General Sector

CHAPTER – V

GENERAL SECTOR

5.1 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 General Sector.

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

Table – 5.1.1

(₹ in crore)

Name of the Departments*	Total Budget Allocation	Expenditure
Development Planning, Economic Reforms and North Eastern Council Affairs	90.05	28.61
Election	2.62	2.59
Excise	5.47	5.32
Finance, Revenue and Expenditure	1,419.59	1,264.68
Governor	4.53	4.53
Home	31.20	26.86
Information Technology	2.91	2.52
Information and Public Relations	7.68	6.70
Judiciary	16.84	14.76
Land Revenue & Disaster Management	447.14	280.87
Law	3.69	3.69
Legislature	14.18	13.05
Municipal Affairs	4.73	4.47
Panchayat Raj Institutions	328.97	278.47
Parliamentary Affairs	0.80	0.80
Personnel, Administrative Reforms and Training	38.38	31.86
Police	224.32	184.80
Printing	6.79	6.09
Public Service Commission	2.47	2.46
Science and Technology	1.60	1.59
Sports and Youth Affairs	17.18	14.90
Vigilance	4.11	4.12
Total	**2,675.25**	**2,183.74**

** There are 22 departments which are under General Sector*

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

Table – 5.1.2

(₹ in lakh)

Sl. No.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Amount of funds transferred during the year
1	Land Revenue and Disaster Management	MPLAD scheme	District Collector East	1,000.00
2	Police	Computerization of police society	Directorate of forensic science	218.00
3		Computerization of police society	Crime & criminal tracking network system.	32.85
			Total	**1,250.85**

Source: Central Plan Scheme Monitoring System

5.2 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 ₹ 1,263.91 crore (including funds pertaining to previous years audited during the year) of the State Government under General Sector were conducted. The Chapter contains one Performance Review and one transaction audit paragraph.

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

FINANCE, REVENUE AND EXPENDITURE DEPARTMENT

5.3 Implementation of Schemes under Rural Infrastructure Development Fund

The Government of India (GOI) set up a Rural Infrastructure Development Fund (RIDF) during 1995-96 for operationalisation through the National Bank for Agriculture and Rural Development (NABARD) for development of basic rural infrastructure like roads, water supply systems, school buildings, irrigation channels, rural marketing centres, etc., through loans provided to the State Governments. The State of Sikkim has been availing loans from the NABARD since 1998-99 for creating and developing various rural infrastructures in keeping with its broad development perspective for rural areas. As of March 2012, the State had availed loan of ₹ 224.61 crore and incurred interest liability of ₹ 73.97 crore from the

NABARD. Considering the large size of loan and the corresponding interest liability incurred by the State, a performance evaluation of the schemes funded under the RIDF was taken up with a view to assess the effectiveness of the loans availed from NABARD for infrastructure development vis-à-vis the real benefits made available to the rural masses through such loan. It was observed that schemes under RIDF were sanctioned far in excess of availability of funds resulting in incomplete works. Also assets were created at substantial costs in unsuitable locations which resulted in negligible benefits for the rural people. There was inadequate monitoring and supervision of execution of works while evaluation of the schemes had not been done.

Out of 553 schemes scheduled to be completed within March 2012, 110 schemes could not be completed despite an expenditure of ₹ 60.48 crore.

(Paragraph 5.3.10.1)

There were cases of wasteful expenditure of ₹ 1.56 crore which neither created any regular employment nor generated any income for the rural people.

(Paragraph 5.3.10.2)

The UDHD irregularly implemented RIDF schemes valued at ₹ 3.61 crore in urban areas in violation of the spirit of the RIDF and incurred interest liability of ₹ 1.17 crore.

(Paragraph 5.3.10.3)

Assets worth ₹ 3.43 crore were lying idle and unused for more than two years due to their creation without need assessment and viability study.

(Paragraph 5.3.10.6)

5.3.1 Introduction

The Government of India (GOI) set up a Rural Infrastructure Development Fund (RIDF) during 1995-96 for operationalisation by NABARD for financing as well as motivating the State Governments to take up implementation of the ongoing as well as new infrastructure projects in the rural areas. The objectives of RIDF were to provide term loans at concessional rates to State Governments to (i) complete the projects which were lying incomplete for want of resources, (ii) execute new development activities covering agriculture sector, social sector, rural connectivity sector, etc., (iii) reduce potential loss of income and (iv) provide rural employment.

Initially, only ongoing irrigation, flood protection and watershed management projects were financed under RIDF-I to facilitate completion of the projects delayed on account of financial constraints. Financing of rural roads and bridges was initiated during RIDF- II. Subsequently, coverage of RIDF was broad-based in each tranche and at present, a wide range of 31 activities in Agriculture and related sectors (Minor Irrigation Projects/Micro Irrigation, Flood Protection, Plantation and Horticulture, etc.), Social Sectors (Drinking Water and Infrastructure for Rural Educational Institutions) and Rural Connectivity (Rural Roads and Bridges) were being covered.

