Mission 2015" (2008-09). Inability to control incidences of common diseases affected the objective of attaining a disease free status of animals in the State. Animal health was affected by the absence of doctors in animal health centres during various periods between 2007 and 2012. Further, there was no system of quarantine measure in the check posts to regulate entry of only healthy animals to the State. The highlights of the audit findings are enumerated below:

The policy proclamations (Dairy Mission for increasing milk production, Poultry Mission for increasing poultry meat and eggs to encourage unemployed youths in the dairy and poultry sectors and Livestock Self Sufficiency Mission for attaining self-sufficiency in livestock) of the Government were without any year-wise action plan with reference to the ultimate objective and lacked linkages for developing a holistic long term plan.

(Paragraph 2.5.7)

Financial management was weak, plagued by diversion of funds, non-release of state share, non-adjustment of outstanding advances, purchase of vehicles beyond the scope of Centrally Sponsored Scheme (CSS) and increase in committed liabilities without any budgetary provision.

(Paragraph 2.5.8)

The production of piggery farms during 2007-12 fell short by 79 per cent of techno-

economic parameters followed by the Department.

(Paragraph 2.5.9.4 (i))

Non-ascertaining of the reasonability of rates before procurement resulted in an excess expenditure of ₹ 1.03 crore in the procurement of goats.

(Paragraph 2.5.9.4 (iii))

Against the target of six lakh hatching eggs per annum in the six Government farms, even after incurring ₹ 5.05 crore, not a single egg was produced.

(Paragraph 2.5.9.5 (i))

The Mother Diary Project was undertaken without proper planning and survey which led to non-completion and abandonment, besides unfruitful expenditure of ₹ 1.17 crore.

(Paragraph 2.5.9.8)

Despite the expenditure of ₹ 1.81 crore, the Department could not contain the incidences of common diseases affecting the objective of attaining a disease free status of animals in the State.

(Paragraph 2.5.12)

Department did not adhere to the Bio-medical Waste (Management & Handling) Rules.

(Paragraph 2.5.18)

2.5.1 Introduction

The AHLFVSD implements the schemes in pursuance of the policies of the Government relating to livestock (including fisheries, excluding wildlife) development aimed at overall improvement of the livestock position in the State, keeping them disease free and healthy by providing improved and balanced feed/fodder/medicines, besides improving the economic condition of the owners of the livestock, genetic improvement of the livestock and maintaining/increasing the number of endangered species and preventing cruelties to the animals in the State.

Traditionally in Sikkim, integrated form of farming pattern was being followed by the farmers, wherein agricultural activities were performed by the small and marginal farmers along with dairy, poultry, piggery and goatery activities. Statistically, 70-80 *per cent*[29] of the rural households own livestock and earn supplementary income from them. While agriculture along with the animal husbandry plays an important role in the State`s economy, the contribution of livestock was 1.21 *per cent* (quick estimate at current prices) of Gross State Domestic Product (GSDP) in 2010-11 and the annual growth of employment at 4.5 *per cent*[30] comes from the livestock sector. Also, 14.32 and 0.5 to 3.2 *per cent* of rural income was contributed by milk and other animal products respectively. The position of livestock

[29] *Source: "Avenues for the unemployed Youth of Sikkim" and "Livestock Self Sufficiency Mission 2015"*
[30] *Source: "Sikkim State Livestock Sector Policy: Perspective and Policy Elements"*

according to the last two censuses conducted in the State was as under:

Table 2.5.1

Livestock	2003 Census (in number)	2007 Census (Provisional number)	2011 Census	% of increase(+) /decrease(-)
Cattle	1,60,932	1,69,829	Not conducted as yet	(+) 6
Buffaloes	2,118	1,536		(-) 27
Yak	5,719	6,468		(+) 13
Sheep	5,746	4,879		(-) 15
Pigs	40,938	38,930		(-) 5
Goats	1,23,841	1,10,120		(-) 11
Poultry	3,21,919	2,55,682		(-) 21

Source: Figures furnished by the Department

The Department had three wings i.e. Animal Husbandry, Diary Development and Fisheries.

2.5.2. Organisational structure

The AHLFVSD was headed by a Secretary who is assisted by a Director, six Additional Directors, and 11 Joint Directors at the headquarters. In addition, there was one Additional Director (Accounts) and one Joint Secretary at headquarters and four Joint Directors and four Deputy Directors at four district offices assisting the Secretary in overall management of the departmental functions.

Besides, the Sikkim Livestock Development Board had been established for improving the breeding and management of livestock of cattle, buffalo, sheep, goat and pig and enhancing the production and productivity in the State. The Board was headed by a Chief Executive Officer who was the Additional/Joint Director of the Department.

2.5.3. Scope of Audit

The records of all the State Poultry and Piggery Farms[31], the lone State Farm[32], all the 15 Veterinary Hospitals, 11 Dispensaries, the two Polyclinics in the State, all the seven Disease Diagnostic Laboratories and Sikkim Livestock Development Board covering the period of five years from 2007-08 to 2011-12 were examined in Audit. Issues relating to planning for achieving the objectives set forth in the policies framed, budgetary expenditure control, execution of works/ projects/ programmes/ schemes, manpower, internal controls and monitoring were examined in Audit.

The AHLFVSD was implementing 84 schemes, of which 48 were CSS and 36 State Plan Schemes (SPSs). For fair representation in the samples taken up for audit, Audit selected a total of 37 schemes (23 CSSs and 14 SPSs) constituting 44 *per cent* on the basis of expenditure incurred, geographic location and income generation perspective of the schemes.

[31] *Chujachen, Rhenok, Chandey, Nandugaon, Bermoik and Gyaba (Poultry farms) Assam Lingzey, Karfector, Melli Dara, Bop, Mangalbary and Gyaba (Piggery farms)*
[32] *At Karfectar, South Sikkim*

2.5.4. Audit Objectives

The main objective of Integrated Audit were to assess:

- efficiency, economy and effectiveness in planning and implementation of various schemes/programmes;
- impact of schemes/programmes on animal health, breeding, production of cattle, dairy development, socio-economic improvement of beneficiaries and self-employment opportunities created for the unemployed beneficiaries;
- extent of availability and adequacy of the veterinary health care facilities and effectiveness of programme for prevention and control of cruelties to animals;
- effectiveness of manpower management;
- existence of effective internal control; and
- adequacy and effectiveness of monitoring mechanism.

2.5.5. Audit criteria

Audit assessed the functioning of the Department with reference to its mandate and on the basis of the following criteria:

- Notifications, orders, instructions and guidelines issued from time to time by the State Government and Union Government;
- Sikkim (Livestock and Livestock Products Control) Act 1985;
- Sikkim Financial Rules;
- National and State Policy on animal husbandry; and
- Recommendations of Medical Council of India and National Institute of Nutrition.

2.5.6. Audit methodology

An entry conference, duly explaining in detail the objective, criteria and methodology of Integrated Audit, was held on 4 May 2012 with the Secretary and other officers of AHLFVSD. The Integrated Audit was conducted through test-check of records maintained at the Secretariat and all the four district offices, collection of information through issue of requisitions, questionnaires, obtaining evidences from the replies to audit queries, copies of documents, photographs, beneficiary surveys, maps, etc.

The exit conference was held on 17 October 2012 with the Secretary of the Department and other officers. After due deliberation on the audit observations and examination of the replies furnished, audit comments and conclusions were drawn up alongwith suitable recommendations for implementation by the Department.

Audit findings

The important issues noticed during the course of integrated audit are discussed in the succeeding paragraphs.

2.5.7 Policy Formulation and Planning

Sikkim implemented 5th to 9th Five Year Plans (1975 to 2004) without a unified livestock policy framework which led to adhocism and failure of Government interventions in the context of long term development of animal husbandry in the State. The State Livestock Review Exercise was conducted in the year 2003-04 on the basis of which `Sikkim State Livestock Sector Policy: Perspective and Policy Elements` was formulated in the year 2004-05 with emphasis on better management of animal husbandry.

The Government of Sikkim declared (August 2009) `Dairy Mission 2009-12,` and `Poultry Mission 2009-12` for increasing milk production, poultry meat and eggs to encourage unemployed youth to be involved in the dairy and poultry sector for their livelihood. The Government also declared (2008-09) `Livestock Self Sufficiency Mission 2015` for becoming self-reliant in all the livestock and livestock products by the year 2015. However, it was observed that the Department did not prepare year-wise action plans in order to achieve the ultimate objective of self-sufficiency. Thus, regular planning in the process of implementation of the policy formulated had not been developed (June 2012) in the State.

Scrutiny of the 11th Five-Year plan revealed that the Department fixed physical targets in respect of production of milk, eggs and wool but did not fix targets for increasing the number of livestock. It was observed that, except cattle and yak, the number of all other animals like buffaloes, sheep, poultry, etc. declined as per the livestock census of 2007 as compared to the census of 2003. Audit scrutiny revealed that although the Sikkim Livestock Development Board had its mandate of improving the breeding and management of livestock of cattle, buffalo, sheep, goat and pig and enhancing the production and productivity in the State, it had confined its activities only towards cattle development which adversely impacted the growth of poultry, sheep, goats and pigs in the State. The Department had also not investigated the reasons for consistent decline (from 2.08 *per cent* in 2005-06 to 1.21 *per cent* in 2010-11) in the contribution of livestock towards GSDP.

The Union Ministry of Agriculture`s guidelines provided that the Department should conduct animal census and set targets for increasing the number of livestock in the State on a quinquennial basis. However, the Department had neither conducted animal census for the year 2011 nor set the targets for increasing the number of livestock in the State as per its requirement.

The Department stated (October 2012) that efforts would be made for implementation of the programmes as per the plan document.