The first RIDF project for Sikkim was sanctioned in 1998-99 under RIDF-IV. The Finance, Revenue and Expenditure Department (FRED) was the Nodal Department for overall co-ordination and management of the schemes under the RIDF while implementation of the projects was done by six departments of the State Government viz., Water Security and Public Health Engineering Department (WSPHED), Urban Development and Housing Department (UDHD), Rural Management and Development Department (RMDD), Sikkim Public Works Department (RBD), Irrigation and Flood Control Department (IFCD) and Human Resource Development Department (HRDD) in the State of Sikkim.

5.3.2 Funding Pattern

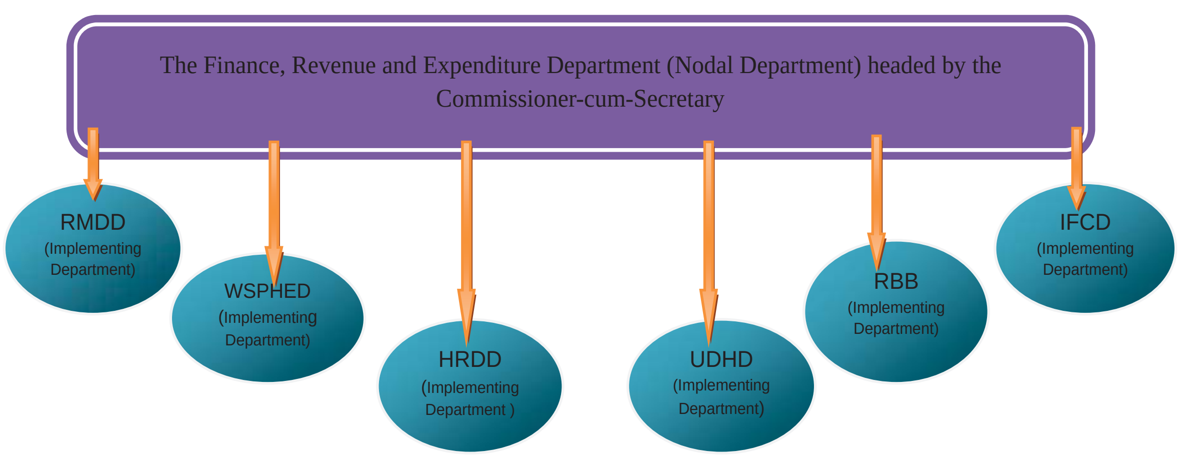
To facilitate creation of infrastructure facilities under RIDF in North Eastern Region (NER) and Sikkim, NABARD extended loan component of 95 *per cent* of the eligible project cost for agriculture and allied sectors for all States and 90 *per cent* of the eligible project cost for rural roads and social sector projects for North Eastern Region (NER) and Sikkim. The State Government was required to bear the balance cost.

Each RIDF tranche is announced in the Union Budget and normative allocation for each State is conveyed to the State Governments. The respective State Government departments prepare project reports and submit the same to the NABARD through the Nodal Department (FRED) for sanction of funds. NABARD sanctions the loan on the basis of the project reports submitted by the Nodal Department (FRED) at an interest rate of 6.5 *per cent* and the loan is released as reimbursement of expenditure incurred and claimed by the State.

5.3.3 Organisational structure

The FRED, headed by the Commissioner cum Secretary, acted as the Nodal Department for overall co-ordination and management of implementation of schemes under the RIDF. The heads of six State Government departments were responsible for execution of the schemes within their respective departments as shown below:

Chart – 5.3.1



5.3.4 Scope of Audit:

The performance audit was conducted with reference to records maintained by the FRED (Nodal Department) and six State Government departments *(WSPHED, UDHD, RMDD, RBD, IFCD and HRDD)* for the period 2007-12. Out of 614 schemes approved by these departments during 2007-12, a sample of 158 schemes were selected for test check by adopting four stage sampling. The schemes implemented by the six departments were segregated district wise and 25 *per cent* of the total number of schemes selected on the basis of their sanctioned costs which include 15 *per cent* of higher valued schemes, 5 *per cent* each from lower and medium valued schemes.

5.3.5 Audit Objectives

The performance audit was conducted with the objective of:

- Examining the existence of rural development policy and plan and assessing the adequacy and effectiveness of the planning process for implementation of the schemes;
- Assessing the efficiency, economy and effectiveness of implementation of schemes in terms of achievement of targeted outputs and outcomes; and
- Assessing the adequacy and effectiveness of monitoring, inspection, reporting and evaluation processes.

5.3.6 Audit Criteria

The audit observations in this report are benchmarked against the following criteria:

- Terms and conditions set forth by NABARD;
- Instructions/orders issued by GOI;
- Instructions and circulars issued by State Government from time to time;
- Sikkim Public Works Code and Manual;
- Schedule of Rates and Analysis of Rates of the State Government; and
- Sikkim Financial Rules.

5.3.7 Audit Methodology

The schemes implemented under RIDF for the period 2007-12 were examined in audit from May 2012 to August 2012. The audit commenced with Entry Conference (May 2012) with the Heads of departments and other officers of the Nodal Department and the six project implementing departments wherein audit objectives, audit criteria and methodology were discussed.

Records maintained in the departmental headquarters at Gangtok were examined followed by test check of records in the Districts. Besides, joint physical verification of assets was also conducted and the findings suitably incorporated in the report. An exit conference was held

(October 2012) with the Commissioner-cum-Secretary, FRED and Heads of implementing departments.

Audit findings

5.3.8 Policy and Planning

5.3.8.1 Rural Infrastructure Development – Policy and Planning

The State Government had not clearly defined any comprehensive rural infrastructure development policy and plan despite its vision to transform every single rural habitation into a vibrant, economically productive, socio-politically conscious, sustainable and progressive entity in every sphere of human activity. Lack of co-ordination and absence of dovetailing of similar schemes implemented by different departments indicated absence of adequate and co-ordinated planning and organised action by the State in so far as executing rural development schemes were concerned. There was no detailed development plan delineating the assets planned for creation over time vis-à-vis the requirement and availability of funds from various sources - grants, loans and internal resources. The State had not spelt out any policy and plan for availing loans from NABARD for implementing rural infrastructure schemes. The FRED should have fixed ceiling for each implementing department for availing loans from NABARD after considering the normative allocation declared by GOI. No such ceiling was fixed, as a result, the estimated cost of the total schemes far exceeded the year-wise normative allocation of loan declared by the GOI resulting in shortage of funds for making payments against works done. This is illustrated by the fact that against the normative allocation of loan of ₹ 170 crore from the NABARD for the period 2007-12, schemes valued over ₹ 397 crore were sanctioned. Such unplanned sanction of schemes without regard to availability of loan resulted in large number of schemes remaining incomplete and delayed.

5.3.8.2 Improper Detailed Project Reports

A vital area required to be addressed at the inception stage before commencing any project is proper survey and investigation followed by preparation of detailed project reports (DPRs) incorporating all essential inputs required for implementation of the projects. While making plan, all the initial data and inputs were not taken into account by the implementing departments. In all DPRs relating to construction of rural roads, no details of habitation survey and population covered by such roads were included. In the DPRs of 10 water supply schemes[1] quality of water was not analysed, in two schemes[2], source discharge was not studied while in the DPRs of three other such schemes[3], availability of land was not mentioned – non-finalisation of land leading to non-completion of the schemes in scheduled time. In 12 Minor Irrigation Channels (MIC) schemes the implementing Department did not carry out detailed survey on the required parameters such as availability of sufficient water at source, land

[1] *RMDD-4 and WSPHED-6*

[2] *i) Augmentation of WSS at Mangalbarey Rural Marketing Centre, ii)RWSS at Upper, Middle & Lower Tryang and Sudong*

[3] *i) RWSS at Upper, Middle & Lower Tryang and Sudong, ii)Augmentation of Reshi Bazar WSS, iii)RWS Chalampong & Chalisey*

availability for the schemes, detailed cost estimates, Benefit Cost Ratio (BCR) and Culturable Command Area (CCA). Further the data source of the CCA and BCR as indicated in the DPRs for all the 12 MICs were not available in any of the files test-checked by audit. This indicated that reliable data were not analysed while preparing the DPRs. In three cases, the MICs became defunct due to drying up of source of water. The DPRs of Pay & Use Toilets-cum-Shops and Haat sheds were prepared without proper feasibility study and identification of suitable sites for construction resulting in non-utilisation of the assets created.

While the RMDD and WSPHD (October 2012) accepted the fact, IFCD stated (October 2012) that the BCR and CCA had been worked out tentatively and Audit observation had served as a guidance for preparation of DPR of new schemes, which shall be adhered to in future.

5.3.9 Financial Management

5.3.9.1 Funds Allocation, Budget Provision and Expenditure

The overall position of loan scheduled to be released by NABARD, amount of loan actually released, budget provision and expenditure incurred by the six implementing Departments during the period 2007-12 is depicted in **Appendix 5.3.1**.

It was seen in audit that the size of schemes sanctioned by the State/NABARD was much in excess of the annual allocation of funds made by the Planning Commission for the State as depicted in the table below:

Table – 5.3.1

(₹ in crore)

Year	Annual allocations by Planning Commission	Yearly budget provision	Size of schemes sanctioned by State/NABARD	Sanction of schemes in excess of availability of funds
2007-08	20	19.50	41.69	21.69
2008-09	40	39.35	99.28	59.28
2009-10	40	45.40	176.58	136.58
2010-11	40	40.00	77.62	37.62
2011-12	30	27.00	2.23	(-)27.77
Total	**170**	**171.25**	**397.40**	**227.40**

While the State more or less restricted the budget provision within the funds allocated by the GOI under the RIDF, there was excess sanction of schemes much beyond availability of funds for making payments for the works. During 2007-12, against the availability of ₹ 170 crore, schemes valued at ₹ 397.40 crore were sanctioned resulting in shortfall of funds of ₹ 227.40 crore. There was thus, no correlation between actual availability of resources vis-à-vis quantum of works sanctioned under the scheme. At the annual rate of allocation of ₹ 40 crore by the GOI, it would take more than five years for the State to make payments for the existing schemes which were to be actually completed within three years. Thus, for the ensuing five years, the State would be unable to sanction any further schemes under the programme if it earnestly aspires to complete the already sanctioned schemes. Thus, planning for any new and urgently needed projects for the coming five years under the RIDF would be difficult due to the already excess schemes sanctioned beyond its paying capacity.