2.5.7.1 Target and achievement

As per the 11th Five Year Plan (2007-12), the Department fixed targets to bring the production level to 50,000 MT from 45,000 MT of milk, 175 lakh from 114 lakh of eggs and 7000 MT from 6000 MT of meat by 2012. While the basis of these targets were not spelt out, during the year 2008-09, the State Government declared its mission of achieving self-sufficiency in livestock by the year 2015. However, for attaining this objective of self-sufficiency, no perspective plan and annual action plan had been formulated. Against the per capita requirement of 180 eggs, 11 kg meat (recommendation of the National Institute of Nutrition) and 91.25 kg milk (recommendation of Medical Council of India), the achievements against the targets set forth till March 2012 were as under:

Table 2.5.2

Item	Requirement per annum	Target per annum	2007-08	2008-09	2009-10	2010-11	2011-12
			Achievement				
Milk (in 000MT)	55.48	50	49	49	49.10	49.40	50.20
Eggs (in lakh)	1094.4	175	265	258	259	258	336
Meat (MT)	6688	7000	7000	7000	7000	7000	7000

Source: Data supplied by the Department and Census 2011

From the above table, it is seen that the targets set forth were achieved in respect of milk and meat. However, due to non-segregation of the meat into the categories of chicken[33], mutton[34], pork[35], beef, buffalo meat, etc., fulfilment of target under each category was unascertainable. This led to the inability to ascertain achievement of specific schemes like poultry, goatery, piggery, etc., development.

The Department stated (October 2012) that categorisation of meat into various categories would be addressed and also stated that the statistical cell of the Department had already been directed to portray the various categories of meat separately from the coming financial year.

2.5.7.2 Non-creation of animal /livestock welfare fund

According to the Planning Commission of India, animal welfare during natural calamities and disaster would require attention since such calamities can drive the poor into destitution. A disaster management fund for livestock was to be created to support livestock owners during calamites. NGOs working for livestock welfare were to be strengthened so that they could ensure and promote animal care during disasters.

Despite being an earthquake prone State with very high earthquake hazard index (EHI) of greater than 0.8[36], no such welfare fund was created in Sikkim.

The Department stated (October 2012) that the fund would be created under disaster management in the 12th Plan period.

2.5.8 Financial Management

Inconsistencies noticed in financial management entailing the process of financial planning,

[33] Production is 2000 MT per annum against requirement of 4000 MT (as per Livestock Self Sufficiency Mission 2015), duly taking into account the increasing consumption level and export potential
[34] Production is 100 MT against requirement of 600 MT per annum (as per Livestock Self Sufficiency Mission 2015)
[35] Production is 150 MT against requirement of 550 MT per annum (as per Livestock Self Sufficiency Mission 2015)
[36] Case studies by Department of Geology and Geophysics, Indian Institute of Technology, Kharagpur.

expenditure control, release and utilisation of funds, proper accounting, re-appropriation and surrenders, etc., are discussed in the following paragraphs:

2.5.8.1 Budget provision, expenditure and surrenders

The budget of the Department was prepared centrally without obtaining inputs from the field units. Based on the instructions issued by the State Finance Department, the Non-Plan budget was prepared on the basis of anticipated expenditure. The Plan budget was prepared based on the lump-sum amount allocated by the Development and Planning Department. In case of Centrally Sponsored Schemes, budget provision was being made under supplementary budget in the event of funds being released by the GOI before their preparation, failing which, budgetary support was being sought for in the next financial year. The budgetary allocation and expenditure there against during 2007-12 was as under:

Table 2.5.3

(₹ in crore)

Year	Budget allocation					Expenditure			Net Excess(+)/ Savings (-)	Surrender
	Plan		Non-plan		Total	Plan	Non-plan	Total		
	O	S	O	S						
2007-08	1.77	00	24.10	1.63	27.50	1.19	21.36	22.55	(-) 4.95	4.56
2008-09	1.40	00	31.42	2.07	34.89	1.08	26.52	27.60	(-) 7.29	0.20
2009-10	0.50	0.63	26.38	9.47	36.98	0.92	33.77	34.69	(-) 2.29	2.19
2010-11	4.55	3.05	32.58	5.90	46.08	1.86	33.46	35.32	(-) 10.76	8.70
2011-12	8.11	6.90	32.44	9.93	57.38	7.82	39.14	46.96	(-)10.42	7.30

Source: Appropriation Accounts; O= Original and S = Supplementary

As can be seen, the supplementary provision were obtained every year, except 2009-10, despite the Department's inability to exhaust the original provision during 2007-12. This indicated that expenditure was not monitored and the budget estimates of the Department, therefore, were unrealistic. Non-utilisation of funds till the end of 2011-12 had also been adversely commented upon (April 2012) by the Union Agriculture Minister.

2.5.8.2 Revenue Management

The Department was generating revenue on account of entry tax and service charges on animals and livestock products brought into Sikkim as per provisions of *the* Sikkim (Livestock and Livestock Products Control) Act 1985 and on sale of piglets, poultry and poultry products by different farms located in the State and also on annual fishing licence, fines, etc. It may be mentioned that as per Sikkim Financial Rules, revenue generated by the Department was to be deposited in the Government Account and cannot be utilised by it. The position of revenue collection during 2007-08 to 2011-12 was as under:

Table 2.5.4

(₹ in lakh)

Year	Animal Husbandry		Fisheries	
	Estimate	Actual	Estimate	Actual
2007-08	50.00	43.19	2.50	1.84
2008-09	40.00	29.99	2.00	1.40
2009-10	45.00	32.01	2.00	2.34
2010-11	45.00	37.99	2.00	1.94
2011-12	38.00	48.47	2.50	4.65
Total	**218.00**	**191.65**	**11.00**	**12.17**

Source: Estimate of Receipts and Finance Accounts

As seen from the above, in respect of Animal Husbandry, except in 2011-12, there were shortfall in achieving the targets from 2007-08 to 2010-11. The excess achievement during 2011-12 was due to refund of land compensation paid in advance. As regards Fisheries, except 2009-10 and 2011-12, the actual receipts were less than the estimates. The following shortcomings were noticed in Audit:

- ***Irregular exemption of revenue arrears:*** As of March 2006, the Denzong Agricultural Co-operative Society Ltd. (DACS) had to pay an amount of ₹ 98.76 lakh to the Government towards entry tax and service charges, turnover tax and Sikkim Nationalised Transport (SNT) supervision charges for the period since 1999. On being represented (March 2007), the Chief Minister exempted (March 2007) the Society from making payment on the ground of losses being incurred by it. After this initial exemption, the Society was allowed to enjoy the benefit of exemption for subsequent years till 2011-12. However, scrutiny of Balance Sheets of the Society for the years 2007-11 revealed that except for 2007-08, the Society was continuously earning profits indicating that the exemption was unjustified, irrespective of the fact that the turnover tax, SNT supervision charges, entry tax and service charges were not contingent upon the incidence of loss or profit being sustained by any entity. While the assessment and collection of the turnover tax and SNT supervision charges rest with other departments, the Department had not realised entry tax and service charges to the tune of ₹ 7.54 lakh from the society during the period under report.

- ₹ 57.23 lakh relating to entry tax and service charges pertaining to various co-operative societies could not be realised by the Department over a period of more than five years.

- Departmental receipts of ₹ 2.04 crore towards entry fee, service tax, etc., on livestock collected by the Rangpo Check post authority, State Veterinary Hospital and fisheries were credited into Government account belatedly, the delay ranging between eight and 40 days by the Department in violation of Rule 50(1) of SFR.

The Department stated (October 2012) that all co-operative societies were exempted from payment of entry tax till 31 March 2012 and since then DACS was paying entry tax regularly. Facts remained that beyond the period of exemption from April 2006 to March 2012, the Department exempted the society on a wrong plea of loss being incurred by the society for the period prior to April 2006.

2.5.8.3 Management of funds

There was an irregular retention of funds outside the Government accounts of ₹ 0.66 crore out of funds sanctioned under Assistance to Development of Poultry Farms (100 *per cent* CSS). Funds were being held by various district implementing authorities in separate bank accounts without maintaining Cash Books which could not be verified in audit in the absence of records. No guideline had been evolved for utilisation of interest earned in the districts which is fraught with the risk of mis-utilisation. Though there was an aggregated liability of ₹ 4.58 crore, the State had not released its share during the years 2007-08 to 2011-12. There was unadjusted AC bills amounting to ₹ 5,64 crore for five years which is fraught with the risk of fraud, misappropriation, diversion etc. The Chief Executive Officer, Sikkim irregularly granted loans from CSS funds (National Project for Cattle and Buffalo Breeding) for periods ranging from 57 to 1095 days which badly affected the implementation of the said scheme **(paragraphs 2.5.9.2**) with consequential loss of interest of ₹ 1.71 lakh[37] on the loan amount of ₹ 36.03 lakh that could have been earned on investment in the banks. Further, there was an outstanding loan of ₹ 4.30 lakh as of May 2012. The Department irregularly submitted Utilisation Certificates (UCs) to the Nodal Officer of Rashtriya Krishi Vikash Yojana for the year 2011-12 though an amount of ₹ 1.04 crore[38] was drawn on AC bills. During 2007-12, the Department incurred ₹ 18.74 lakh in excess of budget provision in respect of CSSs. The Department diverted CSSs funds of ₹ 120.19 lakh towards expenditure for hotel bills, printing of departmental annual reports, purchase of vehicles, etc. in violation of guidelines. Cash Books were not properly maintained in the seven test-checked poultry farms, which was fraught with the risk of embezzlement.

2.5.8.4 **Committed liabilities:** In terms of Sikkim Financial Rules (Sanction of New Schemes), no work was to commence or liability incurred until funds to cover the charge during the year were provided. As at the end of March 2012, the Department had incurred an aggregated liability of ₹ 4.47 crore towards feed plant, incubator, international exposure tour to Denmark, repair of vehicles, purchase of POL for touring activities, telephone/electricity bills, etc. on the ground of non-availability of funds under the relevant heads of account. While creating liability without ensuring the availability of funds was against the financial rules, the budget formulation system in the Department lacked realistic assessment of requirement and irregular expenditure was thereby incurred.

While accepting the facts the Department stated (October 2012) that necessary corrective measures would be taken in future.

2.5.9 Management of Schemes and Programmes

For successful implementation of any scheme/programme, it is essential that financial and physical planning is done in a phased manner along with a targeted implementation schedule of all schemes/programmes. Audit observed that no planning by prioritising the

[37] *Interest at the rate of 4 per cent (Savings bank interest rate)*
[38] *₹ 65 lakh for mulching cow and ₹ 38.50 lakh for trout fish farming*

schemes/programmes in a systematic manner was in place as is seen from the following:

2.5.9.1 Slow progress of schemes under RKVY

The Department was sanctioned ₹ 7.80 crore under Rastriya Krishi Vikash Yojana (RKVY) (100 *per cent* CSS) for implementing 14 schemes during the year 2010-11. It was noticed that the implementation of all the schemes were slow and in most of the cases either the amounts were drawn as advances for avoiding lapsing of provision (2 cases, ₹ 1.04 crore) or were awaiting the revalidation of funds from the GOI (6 cases, ₹ 3.66 crore). The Secretary, Ministry of Agriculture requested (February 2012) the State Government to review the matter and issue necessary instruction for early implementation of the schemes.

It was also noticed that vehicles were purchased before the commencement of the schemes in violation of the Guideline of RKVY which prohibited purchase of vehicle under the scheme.

The Department stated (October 2012) that necessary action/step required as pointed out by Audit was being taken.

2.5.9.2 National Project for Cattle and Buffalo Breeding

The National Project for Cattle and Buffalo Breeding (100 *per cent* CSS) initiated in October 2000 was intended to improve the genetics of bovine[39] animals. The responsibility for implementation of the scheme was entrusted to Sikkim Livestock Development Board (SLDB). During 2007-12, GOI released grants-in-aid of ₹ 4.35 crore for this project.

The annual achievement rate of the artificial insemination (AI) during 2007-12 ranged between 15 and 24 *per cent* against the required (as per norms) annual norms of 43,925[40] breedable adult animal population in the State as indicated in the table below:

Table 2.5.5

Year	Requirement as per norms	Target fixe d by Department	Achievement	Percentage
2007-08	43925	7000	6638	15
2008-09	43925	9000	8375	19
2009-10	43925	10000	9506	22
2010-11	43925	11000	10447	24
2011-12	43925	12000	10501	24

Source: Figure furnished by the Department.

The basis on which target was fixed was neither explained by SLDB nor was available on record. For growth and development of livestock activities, it was imperative that a comprehensive long term livestock breeding policy was drawn and implemented systematically. Such a policy was absent. For enhancing productivity, the State was promoting

[39] *An animal of cattle family*

[40] *According to norms prescribed by the Department, inseminable number works out to 43,925 (2,92,832 (total cattle population) x 50% (female progeny) x 50% (breedable females) x 75% (departmental target excluding 25% natural insemination) x 80%(excluding 20% private AI as indicated by the Department)). Requirement was calculated on the basis of available data on animal population in 2007.*

"Intermediate Production System" through cross breeding with exotic breeds like Jersey and HF progeny. With setting up of SLDB, an Autonomous Body, it was anticipated that required impetus would be given for development and implementation of a holistic breed improvement programme in a systematic manner. However, in the absence of any facility for production of frozen semen in the State, the same was being procured from other states. Due to difficult terrain, lack of awareness and poor extension mechanism, the AI programme had not attained the desired level. The number of AIs carried out in the State was abysmally low (about 9000 per year) as compared with the total inseminable cattle.

The Department stated (October 2012) that SLDB would tie up with Paschimbanga Gosampad Bikash Sanstha for production of frozen semen of cross breed variety. Implementation of AI programme by cross breeding using frozen semen had resulted in increasing milk yield. The reply was not acceptable as the Department had set the AI target way below the norms.

2.5.9.3 Livestock insurance scheme

National Scheme of Livestock Insurance, a 100 *per cent* Centrally Sponsored Scheme, was introduced by the GOI with the objective of providing protection to the farmers and cattle rearers against any eventual loss of their animals and to demonstrate the benefit of the scheme to the people and to popularise it with the ultimate goal of attaining qualitative improvement in livestock and their products.

The scheme envisaged payment of 50 *per cent* subsidy on insurance premium from Central funds and the remaining premium cost was to be borne by the beneficiaries. GOI released ₹ 1.07 crore during 2007-12 to the CEO, SLDB, the State Implementing Agency in Sikkim, for implementation of the scheme. While the target for taking up insurance cases during 2007-12 was not fixed by the Department, the SLDB could utilise only ₹ 30.75 lakh for the purpose during the period. Scrutiny further revealed that funds released by the GOI for the scheme was not based on any requirement. SLDB had not conducted any survey as regards prospects of the scheme being implemented, and the Department being the implementing authority did not ever enquire from SLDB about the steps taken for successful implementation of the scheme.

The Department stated (October 2012) that the observation was well taken and the Board was taking several steps to ensure the success of the scheme.

2.5.9.4 Pig and goat development

(i) Performance of pig farms

The pig breeding farms in the State were set up with an objective to popularise pig breeding and produce genetically good quality piglets, growers, gilts and young boars for distribution/supply to the pig rearers, and commercial marketing of pork. According to the techno-economic parameters followed by the Department, 10 piglets were to be obtained per sow per farrowing and each sow was to be farrowed twice in a year. The records of all the four pig farms in the State revealed that the farms except one farm[41] produced 1,694 piglets during 2007-12 against the norm of 8,000 resulting in shortfall of 6,306 (79 *per cent),* as shown below:

Table 2.5.6

Name of the firm	Average number of sows	Production of piglets (in five years)		Shortfall	% of shortfall
		As per norm	Actual		
Karfectar Piggery Farm, South Sikkim	12	1200	383	817	68
Gyaba, Gayzing Piggery Farm, West Sikkim	31	3100	653	2447	79
Bop Piggery Farm, North Sikkim	37	3700	658	3042	82
Total	**80**	**8000**	**1694**	**6306**	**79**

Source: figures furnished by the Department

The shortfall was mainly due to the short supply of feed, lack of hygienic infrastructure and overage of sows, etc. Records further indicated that the farms earned revenue of ₹ 40 lakh during the year 2007-12 after incurring expenditure of ₹ 2.11 crore towards salaries, wages, medicine and cost of feeds rendering the farms economically unviable.

While accepting the observation, the Department stated (October 2012) that all efforts would be made to achieve the target.

(ii) Improper selection of site for piggery farm at Melli Dara

While constructing the farms it should be ensured that eco-bio security was properly followed. The farms were required to be located in isolated places to prevent spreading of common diseases to human beings. During physical verification of Melli Dara farm, it was noticed that the farm was surrounded by concrete buildings on all four sides which is likely to affect production of the farm, besides being a public health hazard.

(iii) Avoidable expenditure on purchase of goat

An amount of ₹ 1.73 crore was paid (March 2012) to SIMFED, a State Government undertaking for supply of 1,680 goats at the rate of ₹ 10,310 per goat for free distribution. It was noticed that the Department itself purchased (May 2012) the same variety of goat for distribution under Integrated Model Farming at the rate of ₹ 4,200 per goat from neighbouring Darjeeling district. Thus, due to not ascertaining the reasonability of rates before procurement, an excess amount of ₹ 1.03 crore had to be incurred towards the procurement which could have been avoided.

It may be mentioned that despite ample scope for development of pig and goat sectors in the State, the required attention had not been given by the AHLFVSD as would be evident from

[41] *Assamlingzey Piggery Farm, East Sikkim where the production was more than the norms*

the fact that the livestock under piggery and goatery had declined (**Table 2.5.1**) notwithstanding the increase in expenditure on a regular basis (**Table 2.5.3**). Promotion of the pig and goat production systems which are remunerative and easily accepted by local population could provide livelihood opportunities. The mechanism of Self Help Groups (SHGs) had not been utilised effectively for promoting goat and pig production enterprises. Development of suitable market linkages and processing facilities would certainly provide the desired impetus for growth.

The Department stated (October 2012) that goats were required to be procured after survey of several villages which results in cost escalation due to supply and demand factor. Besides, components such as insurance, feed, medicine and treatment were also provided resulting in slightly higher cost. The reply regarding cost escalation was not acceptable as Department procured goats at lower cost in May 2012 without cost escalation. Further, the prices were exclusive of the components of insurance, feed, medicine and treatment.

2.5.9.5 Poultry Development

There were nine layer[42] poultry farms and one hatchery in the State which cater to the demands of poultry farmers for supply of chicks.

(i) Assistance to State Poultry Farms

With an objective to develop eco-friendly poultry industry in the State for sustainable livelihood, a CSS `Assistance to State Poultry Farms` was funded by the GOI on 100 *per cent* basis. In this context, the following points were noticed:

- To strengthen the infrastructure of the poultry farms in the State, GOI released ₹ 5.05 crore during 2006-10 for six farms. While the works at five farms[43] were completed (October 2009), the works at one farm (at Sirwani) could not be completed (July 2012) due to non-settlement of land, change of site and scope of work which further involved a cost escalation of ₹ 26 lakh till June 2012. It may be mentioned that the escalation in Sirwani was in addition to the escalation of ₹ 41 lakh incurred on the five farms that had been completed.
- While constructing the farms, as noticed in joint physical verifications (June-July 2012), the eco-bio security guidelines was not followed. The farms were located very near to the main road which badly affected the production of chicks due to acoustical disturbances. All five farms were also suffering from acute shortage of water.
- No manure kit was made available to any farm for optimum utilisation of manure.
- The automatic feeder machines were not working since their installation in the five farms (October 2009).
- Generator sets were not working ever since its installation (October 2009) at Chandey

[42] *Egg producing birds*
[43] *(I) Nandugaon, (ii) Bermiok, (iii) Gyaba, (iv) Rhenock, and (v) Chandey Poultry farm*

and for three months at Nandugaon farms.