The FRED accepted (October 2012) that the schemes were sanctioned in excess of available funds.

5.3.9.2 Short release of State share

In terms of the agreement with the NABARD for availing loans for implementation of the RIDF schemes, the State was to contribute maximum 10 *per cent* of the project cost from its own resources. There was however, huge default by the State in releasing its share of the schemes cost. The State had to release ₹ 60.74 crore as its share for implementing the RIDF schemes during 2007-12. The State, however, could provide only ₹ 6.08 crore which was just 10 *per cent* of the actual amount required to be released. The short release of funds of ₹ 54.66 crore was due to the tight revenue resources position of the State, impairing its capacity to implement the huge number of schemes it had taken up under the RIDF. The State should correctly assess its capacity to defray the expenses required for the projects and render their sanction to that capacity.

5.3.10 Programme implementation

5.3.10.1 Physical achievement

During the period of 2007-12 covered by audit, 614 schemes involving ₹ 483.24 crore were approved under RIDF out of which 553 schemes were to be completed by 31 March 2012. Of the total amount sanctioned, RBD accounted for 61 *per cent* followed by HRDD (ten *per cent)*, RMDD and WSPHED (nine *per cent* each), UDHD (six *per cent*) and IFCD (five *per cent*). The projects taken up under RIDF were to be completed within three years. As against 553 schemes, 443 schemes were completed as of 31 March 2012 as shown in the table below:

Table -5.3.2

(₹ in crore)

Department	No of Projects approved	Approved cost	Loan amount	No of Projects scheduled to be completed by March 2012	No of Projects completed within March 2012	No of incomplete projects which were to be completed by March 2012	Amount spent on incomplete works which was to be completed by March 2012
HRDD	82	50.36	43.59	78	46 (51)	32(49)	9.99
RMDD	20	44.18	34.70	18	6 (33)	12(67)	3.47
UDHD	40	29.41	26.64	37	28 (76)	9(24)	5.09
WSPHED	19	42.37	37.11	16	11(69)	5(31)	5.47
IFCD	353	22.26	21.11	338	331(98)	7(2)	0.60
RBD	100	294.66	259.14	66	21(32)	45(68)	35.86
Total	**614**	**483.24**	**422.29**	**553**	**443(80)**	**110(20)**	**60.48**

Source: Monthly returns, sanctioned letter issued by NABARD. Figures in brackets indicate percentage

It can be seen from above that incomplete schemes ranged between two *per cent* and 68 *per cent*. Against 553 schemes to be completed by March 2012, 443 schemes (80 *per cent*) could be completed - 110 schemes (20 *per cent*) remained incomplete on which an expenditure of ₹ 60.48 crore had already been incurred. Incomplete schemes in respect of the RBD (68 *per* *cent*), RMDD (67 *per cent*) and the HRDD (49 *per cent*) contributed very high proportion of total schemes which adversely impacted the creation of rural road connectivity, rural water supply system and school buildings.

Work details of some delayed and incomplete projects with photographs obtained from spot verification are given below:

Image 5.3.1

Name of Scheme	:	***RWSS at Mangalbari, Rinchenpong / Chakung***
Sanctioned cost	:	**₹ 7.87 crore**
Date of commencement	:	**22-12-2008**
Due date of completion	:	**21-12-2010**
Total Expenditure incurred	:	**₹ 3.47 crore**
Reasons for delay	:	**Delay in forest clearance, land dispute, non-availability of stock material**

Image 5.3.2

Name of Scheme	:	***Construction of new road from Nandugaon to water pumping site via ICDS centre at Harrabotey.***
Sanctioned cost	:	**₹ 5.04 crore**
Date of commencement	:	**15-03-2011**
Due date of completion	:	**15-02-2012**
Total Expenditure incurred	:	**₹ 0.39 crore**
Reasons for delay	:	**Land Dispute**

Image 5.3.3

Name of Scheme	:	***Construction of road from Dong Ambottey School to Harrabotey***
Sanctioned cost	:	**₹ 6.68 crore**
Date of commencement	:	**23-10-2010**
Due date of completion	:	**22-10-2011**
Total Expenditure incurred	:	**₹ 0.87 crore**
Reasons for delay	:	**Reason for daley not recorded in the file**

Image 5.3.4

Name of Scheme	:	***Construction of rural market cum Haat Yard at Damthang***
Sanctioned cost:		**₹ 0.74 crore**
Date of commencement	:	**04-10-2010**
Due date of completion	:	**03-10-2011**
Total Expenditure incurred	:	**₹ 0.14 crore**
Reasons for delay	:	**Due to funds constraint**

Image 5.3.5

Name of Scheme	:	***Augmentation of Reshi WSS***
Sanctioned cost	:	**₹ 2.64 crore**
Date of commencement	:	**09-01-2009**
Due date of completion	:	**08-01-2010**
Total Expenditure incurred	:	**₹ 1.80 crore**
Reasons for delay	:	**Non-availability of land for construction of sedimentation tank and reservoir tank**

Image 5.3.6

Name of Scheme	:	***Upgradation of existing Chakung Gelling Road (R&B)***
Sanctioned cost	:	**₹ 6.14 crore**
Date of commencement	:	**17-03-2009**
Due date of completion	:	**31-03-2011**
Total Expenditure incurred	:	**₹ 3.08 crore**
Reasons for delay	:	**Non-issue of departmental material and funds constraint**

FRED stated (October 2012) that the delay in the implementation of some of the schemes was due to paucity of funds. The State Government however, had already issued instructions in 2011-12 to all the implementing departments to complete the projects.