- Fans were also not working in two farms (Nandugaon and Chandey), where the power supply connections were of temporary nature.
- Against the target of hatching of six lakh[44] eggs per annum, the Department failed to produce a single egg in its farms during the entire period under scrutiny.
- Against the target of 30 lakh table eggs (non-fertile, used for eating purpose) per annum in the six farms, the Department produced 11,20,426[45] table eggs per year in the five operating farms. However, as against the estimated revenue receipts of ₹ 1.2 crore per year towards sale of table eggs (30 lakh @ ₹ 4 per egg being the minimum cost during 2007-12) and culling of poultry birds (information not available), no Annual Accounts (Income and Expenditure Statement/ Balance Sheet, etc.) was being prepared by the farms and hence the performance of these farms could not be assessed. The Department also had not insisted upon the requirement of Annual Accounts for ascertaining the success of the scheme in its entirety.
- There were large number of table eggs (Chujachen: 37,475; Rhenok: 27,300 in East) lying in the farms for want of marketing facility which resulted in loss to the Government due to rotting of eggs.

(ii) Assistance to State for Poultry Estates

To encourage small farmers, educated unemployed youth, rural women and socially backward society members to take up the activity of commercial broiler farming by providing required infrastructure and input, supply services and marketing avenues; Central assistance towards `Poultry Estate` was funded by the Central and State Governments on 75:25 basis. The GOI sanctioned ₹ 1.97 crore (December 2009) under this scheme.

The first instalment of funds of ₹ 98.25 lakh released (December 2009) by GOI was revalidated during 2010-11 for utilisation in the year 2011-12. While the State Government did not release its matching share (₹ 48.18 lakh), the two works[46] to be completed within August and September 2010, remained incomplete (June 2012) even after the lapse of one and a half year.

The Department stated (May 2012) that selection of beneficiaries was a major problem and non-availability of loan in time delayed the scheme implementation. Fact remained that the scheme was taken up without ensuring its viability in the context of selection of beneficiaries.

(iii) State Poultry Mission

The State Government launched the State Poultry Mission on 15 August 2009. The objective of the Mission was to make the State self-reliant in poultry products in a time bound period

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[44] *@ one lakh hatching eggs for six poultry farms being maintained by the Government.*
[45] *Rhenok farm:2,60,411, Gyaba farm: 44,684, Nandugaon farm: 2,96,314, Bermoik farm: 1,08,249 and Chandey farm:4,10,768*
[46] *Construction of Poultry Estate and Construction of water supply 50,000 liters RCC*

ending in March 2012 with a cost implication of ₹ 2.77 crore. Deficiencies noticed in this scheme were as under:

➢ **Non-preparation of perspective plan with consequential inadequacies**

As the Mission envisaged to make the State self-reliant in poultry production within March 2012, the perspective plan containing the survey on demand and supply, supply within and outside the State, availability of poultry birds and infrastructure in the State, scope for qualitative and quantitative improvement of available resources, identification of potential individuals seeking assistance for taking up poultry farm in the process of self-employment, etc. were the prime requirements which again were to be translated into actionable annual plans with goal specific targets and provision for appropriate monitoring for achieving success in attaining the goal of the Mission. The Department had neither prepared perspective plan nor conducted any survey or feasibility study.

Except for the East district, the Department had not conducted any evaluation of the Mission on the impact of the scheme in the context of economic development of the beneficiaries. Physical verification (June-July 2012) of 45 beneficiaries (out of 830) revealed that the success of the Mission suffered setbacks for want of adequate power supply, high cost of feed, inadequacy in transportation of day old chicks and inconveniences in marketing of poultry products. Further, records revealed that out of 299 beneficiaries of East District, 62 had discontinued the farm. Failure rate was as high as 100 *per cent* in Khamdong – Singtam Constituency under Phase – I and 82 *per cent* in Tumin – Lingey Constituency under Phase – II. The reasons for failure were attributed to erratic power supply, non-interest and wrong selection of beneficiaries. Thus, inadequate planning in the context of pertinent issues before launching the Mission on such a scale coupled with inadequate monitoring adversely impacted the success of implementation.

The Department accepted the observation and stated (October 2012) that efforts had been initiated for making the poultry mission successful.

2.5.9.6 Veterinary Council

In order to control and regulate the practices of the veterinary profession and its conduct apart from educating veterinary professionals, the Sikkim Veterinary Council was established in 1997 as a statutory body under the Indian Veterinary Council Act 1984. Grants-in-aid were provided to run the Council under the Central Plan Scheme. The Council was required to submit utilisation certificates (UCs) along with the audited accounts to GOI every year. It was observed that audited accounts were not submitted by the Council for the entire period covered under audit. The scrutiny of its expenditure statements for the years 2007-12 revealed the following discrepancies:

➢ No norm had been fixed for the number of meetings to be held by the Council. In the absence of any information on the number of meetings held, agenda discussed, proposals recommended in the meetings, action taken on the proposals and follow up, etc., the fulfilment of objective behind establishing the Council remained unascertained during the last five years.

- Out of ₹ 39.27 lakh received from GOI, the Council spent ₹ 33.49 lakh during 2007-12. No State share (₹ 48.50 lakh) was released during the period.
- Vehicles purchased for use of Registrar of Veterinary Council was being utilised by another department i.e., Food Security and Agriculture Department.
- Stock valuing ₹ 8.16 lakh was accounted for only after being pointed out by Audit, indicating laxity in internal controls.

The Department stated (October 2012) that corrective measures had been initiated.

2.5.9.7 Poultry Abattoir at Melli

Creation of liabilities of ₹ 56.14 lakh and irregular expenditure of ₹ 19.67 lakh

Ministry of Food Processing Industries launched (January 2009) a comprehensive scheme for `Setting up of Modern Abattoir` at the funding pattern of 75:25. The Detailed Project Report for ₹ 3.53 crore was forwarded (July 2010) to the Government of India (GOI) which was not approved (June 2012) by the GOI. The financing cost of the project was as below:

Table 2.5.7

Financing source	Amount (₹ in lakh)
GOI grant	222.20
State Government contribution	75.00
Contribution from Poultry Co-operative Societies/Private parties	56.14*
Total	**353.34**

*Source: Figures furnished by the Department. * ₹ 28.14 lakh as equity and ₹ 28 lakh by term loans*

The methodology as to how the Department would ensure the contribution to be generated from Poultry Co-operative Societies/private parties, procedure to be adopted for selection and nature of collaboration in the project was not deliberated and defined.

It was also noticed that although the provision of ₹ 4 crore (75:25) was made against which ₹ 1 crore pertaining to the State share was reflected and released, no funds were sanctioned by the GOI and the project remained to be approved by GOI till the end of March 2012. In anticipation of the project being sanctioned by the GOI, the Department had already gone ahead with the Cabinet`s approval, work of bidding process, detail designing and management consultancy at an agreed fee of ₹ 13.90 lakh out of which ₹ 5.50 lakh had already been expended.

From the project funds released by the State Government, the Department acquired land at an expenditure of ₹ 14.17 lakh. As the per project guidelines, funds were not allowed to be spent on land acquisition.

2.5.9.8 Mother Dairy Project

Blocking up of Government funds

Under the Rashtriya Kisan Vikas Yojana (RKVY), a project `Mother Diary Farm at Karfectar` at the cost of ₹ 3.10 crore to be implemented over a period of one year was approved (January 2010) by the State Cabinet. The civil work `Establishment of Mother Diary Farm at Karfectar` estimated at ₹ 91.85 lakh was awarded (March 2010) at par to a contractor to whom 2nd RA bill of ₹ 80 lakh had been paid (March 2012).

Though the project was to be completed by December 2010, the work had not been completed till June 2012 and the contractor had abandoned the work. Audit scrutiny (June 2012) revealed that during the process of execution, the site of the project was shifted from the plain land to the hillside due to the fact that plain holding was required for fodder plantations of the Department, which was not perceived during the survey and the planning stage. On shifting of site, items of works increased in respect of site and land development to the tune of ₹ 69.61 lakh, increasing the total estimate to ₹ 161.46 lakh (₹ 91.85 lakh + ₹ 69.61 lakh). Scrutiny of 2nd RA bill revealed that the contractor had already executed the site and land development prior to the sanction and before preparation/ sanction of the revised estimate, which led to an unauthorised expenditure of ₹ 80 lakh.

It was also noticed that even before sanction of the project in the new location, the Department procured machineries and equipment valuing ₹ 55.53 lakh with payments of ₹ 37.42 lakh (₹ 11.42 lakh in March 2010 and ₹ 26 lakh in January 2011) to the SIMFED.

Thus, the project was undertaken without proper planning and survey of site which led to non-completion and abandonment (June 2012), besides incurring excess expenditure of ₹ 80 lakh on the construction and ₹ 37.42 lakh on procurement of equipment not required before construction of the infrastructure resulting in blocking up of Government funds due to improper planning.

The Department stated (October 2012) that the work was not actually abandoned but the process was delayed due to technical reasons, which was not specified.

2.5.9.9 Fisheries

The Directorate of Fisheries under the Department was entrusted with the promotion of sustainable fish culture as an income generating activity of the rural farmers. In the process of discharging its responsibilities, the Directorate fixed its targets as under:

Table 2.5.8

(In tonnes)

Year	Requirement of fish	Target set	Achievement
2007-08	18848	180	160
2008-09	18848	220	160
2009-10	18848	220	168
2010-11	18848	250	180
2011-12	18848	300	280

NB: Requirement worked out on the basis of recommendation of CMFRI[47]

As would be seen from the above, the targets could not be achieved despite the expenditure of ₹ 11.53 crore, during the period covered under audit. Further, while the targets were being theoretically calculated on the basis of number of beneficiaries and their expected production, in the absence of any data on the issue, both the figures of targets and corresponding achievements were not reliable.

➢ ***Absence of supervision and doubtful payment:*** The Department with the financial assistance from National Fisheries Development Board (NFDB), Hyderabad, implemented Running Water Fish Culture or Carp Fish Farming during 2010-11. The scheme covered 300 beneficiaries from Sikkim (North-55, South-75, West-75 and East- 95). The scheme provided ₹ 60,000 per beneficiary, out of which ₹ 45,000 was earmarked for pond construction and ₹ 15,000 for fish seed and feed. The Department proposed to give 50 *per cent* subsidy, rest 50 *per cent* cost i.e., ₹ 30,000 was to be borne by the beneficiaries themselves. Out of ₹ 90 lakh towards departmental subsidy, ₹ 40.50 lakh was financed by NFDB and the balance of ₹ 49.50 lakh was borne by the State. The Department paid the subsidy of ₹ 30,000 in two equal instalments in February 2011 and May 2011.

Against test check of reports of 130 beneficiaries (South-75 and North-55), the reports of 86 beneficiaries revealed the following:

➢ 35 beneficiaries (27 *per cent*) had not constructed the concrete ponds and instead used the earthen ponds which cast doubt on the expenditure of ₹ 10.50 lakh (₹ 30,000 X 35) shown to have been spent for the purpose.

➢ 45 beneficiaries (29 *per cent*) did not follow the construction specification of the pond i.e., volume of 100 cum at the dimensions of 10 m x10 m x 1 m.

➢ Six different beneficiaries exhibited three photographs of the constructed ponds as evidence towards the actual construction of their ponds (i.e., copy of the same photograph used by two different beneficiaries). Hence payment of ₹ 90,000 (₹ 30,000 x 3) to three beneficiaries was doubtful.

This was indicative of poor supervision and monitoring of the implementation by the Department.

[47] *Central Marine Fisheries Research Institute, Kochi*

While accepting the audit observation and assuring that all measures would be taken not to repeat such mistakes in future, the departmental staff physically verified (19-21 October 2012) the construction of ponds and stated (October 2012) that the said three beneficiaries had actually constructed the ponds which remained dry during the period of verification due to damage caused by natural calamity (September 2011). The fact remained that the subsidies were disbursed without verification of requisite documents and in the event of natural calamity, the fulfilment of objectives of the construction could not be ascertained.

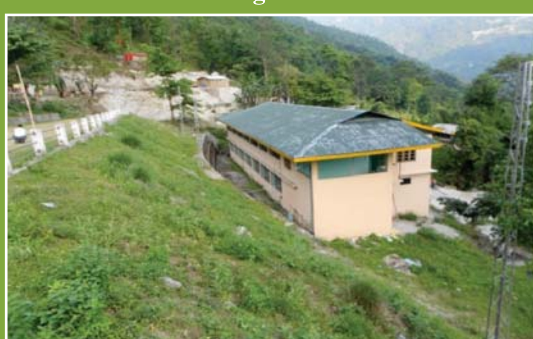
2.5.10 Building infrastructure for Animal Husbandry

2.5.10.1 Defective planning for building infrastructure

Building infrastructure for animal husbandry network is essential for providing better services to the livestock rearing farmers. It was also essential that financial and physical planning was done in a phased manner along with a targeted implementation schedule of all construction activities.

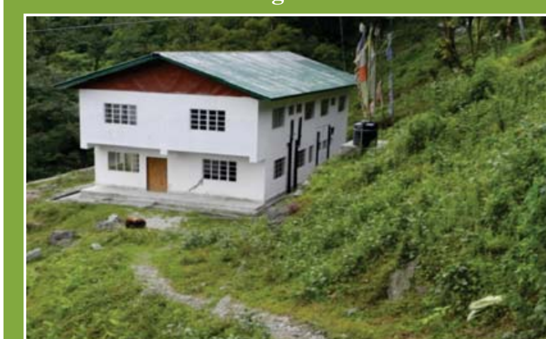
Scrutiny of records revealed that 48 building works like construction of dispensaries, veterinary hospitals, fish ponds and training centres, etc., were sanctioned during 2007-08 to 2011-12 at an estimated cost of ₹ 20.41 crore and were stipulated to be completed within a period ranging between five months and one year. Of these, eight works remained incomplete even after one to five months beyond the scheduled dates of completion as of May 2012. Non-completion of building works resulted in avoidable expenditure of ₹ 24 lakh incurred towards rental charges of buildings hired for animal husbandry activities during 2007-12. A few photographs of construction works undertaken were as under:

Image 2.5.1



Poultry farm at Sirwani without approach road connecting the hospital (May 2012)

Image 2.5.2



Administrative Block at Mangan without approach road (May 2012)

As seen from the above photographs, these buildings had been constructed without any approach roads.

The Department stated (October 2012) that it had been putting its efforts on war footing to complete all the projects at the earliest.

2.5.11 Feed and fodder

2.5.11.1 Irregular expenditure on procurement of poultry feed

The Department purchased 114.61 MT of poultry feed at an expenditure of ₹ 13.21 lakh from its own budgetary head outside the provision under the scheme 'Assistance to State Poultry Farms'. As the scheme guidelines clearly envisaged that the purchase of feed for farms was to be met from the revolving fund (₹ 15 lakh each) made available for the purpose, incurring expenditure of ₹ 13.21 lakh on poultry feed during 2009-12 for these farms was beyond the provision of the scheme guidelines.

The Department stated (October 2012) that emergency purchase was necessary to operate poultry farms smoothly for which no revolving fund was available. The reply was not acceptable since the requisite fund was actually available (**paragraph 2.5.8.2**) with the Department.

2.5.11.2 Non-utilisation of oat seed

To meet the shortfall of fodder during the lean season, the Department was receiving 10 MT (100 qtl) of oat seed every year from GOI under Central Minikit Distribution Programme. Audit scrutiny revealed that 45 qtl (180 bags expiring in September 2010) received during 2009-10, constituting 45 *per cent* of the receipts, remained dumped (July 2012) in the State Farm at Karfectar, South Sikkim without distribution of the same to the beneficiaries before the expiry date as evident from the photograph below:

Image 2.5.3

Expired Oat seeds lying at Karfectar Farm, South Sikkim

2.5.12 Animal Health

The AHLFVSD had 15 veterinary hospitals, 113 veterinary dispensaries/stockman centres, two polyclinic and seven disease diagnostic laboratories. Each veterinary institution was covering around 990 villages as of March 2012. The State did not have any biological institute and the required vaccines were being procured from other States to vaccinate the animals against the major diseases.

The Department had not formulated any annual action plan for procurement of drugs for distribution to the animal health care units and had not fixed annual rate contracts for procurement. The Department also had not made any plans to make available ready stock of essential drugs that were required to be maintained by all veterinary hospitals and dispensaries for emergency purpose.

The prevalence of common diseases in the State during the last five years was as under:

Table 2.5.9

Name of the diseases	2007-08	2008-09	2009-10	2010-11	2011-12
Digestive disorder disease	1773	1937	1974	2429	Not furnished
Digestive disorder symptom	15906	17285	16256	17569	Not furnished
Other disease	5465	6248	8065	7186	Not furnished
Parasitic	15828	18120	18647	18607	Not furnished
Protozoan disease	2843	2741	3793	3084	Not furnished
Reproductive disease	2790	3069	3058	3145	Not furnished
Respiratory Disorders	2783	3385	5031	4226	Not furnished
Skin disease	3741	4554	4092	5255	Not furnished
Expenditure (₹ in crore)	0.21	0.23	0.25	0.29	0.83

Source: Figure furnished by the Department.
NB: The figures for 2011-12 had not been compiled by the Department.

Despite the expenditure of ₹ 1.81 crore during the last five years, the Department could not contain the incidences of common diseases of animals in the State.

While accepting the audit observation, the Department stated (October 2012) that corrective measures would be taken.

2.5.12.1 Defunct Nutrition Cell

Animals require water, carbohydrates, lipids or fats, proteins, minerals and vitamins for healthy growth. Nutritive value is determined by nutrient concentration and nutrient digestibility. Nutrient concentration and digestibility data can be determined using digestion trials or by measuring chemical composition.

Physical verification of Nutrition Cell of AHLFVSD revealed that the said cell was defunct since long (exact date could not be stated by the Department) and it was therefore, understood that no clinical examination of feed supplied to the animals (cattle, goat, pig, rabbit, dog and yak) could be done to measure nutritive value of the feed supplied. Due to this, supply of sub-standard feed to the animals could not be ruled out. Consequently, ₹ 0.97 crore[48] per annum was being incurred towards the pay and allowances of idle staff engaged in the Nutrition Cell, besides idling machineries and equipment being maintained in the Cell.

The Department stated (October 2012) that requisition for an officer had been placed for regular test of the feed samples. The reply was not tenable as posting of additional staff over and above the already existing idle staff was not justified.

[48] *One superintendent/Dy. Director, two laboratory attendants and one Poultry attendant*

2.5.12.2 Targets and achievements under Assistance to State for Control of Animal Disease (ASCAD)

The position relating to targets and achievements for vaccination of animals under the scheme during 2007-12 was as under:

Table 2.5.10

Name of the disease	Target	2007-08	2008-09	2009-10	2010-11	2011-12
		Achievement				
Foot and Mouth Disease	1,20,000	82,472	61,368	79,100	87,163	12,482
Haemorrhagic Septicaemia		81,473	70,160	38,143	3,728	8,234
Black Quarter		82,473	70,160	38,143	3,728	8,234
Swine Fever	30,000	0	0	0	0	543
AVR (Pre)	0	1,984	1,769	1,621	2,891	2,312
AVR (Post)	0	757	578	98	169	71
Ranikhet Disease (RD)	0	280	3,753	2,980	1,432	125

Source: Figure furnished by the Department

As seen from the above table, the actual vaccination for swine fever was negligible *vis*-à-*vis* the target. Further, no target was fixed for AVR (Pre, Post) and RD despite their regular incidences. The other issues noticed in the control of animal diseases were:

(i) Rinderpest: The Department was able to contain Rinderpest Disease in the State during 2007-12.