5.3.10.2 Economy of operation

Since all schemes under the RIDF were funded by loan to be repaid with interest over a period of time, exercising economy in execution by the implementing departments is of importance. It was observed in audit that the element of economy was not given due importance while implementing the RIDF projects in the State leading to cases of excess, avoidable, wasteful and unwarranted expenditure as elucidated below:

Avoidable expenditure

- ***Non exemption of excise duty.***

The Union Ministry of Finance, Department of Revenue, GOI exempted (September 2002) excise duty on pipes for delivery of water from its source to a water treatment plant. Subsequently, the benefit of this exemption was extended to pipes with outer diameter 10 cm (December 2009) even if they are used in the distribution network beyond the first storage point. Such exemption was to be granted by the Deputy Commissioner, Central Excise on the basis of certificate obtained from the District Collector of the district in which the plant is located to the effect that the goods were meant for the intended use. The RMDD purchased Galvanised Iron pipes and fittings at a cost of ₹ 2.94 crore for water supply schemes under RIDF through the State Trading Corporation of Sikkim (STCS). No action was, however, taken by it to avail the excise duty exemption provided by the GOI leading to avoidable expenditure of ₹ 30.30 lakh and avoidable payment of interest amounting to ₹ 9.85 lakh on the loan availed from NABARD.

The Department (October 2012) stated that it did not seek exemption of excise duty inadvertently and assured that this would be claimed in future cases.

- ***Construction of Government Degree College at Rungdung, East District***

The work 'Construction of Government Degree College at Rungdung, East District' at an estimated cost of ₹ 8.13 crore was awarded (February 2009) to the lowest bidder at 10 *per cent* below the estimated cost with stipulation for completion within 24 months i.e., by February 2011. However, till March 2012, only 58 *per cent* of the work was completed at an expenditure of ₹ 5.26 crore. The initial slow progress was due to non-supply of the stock materials. Although the contractor was subsequently allowed (December 2009) self-procurement of stock materials, the HRDD failed to take effective steps to get the works completed within the stipulated time. Due to delay in construction, the Department was forced to run classes in a rented building which lacked basic facilities, resulting in avoidable expenditure of ₹ 3.70 lakh towards payment of building rent from March 2011 to July 2012.

While accepting the Audit contention, the Department stated (October 2012) that it had initiated appropriate action against the contractor as per codal provision.

Wasteful expenditure

In the following cases, infrastructure created out of borrowed funds amounting to ₹ 1.56 crore neither ensured any regular employment nor generated income for the rural people, resulting in wasteful expenditure besides the interest liability on the loan.

➢ ***Construction of MIC at Kagaythang sakyong***

The work 'Construction of Kagaythang MIC at Kagaythang Sakyong' at a cost of ₹ 2.50 lakh for creation of 8 hectare CCA was completed in May 2009. Physical verification revealed that the MIC was constructed at Kabirthang instead of Kagaythang as the agricultural field at Kagaythang was taken over by an agency for construction of a Hydropower Project. The change of location of the MIC was done without approval of the competent authority. The MIC in the new site catered to only one family. Further, the MIC was connected with an earthen channel which was not even connected to the agricultural farm. The MIC was later completely damaged by landslides making it useless rendering the expenditure of ₹ 2.50 lakh unfruitful.

Image 5.3.7

Damaged MIC at Kabirthang

The Department (October 2012) stated that the work was shifted with the approval as demanded by the Panchayat of Yangtey GPU and it catered to several families. The reply was not acceptable as during physical verification, it was noticed that the MIC was not even connected with any agricultural farm and catered to only one family in the new site.

➢ ***Infrastructure facilities at Gyalshing Bazar***

Infrastructure facilities at Gyalshing Bazar was approved (January 2009) by NABARD at a cost of ₹ 1.54 crore and the work completed in November 2011 by the UDHD. The work mainly consisted of beautification of the area by providing square bar railing, laying stone flooring, etc. which did come under the ambit of the RIDF programme. The expenditure of ₹ 1.54 crore thus, did not serve the purpose of either providing rural employment or reducing the loss of income to the rural people. Also, the beautification of bazar area was not covered under the schemes enlisted by NABARD for RIDF.

The Department stated (November 2012) that the infrastructure of Gyalshing Bazar was mainly focused on covering of open jhora flowing through the heart of the town. Since the project was in the bazar area, the covering of jhora by casting slab over it was further enhanced by beautifying the entire space that was earlier being unutilised. Further, the storm water flowing in the jhora was being used in various agricultural fields by the people living downstream, indirectly benefiting the rural people living in the low land areas and further improving their livelihood. Fact remained that the beautification of bazar area was not covered under the schemes under NABARD.