(ii) Avian Influenza: The Department had not fixed any target or norm for disease investigation and immunisation of poultry birds. The vaccination programme was being carried out on specific prevalence of certain diseases. 3,177[49] poultry birds (excluding number of deaths in Chandey and Gyaba Poultry Farms, the details of which were not available with the Department) died in the poultry farms during 2011-12 alone, but the records did not suggest that any preventive measure was taken in this regard. For surveillance of Avian Influenza, only 5,050 samples (Sera and Swab) were collected from all the districts for testing during 2007-12. Though the results were hardly being received in the Department, there was no follow up even on the few results received. Also, there was no systematic record keeping in the context of samples collected, samples sent for tests and results received which defeated the very purpose of tests being conducted.

(iii) Tuberculosis/ Brucellosis: According to the GOI instructions, routine screening of pigs for infectious diseases like tuberculosis and brucellosis were to be undertaken regularly. But the records of Department did not indicate any such routine screenings. Investigation and sample testing against the diseases like Vesicular Stomatitis and Swine Vesicular, the other common diseases prevalent in pigs, were also not done.

Due to this, the objective of rearing healthy pigs and preventing diseases for those who consume pork remained unattended.

While accepting the audit observation, the Department stated (October 2012) that further

[49] *Nandugaon Poultry Farm:291, Rhenock Poultry Farm:1,416 and Bermoik Poultry Farm:1,470 during 2011-12*

follow up would be intensified to avoid the lapses in future.

2.5.12.3 Abnormal delay in functioning of Disease Investigation Laboratory

The newly sanctioned (February 2011) disease investigation laboratory at Chandey, North Sikkim was non-functional (May 2012) though the construction work was completed in September 2011 and full amount was paid to SIMFED in March 2011 for supply of required equipment. The District authority stated (May 2012) that it was non-functional due to non-supply of equipment.

While accepting the audit observation, the Department stated (October 2012) that timeline would be framed for the Engineering Cell to finish the works within the stipulated time.

2.5.12.4 High mortality rate of bulls

Scrutiny of records relating to bull rearing farm, Karfectar revealed that mortality rate of bulls[50] had been increasing from 'Nil' (2007-08) to 10 (2011-12) for which reasons could not be furnished. These farms were without any calf starter (feed) required for helping the calves grow into bulls. The farms were also without cover for protecting them during rainy season and winter.

While accepting the audit observation, the Department stated (October 2012) that all efforts were being made to control the mortality rate in future.

2.5.13 Assets and Inventory Management

Assets and inventory management in the Department had the following deficiencies:

2.5.13.1 Management of land

The Department had 466.143 acres of land. However, it had not prescribed any norms for utilisation of the available land for livestock and other related activities. Physical verification of veterinary hospital and dispensaries revealed that these land were mostly kept barren.

2.5.13.2 Non-maintenance of asset registers

The Asset Register is an important and permanent record of a department wherein details of all assets including projects completed every year and the works-in-progress should be recorded by the project/scheme implementing authorities. However, in the absence of any Asset Register, the Department was not in a position to plan its future requirement with reference to the availability of assets and for optimum utilisation of the existing assets.

While accepting the audit observation, the Department stated (October 2012) that steps had already been taken for maintaining asset registers.

2.5.13.3 Irregular purchase of medicines and surgical equipment

An amount of ₹ 15.99 lakh was paid (August 2008) to the supplier for supply of surgical

[50] *Out of bulls reared of 96 (2007-08); 60 (2008-09); 61 (2009-10); 53 (2010-11) and 52 (2011-12).*

equipment like ECG machine, X-ray machine, bed side monitor, etc. for State Veterinary Hospital (SVH), Deorali after diverting funds from the provision under Land and Buildings.

Physical verification (May 2012) of store at SVH disclosed that the said items were lying idle since their procurement (August 2008) as could be seen from the photographs below:

Image 2.5.4

Image 2.5.5

ECG machine, X-ray machine and bed side monitor lying dumped in the OT (May 2012)

While accepting the audit observation, the Department stated (October 2012) that all equipment would be made functional as and when the new infrastructure is completed at Sokeythang.

2.5.13.4 Non-disposal of condemned stores/vehicles

Financial Rules require that physical verification of stores should be conducted once in a year and unserviceable disposable articles should be got condemned from the competent authority. These unserviceable articles, machinery or vehicles should be disposed of by following departmental procedures and the revenue realised should be credited to the Government account so that these funds could be utilised by the Government for future plans. In the test-checked hospitals, dispensaries and farms, it was observed that while the serviceability of stores/machineries/vehicles had not been evaluated, these were lying idle as shown in the photographs below:

Image 2.5.6

Idle equipment in the ASCAD store (May 2012)

Image 2.5.7

Idle equipment in the Nutrition Cell (May 2012)

Image 2.5.8

Image 2.5.9

Horizental Feed mixer lying idle in the incomplete poultry farm at Sirwani, East Sikkim (May 2012)

Image 2.5.10

Hand chaff cutter lying idle in the Veterinay hospital, Rhenok (May 2012)

Image 2.5.11

Maruti Van lying idle in the Veterinay hospital, Rhenok (May 2012)

Image 2.5.12

Non-functional liquified nitrogen cooling machine at Karfectar Farm, South Sikkim (July 2012)

Image 2.5.13

Non-functional hatching machine (two) at Karfectar Farm, South Sikkim (July 2012)

Image 2.5.14

Non-functional feeder machine for poultry at Karfectar Farm, South Sikkim (July 2012)

Image 2.5.15

Non-consumable feed for poultry lying dumped at Karfectar Farm, South Sikkim (July 2012)

While accepting the audit observation, the Department stated (October 2012) that further follow up would be intensified to avoid the same in future.

2.5.13.5 Loss of store items

Scrutiny of hand chaff cutter stock register(s) revealed that 11 hand chaff cutters (valuing ₹ 1 lakh) and field implements for goat scheme (value not furnished) were missing from store. Though the FIR was lodged, no intimation to the higher authorities was made in contravention of Rule 20 of Sikkim Financial Rules. Further, two additional hand chaff cutters were lying idle as obsolete items for which no action for their disposal had been taken.

The Department stated (October 2012) that the observation had been noted for future compliance.

2.5.14 Record Management

The management of records in the AHLFVSD during 2007-12 suffered from the following deficiencies:

- As per SFR, physical verification of all stores must be conducted at least once a year indicating the results of such verification. However, physical verification of stores was not done during 2007-12. The entries in stock registers were either incomplete or recorded without proper authentication. Inventories of dead stock articles were not maintained. Therefore, it could not be ensured that the stores shown in the registers were actually available.
- Works Register was being maintained without indicating the requisite information like provision, source of funding, sanctioned cost, dates of work order, agreement, commencement, completion, etc.
- Prescribed formats which were to be filled in by the field offices/workers in the context of disease surveillance were not being filled in properly with complete and requisite information. As a result, the information received through these formats could not be used in the Management Information System having bearing on the future planning

process.

- No log book and history sheet was maintained by the Department for 30 vehicles in its possession. As a result, replacement of spare parts such as tyre, tube, battery, etc. and consumption of actual Petrol, Oil and Lubricant with reference to the tours and mileage covered could not be verified.
- Tools and Plant Register, Guard Files, Duty Allocation Register, Scheme/ Programme Guidelines were not being maintained by the Department. Thus, internal control in the Department was weak.

While accepting the audit observation, the Department stated (October 2012) that internal controls had been streamlined for maintaining all records as per norms.

2.5.15 Human Resources Management

Management of human resources is an important factor for the efficient functioning of any department. Audit scrutiny of Human Resources Management in the Department revealed the following:

2.5.15.1 Staffing

Job analysis, job specification and job description are the prerequisites for efficient management of manpower with reference to the activity of any organisation. While no such analysis had ever been conducted in the Department, in addition to the full-fledged sanctioned strength vis-À-vis men-in-position, another 445 Muster Roll employees viz., Junior Engineer, Law officer, LDC and various categories of group IV staff had been posted in the Department. Further, while the Department had not planned for imparting training to the officials and staff for augmentation of their resource/skill, it had also not maintained any record relating to handing and taking over of the charges by its officials.

2.5.15.2 Non-availability of doctor in dispensaries/farms/check posts

It was seen that 24 out of total 49[51] dispensaries/farms/check posts functioned without doctors during various periods between 2007 and 2012. In the absence of doctors, veterinary care facilities for the animals could not be provided. Even the health status of the animals being imported remained unverified due to the absence of doctors in the check posts. This was fraught with risk of entry of disease bearing animals in the State, which could have been connected to the severe outbreak of deaths of piglets imported in the State for distribution in the West district (14 June 2012).

The Department stated (October 2012) that cadre review had already been submitted to the Government and Department would recruit and train manpower in near future.

2.5.15.3 Training

The Department had one Animal Husbandry Training Centre at Gangtok for imparting

[51] *Veterinary dispensaries:35, Check post: 4 and Farm:10*

training to Livestock Assistants and paravets, farmers, NGOs, SHGs, educated unemployed youths, etc. Audit Scrutiny revealed that the training centre had not prepared any training calendar during 2007-12. Further, establishment of a training centre estimated at ₹ 80.93 lakh at Sokethang of East District under NEC project for completion within September 2011 was not completed (physical progress: 85 *per cent)* even after expending ₹ 64.15 lakh as of March 2012.

The Department stated (October 2012) that it would make all-out efforts to apprise the Government to provide required funds against the plan projection every year so that Department could prepare an Annual Training Calendar in future.

2.5.16 Quality control

Existence of an effective quality control mechanism in the Department was of paramount importance with a view to ensure quality of inputs used in the works as well as materials received and to ensure durability of the assets created. It was however, seen that there was very poor quality control in construction works in the Department as discussed below:

2.5.16.1 Non-conducting of soil stability test for construction works

Sikkim Public Works Code envisages that no work should commence unless a properly designed estimate is framed after detailed survey, investigation and technical sanction. The code further lays down that the estimate should always be accompanied by a report indicating the description of proposal for location, design, specification and drawing.

The Department neither carried out detailed survey of the areas for ascertaining the suitability of land for construction nor obtained mandatory expert opinion of the Mines and Geology Department in terms of Government notifications issued in February 2002 and October 2008. Estimates of the projects were framed without carrying out mandatory tests such as soil testing, stability analysis, etc. These tests are especially important since Sikkim is an earthquake prone zone. Absence of proper survey and quality control resulted in cracks and damages in the newly constructed assets as would be evident from the following photographs:

Image 2.5.16

Cracked wall of ongoing project of piggery shed at Melli Dara

Image 2.5.17

Cracked floor of ongoing project of Mother Dairy Farm at Karfectar

While accepting the audit observation, the Department stated (October 2012) that no further construction would be taken up until the detailed survey of the area ascertaining stability test report certified by the Mines and Geology Department was carried out.

2.5.16.2 Stipulation of Public Works manual not complied

The Sikkim Public Works Manual 2009 incorporated broad guidelines relating to quality control checks and quality assurance in works execution, which however, was not adhered to by the Department as of March 2012 as indicated below:

- No detailed procedures ensuring quality control had been laid down by the Department for observance by the construction team;
- Despite the availability of testing lab in other State Government works departments, no sample was sent for quality testing so far;
- Bills were released to the contractors without mandatory quality control report; and
- No Guard file was maintained in any of the worksites and hence the review of the quality inspections by the higher authorities could not be assured.

The Department, despite having one full-fledged Engineering Cell, did not ensure quality of the materials being used and work executed. Resultantly, the possibility of supplying inferior quality of materials and execution of substandard work could not be ruled out as shown in the photographs above.

While accepting the audit observation, the Department stated (October 2012) that the Engineering Cell of the Department had already been directed to follow broad guidelines of the Sikkim Public Works Manual.

2.5.17 Management Information System

Information Technology (IT) aims at improving governance and ensuring delivery of essential services to the citizen in terms of e-governance enabled information and communication, particularly for the benefit of society. With these objectives, an e-governance steering Committee was constituted during the month of August 2002 by the State Government.

Audit scrutiny revealed that even after a lapse of nine years, the Department had not formulated any IT plan for delivering essential services to citizen in terms of e-governance.

The Department stated (October 2012) that complete plan of action for IT would be incorporated during current plan period.

2.5.18 Compliance to Statutory regulations

Non-adherence to Bio-Medical Waste (Management & Handling) Rules

The Bio-Medical Waste (Management & Handling) Rules 1998 stipulate treatment and disposal of bio-medical waste in a prescribed manner. Scrutiny revealed that none of the veterinary institutions had initiated steps to ensure handling of waste without any adverse effect to human/animal health and environment. No incineration facilities were available in any of the veterinary hospitals and dispensaries test-checked. No records relating to generation, collection, reception, storage, transportation, treatment, disposal or handling of bio-medical waste was kept by any of the institutions.

The Department stated (October 2012) that action would definitely be taken accordingly in future.

2.5.19 Monitoring

The Department had neither any centralised database nor any comprehensive MIS capturing information about the critical components and activities being performed which affected monitoring at the apex level. In the absence of proper monitoring, adjustment of advances, timely surrender of savings, timely completion and quality control in projects, the aspects of non-utilisation of land, non-disposal and loss of store items, etc., could not be regulated. No asset registers were maintained as required under CSS guidelines. Records of the minutes of the review meetings, if any held, and follow-up action taken there against, were also not maintained at the Secretariat level.

Monitoring for efficient functioning was further deficient on the following issues:

2.5.19.1 Absence of impact study

The Department had not conducted any evaluation or impact study to assess the extent of success in the context of providing service delivery to the rural populace owning animals for appropriate follow up and future action.

The Department stated (October 2012) that a monitoring team was constituted for preparing evaluation report and impact analysis.

2.5.19.2 Non-dissemination of annual reports

As per Para 8.4 of the Report of the Technical Committee of Direction for Improvement of Animal Husbandry and Dairying Statistics, Ministry of Agriculture, GOI, the Department was required to issue and circulate the annual reports of the centrally sponsored schemes for wide dissemination to other States and for information sharing amongst them.

Audit scrutiny revealed that the annual reports of centrally sponsored schemes had not been printed by the Department during the period covered under audit. Consequently, the information regarding major livestock products in the State was not available.

The Department stated (October 2012) that corrective measures would be taken in future.

2.5.20 Satisfaction level of beneficiaries

The beneficiary surveys conducted (June-July 2012) throughout all the four districts by audit of 79 beneficiaries revealed that, except for the marketing facility in the State Poultry Mission, the public were generally happy about the animal husbandry activities in the State. It was given to understand by those surveyed that the Government was doing more than what was expected by the general public. Thus, it emerges that the general public were more interested in availing of the fringe benefits of financial and other assistances being provided under various schemes/programmes without focussing on the ultimate objective of the Government of attaining self-sufficiency in the areas of poultry, dairy and livestock as a whole in the State.

The Department stated (October 2012) that all the projects would be prepared with public participation so that the ultimate objective of self-sufficiency is achieved in the field.

2.5.21 Best practices

Despite the shortcomings in the animal husbandry activities in the State as discussed in the preceding paragraphs, the State was doing fairly well in the events of welfare activities being carried out for the street animals by Sikkim Anti Rabies and Animal Health (SARAH), a NGO functioning jointly with the State and Union Governments in the fields of anti-rabies vaccinations/immunisations/sterilisations/medications/upkeeping, etc., especially in the welfare of the street dogs. Another programme deserving appreciation in the context of implementation of animal husbandry activities was production of Angora wool through the Angora Rabbit cultivation in the North district of Sikkim. The photographic illustrations of these two activities were as under:

Image 2.5.18

SARAH for anti rabies programme (June 2012)

Image 2.5.19

Angora Rabbit for wool production (May 2012)

2.5.22 Internal Controls and Internal Audit

2.5.22.1 Internal Control System (ICS) is a management tool which provides reasonable assurance that the organisation's objectives are being achieved and the entity is functioning in an economical, efficient and effective manner. But audit came across many instances, besides those mentioned under Financial Management, where either ICS was absent or was ineffective exposing the Department to risks from malpractice, fraud and corruption as discussed hereunder:

2.5.22.2 Inconsistencies in statistics on GSDP: The contribution of the livestock towards State's economy was shown as 8.16 *per cent* of GSDP in "Sikkim State Livestock Sector Policy: Perspective and Policy Element" (2004-05), which again was shown as 6.70 *per cent* of GSDP in the departmental Annual Reports for all the years of 2008-09 to 2010-11.

However, as ascertained (July 2012) by Audit from the Department of Economics, Statistics, Monitoring and Evaluation, the contribution of livestock was only 1.21 *per cent* (quick estimate at current prices) of GSDP in 2010-11 which consistently declined from 2.08 *per cent* in 2005-06. The Department had not addressed the issue of consistent decline in contribution of livestock towards GSDP in the State through identification of the reasons, planning towards remedial measures, etc. It was further seen that the data on the number of Panchayat Wards shown as 1,100 in the Annual Reports of 2008-09 and 2009-10 was actually 990. Therefore, the status of planning in the Department with variation of 574 *per cent* in the basic data on GSDP casts doubt on the credibility of the Department in all the fields of activities, especially the achievements being claimed against the targets having been fixed. Further, the basic data varying widely with the actual had impaired various stages of `Policy formulation and planning` (**paragraph 2.5.7**), 'Management of schemes and programmes` (**paragraph 2.5.9**), `Management information system` (**paragraph 2.5.17**) and overall 'Monitoring` (paragraph 2.5.19) in the process of achieving animal husbandry in the State.

The Department stated (October 2012) that it proposed to conduct survey considering all the parameters actually needed to estimate under Animal Husbandry sector.

2.5.22.3 Assessment of risk to public health not done: The Sikkim (Livestock and Livestock Products) Control Act 1985 provides that sources of social risk from consumption of unfit meat be regulated. Thus, the Department was required to assess risks to human health from consumption of unfit meat based diseases. The Department conducted only one or two inspection(s) per year during 2007-12 against the requirement of eight. The risk to human health from consumption of unfit meat based diseases remained unaddressed due to inadequate number of inspections.

The Department stated (May 2012) that due to shortage of manpower and vehicles, the required number of inspections could not be taken up. The reply was not acceptable since the Department had full-fledged sanctioned strength and every entitled officer had been allotted vehicles.

2.5.22.4 Non-availability of quarantine measure in the check posts: Sikkim Livestock and Livestock Products Control Act 1985 regulate the entry of only healthy animals in the State. Quarantine would examine all livestock coming into the State to make sure that they don`t introduce diseases that could damage the livestock, pets and native wildlife. But the system had not been introduced by the Department in any of the check posts as of June 2012.

The Department stated (October 2012) that the establishment of quarantine with minimum essential need would be initiated.

2.5.22.5 Mandatory visit to dispensary not carried out*:* To provide better veterinary service, it was required that veterinary doctors should visit the dispensaries once in a week. It was noticed that the mandatory visits were done 12 times against the requirement of 52 times in a year.

The Department stated (October 2012) that it had already introduced Animal Health Card System and visits performed would be monitored through this method.

***2.5.22.6 Departmental Manual*: **Every organisation should have a comprehensive manual prescribing the procedure of work, responsibility, structure and control mechanism. Documentation of procedure for various functions of the Department and its updation were essential. However, no manual was prepared despite substantial expansion in the activities of the Department.

The Department stated (October 2012) that finalisation of draft manual would be completed during the financial year 2012-13.

2.5.22.7 Non-functional online software for animal disease reporting system:GOI provided online software for animal disease reporting system under Indo Swiss Dairy Scheme. The system however, remained non-functional since a long time. Despite several requests, the Department could not provide the detailed information in this regard to Audit.