5.3.10.3 Implementation of schemes in urban areas

RIDF schemes valued at ₹ 3.61 crore were sanctioned (January 2009) and implemented in two towns-Rangpo and Melli falling under urban areas where projects under the Jawaharlal Nehru

National Urban Renewal Mission (JNNURM), meant for development of urban areas, were being implemented through the Urban Development and Housing Department since 2006-07. Implementation of RIDF schemes in urban areas from funds meant for rural infrastructure creation deprived the rural people of the intended benefits. The Government had to incur interest payment of ₹ 1.17 crore on the above schemes without rendering any benefit to the rural people. The funds should have been utilised as per the objective of the scheme for completion of ongoing schemes or on new schemes aimed at development of the rural areas.

The UDHD stated (November 2012) that though Rangpoo Bazar falls under the purview of JNNURM cities, the bazaar caters to all the rural areas within the periphery of Sikkim and West Bengal. However, the fact remained that RIDF was meant for the development of rural infrastructure and therefore this was in contravention of the scheme.

5.3.10.4 Diversion of funds

Five implementing departments diverted programme funds amounting to ₹ 71.94 lakh[4] towards expenditure on procurement of vehicles, computers, office stationeries, etc., related to administrative expenditure not permitted under the terms of loan sanctioned by NABARD. This not only increased the liabilities on the State without creating assets but also attracted interest liability of ₹ 23.39 lakh, besides denial of intended benefits to the rural populace due to schemes lying incomplete for want of funds.

The HRDD, WSPHED (October 2012) and UDHD (November 2012) accepted the observations. However, the RBD stated (October 2012) that the expenditure was incurred for the visit of Chief Minister in relation to the monitoring and evaluation of the schemes implemented in various districts which was also a part of the project expenditure and hence, the expenditure cannot be treated as administrative expenditure.

5.3.10.5 Defunct schemes

➢ ***Minor irrigation Cannels***

Out of 12 MICs physically verified, six MICs constructed at ₹ 26.72 lakh catering to 61 hectares of agricultural land were found defunct due to drying up of the sources of water, non-maintenance, damage by landslides, etc. Photographs of some of the defunct MICs obtained from spot verification are given below:

[4] *HRDD- ₹ 21.28 lakh, RMDD-₹ 3.55 lakh, RBD ₹ 34.57 lakh, UDHD ₹ 6.09 lakh and WSPHED ₹ 6.45 lakh*

Image 5.3.8

Dried source of Pharasey MIC at Salghari

Name of Scheme	:	***Construction of Pharasey MIC at Salghari***
Sanctioned cost	:	**₹ 2.50 lakh**
Date of commencement	:	**13-03-2009**
Due date of completion	:	**09-05-2005**
Total Expenditure incurred	:	**₹ 2.50 lakh**
Reasons for defunct	:	**Drying up of Source of water**

Image 5.3.9

Dried source of Lower Tokal MIC at Bermiok

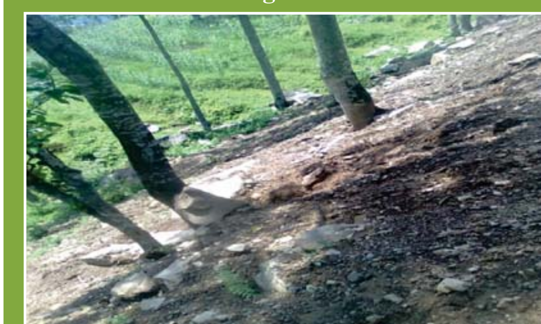
Name of Scheme	:	***Construction of Lower Tokal MIC at Bermiok***
Sanctioned cost	:	**₹ 3.00 lakh**
Date of commencement	:	**26-02-2009**
Due date of completion	:	**09-05-2009**
Total Expenditure incurred	:	**₹ 3.00 lakh**
Reasons for defunct	:	**Drying up of Source of water**

Image 5.3.10

Guay Khola MIC, needs maintenance and repair

Name of Scheme	:	***Guay Khola MIC***
Sanctioned cost	:	**₹ 2.50 lakh**
Date of commencement	:	**15-03-2008**
Due date of completion	:	**14-05-2008**
Total Expenditure incurred	:	**₹ 2.50 lakh**
Reasons for defunct	:	**Blocked by debris and vegetation due to non-maintenance**

Image 5.3.11



Dong Khola to Simbalbotey MIC

Name of Scheme	:	***Dong Khola to Simbalbotey MIC***
Sanctioned cost	:	**₹ 2.50 lakh**
Date of commencement	:	**02-03-2009**
Due date of completion	:	**01-06-2009**
Total Expenditure incurred	:	**₹ 2.50 lakh**
Reasons for defunct	:	**Completely damaged and buried under debris thrown from new road construction work**

The Department stated (October 2012) that the estimate for the repair of the defunct MICs had already been submitted to the Government but their sanction was awaited.

➢ ***Inoperative Rural Water supply Scheme***

Implementation of rural water supply scheme at Lumray Goan, Tiri Khola was completed at ₹ 9.82 lakh in March 2007. After one and half year of operation, the scheme became inoperative. Spot verification of the work revealed partial dysfunction of the system due to improper source selection and disjointing of pipes. As the scheme failed to supply water, the beneficiaries on their own, fulfilled their needs by drawing water from another source using polythene pipes.

Image 5.3.12

Idle Public Toilet-cum-Shop at Phodung Bazar

While accepting the fact, the Department stated (October 2012) that the general depletion of water sources was due to global warming and other natural phenomenon.

5.3.10.6 Idle assets

Before initiation of any scheme, it was essential that proper feasibility study and survey for selection of appropriate site was conducted to ensure that assets created from public money serve the needs of the people for whom such assets were created. After completion of the schemes, the Departments needed to operationalise the schemes immediately for the benefit of the people. Despite this, infrastructure valued at ₹ 3.43 crore were completed but remained idle for various reasons as elucidated below.

➢ Construction of Public Toilet-cum-Shop at Phodung Bazar was completed in October 2010 at ₹ 14.36 lakh with the objective of providing basic amenities to the public *vis-à-vis* generating income for the poor. As of July 2012 the infrastructure was lying idle as the UDHD had not initiated any action for operationalising the facility. Further, considering the isolated location of the facility, it was doubtful whether the facility would find any users even if the Department initiated steps for its opera tionalisation.

➢ Rural Marketing outlet at Ghurpisy, South Sikkim was completed in August 2008 at a cost of ₹ 1 crore. The objectives were to facilitate selling of their products, by rural people, directly to the consumers. The facility was not put to use by the UDHD even after a lapse of more than three years of its creation without assigning any reasons. The rural people continued selling their products on the road side in poor conditions while the building infrastructure created for resolving their problems was idling in disuse. Illustrative photographs are shown below:

Image 5.3.13

Idle Rural marketing outlet at Ghurpisy

Image 5.3.14

Rural people selling their products on the road side

- The UDHD constructed (March 2010) Haat Sheds at Kulak at ₹ 46.47 lakh in an isolated place with no approach road. The facility could not be put to use even after two years of its completion rendering the expenditure unfruitful.
- Two Pressure filters and one electro chlorinator for Augmentation of Reshi and Darap water supply schemes procured at ₹ 42.54 lakh by the WSPHED in February 2010 was lying unutilised and exposed to the vagaries of nature due to non-completion of Civil works and procurement of the filters in advance.

Image 5.3.15

Idle pressure filters and electro chlorinator of Reshi water supply scheme

Image 5.3.16

Idle pressure filter at Darap water supply scheme

- The UDHD completed (March 2009) construction of seven Pay & Use Toilets-cum-Shops (PUTSs) at various bazaars under South and West Districts under the RIDF at ₹1.68 crore with the objective of creating infrastructure and generating employment for rural people. Out of the seven PUTSs, only one at Jorethang was operational while the rest six constructed at ₹ 1.40 crore were lying idle. Spot verification of four PUTSs revealed the following:

One PUTS planned to be constructed at Kazitaar, Namchi was constructed near District Administration Centre (DAC) instead. The facility valued at ₹ 28.23 lakh was lying idle even after more than three years of completion due to unsuitable site of construction. Further, it was found that the main entrance of the PUTSs was blocked by a godown as can be seen in the photograph.

Image 5.3.17

Main entrance of the Pay & Use Toilets-cum-Shops blocked by a godown

Other three PUTSs at (i) Cho Dzo, Rabongla, (ii) Pelling Road, Gyalzing and (iii) City centre at Namchi constructed (March 2009) at a cost of ₹ 67.82 lakh were also lying idle in dilapidated conditions as shown in the photographs.

Image 5.3.18

Image 5.3.19

Image 5.3.20

Three Pay & Use Toilets-cum-Shops lying idle in dilapidated conditions

Though the reasons for idling of these assets were not recorded, physical verification revealed that these assets were created in isolated areas hardly visited by people. The Department had thus, created the infrastructure without any plan and without giving thought to the suitability of their location for use by the public thereby rendering the assets created from the borrowed funds unusable. Also, the public were denied the use of much needed facilities.

While accepting the audit contention, the UDHD stated (November 2012) that the allotment of the PUTS at Phodung Bazar was under process and that the rural populace were to be given space in the haat sheds to sell their products.

The WSPHED stated (October 2012) that it regretted procuring the equipment in advance and was taking all necessary steps to install it.

5.3.10.7 Irregular utilisation of assets

➢ ***Rural Haat sheds at Sombaria***

Construction of Rural Haat Shed at Sombaria under RIDF was sanctioned with the objective of providing facilities to rural people for selling their rural produce such as vegetables, cash crops and other household goods. The scheme executed by the UDHD was completed in March 2010 at ₹ 33.08 lakh. Physical verification revealed that the facility was actually being used by traders from other towns to sell readymade garments. The village people from the surrounding rural areas for whom the facility was created were seen selling their products at the road side. Illustrative photographs are given below:

Image 5.3.21

Traders from rural areas selling their products in open space at Sombaria Bazaar

Image 5.3.22

Selling of readymade garments at Haat shed at Sombaria

The UDHD stated (November 2012) that the Joint Secretary (South/West) had been directed to ensure proper utilisation of the assets.