The Department stated (October 2012) that the first round of training had since been completed and the software was being rectified after which the system would be functional.

2.5.22.8 Internal Audit: No internal audit was conducted by the Directorate of Internal Audit under Finance, Revenue and Expenditure Department for ensuring efficient functioning of the Department, during the period covered under audit.

***2.5.22.9 Response to Audit**: Observations on the accounts of various departments noticed during Audit and not settled on the spot are communicated to the Heads of departments/organisations through Inspection Reports. The Heads of departments/ organisations were required to take corrective action in the interest of the better functioning of the State administration and furnish replies on Audit observations within a period of four weeks.

10 Inspection Reports containing 37 paragraphs relating to the Department were lying unsettled since 1996-97 for want of satisfactory replies as of March 2012. Thus, the Department had not discharged its responsibility as even after 17 years, these Inspection Reports with the paragraphs therein remained unsettled.

Despite several written requests, the Department had hardly made available the records in time. This indicates that the Department had not ensured proper upkeep of records for production before Audit despite prior intimation from Audit and specific provision to that effect.

2.5.23 Conclusion

The Department was yet to achieve its objective in animal husbandry sector despite pronouncement of "Diary Mission 2009-12" (August 2009), "Poultry Mission 2009-12" (August 2009), and "Livestock Self Sufficiency Mission 2015" (2008-09). Planning in the process of implementation of the policy formulated had not been properly developed in the

State. Therefore, each initiative, in the absence of year-wise action plan with reference to the ultimate objective, was not coordinated and therefore, lacked linkages for developing a holistic long term animal husbandry plan. Despite the increasing budget provision and expenditure thereagainst, the Department could not increase the population of buffalo, sheep, pig, goat and poultry birds during the period covered under review. The artificial insemination programme for increasing the bovine population of the State also could neither achieve the target set forth by the Department itself, nor could it achieve the requirement of insemination based on the norms fixed by the Department. The Department also could not produce table eggs and fish according to its own target, besides being unable to produce any layer bird through hatching of eggs. Unless Department takes immediate steps to convert its mission into actionable annual plans and follows it up with effective monitoring and evaluation, the mission of making the State self-reliant in livestock sector by 2015 would not fructify.

2.5.24 Recommendations

The Department should ensure the following for improvement of Animal Husbandry in the State:

- Formulation of perspective plan and year-wise action plans by consolidating objectives envisaged in Diary Mission 2009-12, Poultry Mission 2009-12 and Livestock Self Sufficiency Mission 2015.
- Timely conduct of household livestock census for preparing plans for improvement in livestock sector.
- Periodical review of the budget and expenditure control mechanisms to ensure proper utilisation of funds.
- Improvement in marketing of eggs to avoid accumulation of stock in poultry farms.
- Effective Human resource management for improved monitoring for successful implementation of scheme, and
- Improvement in animal health condition by ensuring adequate availability of medicine, routine screening of animals, particularly pigs, for infectious diseases and deployment of required doctors in health centres and check posts.

TOURISM AND CIVIL AVIATION DEPARTMENT

2.6 Loss due to delayed response of the Department

Delay by the Department in acceptance of offer and in opening Letter of Credit led to loss of ₹ 90.23 lakh to Government exchequer.

The Department of Tourism invited (June 2010) tender for supply of Cabins for use in 'Mono-cable Detachable Grip type Passenger ropeway system' from Forest Colony to Samdruptse at Namchi, South Sikkim. In response to the tender, Gangloff Cabins Ltd., Switzerland, quoted (July 2010) a price of CHF (Swiss Franc) 6,87,570 with a discount of 2.5 *per cent* provided

Letter of Credit (LC) for the supply of the materials is opened within 90 days (i.e., 12 October 2010). The Department accepted the offer belatedly (1 April 2011) and opened (January 2012) LC by depositing ₹ 3.92 crore for CHF 6,87,570 @ ₹ 57/CHF.

Audit scrutiny revealed (August 2012) that delay by the Department in accepting the offer quoted by M/s Gangloff Cabins Ltd. resulted in loss of ₹ 7.72 lakh[52] due to non-availing of 2.5 *per cent* discount on offered price of CHF 6,87,570. Further, delay in opening LC led to an avoidable expenditure of ₹ 82.51 lakh[53] on account of differential cost of exchange rate of CHF from ₹ 45 per CHF in October 2010 to ₹ 57 per CHF in January 2012. Thus, delay on the part of Department led to an aggregate loss of ₹ 90.23 lakh (₹ 82.51 lakh + ₹ 7.72 lakh) to the Government exchequer.

In reply, the Department stated (October 2012) that the delay was due to official procedure (July 2010 to February 2012) in obtaining additional financial sanction required for meeting the cost of the project and non-availability of funds. The reply was not tenable because, out of ₹ 27.42 crore (Central: ₹ 14.44 crore and State: ₹ 12.98 crore) sanctioned for the Project, till January 2011, the State Government had released only an amount of ₹ 2.46 crore (18.93 *per cent)* which was spent by the Department as against more than 70 *per cent* (₹ 10.13 crore) utilisation of the total sanction from Central funds. The Department should have coordinated with the Finance, Revenue and Expenditure Department (FRED) for ensuring the additional sanction of ₹ 1.04 crore required for opening the LC especially since the State Government had only released ₹ 2.46 crore out of the ₹ 12.98 crore which was its commitment to the project.

HORTICULTURE AND CASH CROPS DEVELOPMENT DEPARTMENT (SMALL FARMERS AGRI-BUSINESS CONSORTIUM)

2.7 Loss due to injudicious parking of huge funds in Savings account

Injudicious parking of funds by the SFAC (Small Farmers Agri-Business Consortium) in savings account with low rate of interest instead of fixed deposits at higher rates led to loss of ₹ 97 lakh.

The Small Farmers Agri-business Consortium (SFAC), under the Horticulture and Cash Crops Development Department was registered as a Society in November 2000 with the objective of promoting agro-industrial growth in different parts of the State. The SFAC implemented the centrally funded project Horticulture Mission for Development of Horticulture in the North East and Himalayan States.

The accounts of the Society were kept in a Savings Bank Account in the Bank of India. Test check of records revealed (August 2011) that huge balances of funds were available in the account of the SFAC round the year ranging between ₹ 10.74 crore to ₹ 34.25 crore. Despite

[52] *2.5% of ₹ 3,08,71,893 (₹ 44.90 X CHF 6,87,570)*
[53] *₹ 57- ₹ 45 = ₹ 12 X 6,87,570 = 82,50,840*

existence of huge balances in its account, the SFAC had not evolved any investment policy with a view to invest the huge balances in fixed deposits or other forms of deposits which could earn better interest for the Society and thereby increase its corpus of funds substantially. The minimum balance available with the SFAC during the period 2009-11 at any point of time was over ₹ 10.74 crore, which could have been judiciously invested in fixed deposits to earn interest of ₹ 1.72 crore at the average rate of interest of 8 *per cent* per annum, against the actual earnings of ₹ 75 lakh only (at 3.5 *per cent* per annum) leading to loss of ₹ 97 lakh. This additional fund could have been utilised towards development of horticulture in the State.

The Department stated (January 2013) that it had started investing the funds, in an account with higher interest rate, from September 2011 after being pointed out by Audit.

ROADS & BRIDGES DEPARTMENT AND IRRIGATION & FLOOD CONTROL DEPARTMENT

2.8 Excess expenditure due to adding incidental charges twice

Inclusion of incidental charges twice in unit rate of item resulted in excess expenditure of ₹ 2.12 crore.

The rates of various items of works executed by the Works departments in the State are built up of basic components like cost of material and labour. In addition to these basic items, other incidental charges such as water and electricity, tools & plants, sundry items and contractor's profit are also added as a percentage of the basic cost to arrive at realistic rates in the Schedule of Rates (SOR) prepared by the Roads and Bridge Department (RBD).

Providing and laying plum concrete in 1:2:4 cement concrete is one of the items of work executed extensively in the State for construction of protective walls. The basic materials required for execution of this item of works are stone boulders of specified sizes, cement, stone aggregates, sand, water and wooden/metal shutters (form work). While preparing the per unit cost of this item of work by the RBD in SOR 2006, it was seen that the incidental charges (water & electricity, tools & plants and sundries) required for the job were factored in twice – one at the stage of preparation of stone boulders of specified size, 1:2:4 cement concrete mix and form work separately, and again at the stage of preparation of rates for providing and laying plum concrete walls using the stones, cement concrete mix and form work.

Thus, inclusion of incidental charges twice, which was not permissible, had resulted in cost inflation of the rate per unit of plum walls in 1:2:4 cement concrete mix by ₹ 190.47 per cum under SOR 2006 (21,383.597 cum) and ₹ 245.90 per cum under Revised SOR 2006 (69,449.806 cum) in the construction of 90,833.403 cum plum concrete walls during October 2010 to January 2012. Thus, the RBD and Irrigation and Flood Control (IFC) departments incurred inadmissible excess expenditure of ₹ 2.12 crore in 30 works due to the unwarranted inflated cost on this item of work.

In reply, the RBD stated (September 2012) that the defects were rectified in the new SOR 2012 effective from April 2012. It was further stated that SOR rate was used only for ascertaining the basic cost of the project and works were executed after tendering and accepting the lowest rate offered/negotiated and payment made accordingly. The reply was not tenable as rectification was made in respect of one item only (1:2:4 *cement concrete*) and that too in the new SOR 2012 effective from April 2012. Further, the Department's contention that errors/omissions in the SOR did not matter as the works were executed by the contractors after tendering, was also not tenable due to the fact that the estimate prepared is based on SOR which in itself was inflated due to error on analysis of item rate. Thus, the tendering and execution of work on inflated estimates tantamounts to unwarranted benefit to the contractor and burdening the State exchequer to such extent.