➢ ***Excess supply of materials***

The Rorathang Water Supply Scheme under RIDF –XII was completed by the WSPHED at a cost of ₹ 5.20 crore. During spot verification of the work (July 2012) it was seen that pipes and fittings valued at ₹ 9.27 lakh were lying abandoned at the work site. Thus, the projection of an unrealistic estimate while obtaining sanction of funds for the project resulted in avoidable excess expenditure of ₹ 9.27 lakh from the RIDF funds due to purchase of excess pipes and fittings.

While accepting the fact the Department stated (October 2012) that the pipes and fittings would be utilised for repair/augmentation of the same scheme in future.

➢ ***Irregular utilisation of stock materials***

While schemes sanctioned under the RIDF were delayed and stalled due to want of stock materials, the RMDD issued stock (cement) purchased for RIDF schemes to the PMGSY programme which indicated improper utilisation of scheme funds and unplanned execution of works. During April 2010 to June 2010, out of 11,500 bags of cement procured under RIDF for implementation of various ongoing schemes, 10,600 bags (95 *per cent*) of cement were issued to PMGSY works. The stock materials issued to the PMGSY had not been returned to the RIDF projects till the date of audit (July 2012). The irregular utilisation of stock material valued ₹ 33.71 lakh[5] for unauthorised works indicated poor stock management and monitoring of schemes under the RIDF.

While accepting the fact, the Department stated (October 2012) that the stock would be utilised at the earliest.

5.3.10.8 Water supply without water treatment plant

The main objective of a public water supply system was to supply clean and safe drinking water through the installation of water treatment plant. The RMDD was required to install water treatment plant in all the water supply schemes. Scrutiny of records (June-July 2012) revealed that the Department had not installed water treatment plants in four schemes[6] out of ten test checked schemes. The non-installation of the water treatment plant in the schemes exposed beneficiaries of the areas to health hazards.

The Department stated (October 2012) that it had developed an alternative method to purify water and distributed it to the beneficiaries through the Block Administrative Centres. However, Department failed to furnish any documentary evidence in this regard.

5.3.10.9 Non-deduction of overlapped portion of works in Jhora Training

Jhora Training Works (JTW) is undertaken to prevent erosive action of water flowing in the Jhoras and thus preventing landslides. While constructing a Jhora, first a drop wall is constructed and two guide walls are constructed over the two sides of the drop wall. Hence, a portion of the guide walls at the base overlaps with a portion of the drop wall at the point of meeting of the two.

Test-check of estimates of 10 JTWs revealed that in none of the estimates, the overlapping portion was deducted at the time of framing the estimates for earth excavation and cement concrete works of Guide Wall. Further, while making payments to the contractors, the Department did not deduct the excess amount for overlapped portion of the works in any of the 10 JTWs.

While accepting the contention of Audit, the Department stated (October 2012) that it had issued instructions to the field engineers for proper framing of estimates and deduction of such items in future.

5.3.11 Monitoring and Impact assessment

5.3.11.1 Monitoring

Monitoring of schemes by the Nodal Department and the six implementing departments was

[5] *10,600 bags X ₹318 = ₹33.71 lakh*

[6] *i) RWSS at Debrung, Dambudara & Karmrang, South Sikkim, ii) RWSS at Mangalbaria RMC, iii) RWSS at Upper, Middle & Lower Tryang & Sudong, iv) RWS Chalampong & Chalisey*

virtually non-existent. No record regarding year-wise number of works sanctioned, year-wise physical and financial progress, the balance quantities to be executed vis-à-vis the financial liability, scheduled date of completion, actual date of completion, year-wise and scheme-wise payments was maintained by the Departments. No record regarding physical inspection of projects by the higher authorities during construction or post construction period could be shown to Audit. Absence of effective monitoring and inspection by the higher authorities resulted in poor progress of works which in turn resulted in non-delivery of intended benefits from the expenditure incurred on the incomplete schemes. Further, not a single implementing department maintained any asset register mentioning name of schemes, cost and date of completion so that provision for repair and maintenance could be estimated and utilisation of assets monitored.

5.3.11.2 Impact assessment

The basic objective of the RIDF was to create durable assets thereby strengthening the livelihood resource base of the rural poor. Investments made under the RIDF were thus, expected to generate employment, enhance purchasing power, raise economic productivity, strengthen rural infrastructure by creation of durable assets and reduce distress migration. There was no effort on the part of the Nodal Department or the six implementing departments to assess the benefits derived from investment under RIDF even though the State Government had been availing loan under RIDF since 1998-99. Effectiveness of the schemes and their impact on the lives of the rural people had not been assessed as of July 2012. Hence, no remedial measures could be planned and adopted. Although the departments calculated per capita water supply, BCR, etc., of the projects while preparing the detailed project reports, evaluation of the schemes was never done at any level after completion of the projects. Thus, the calculation of per capita water supply, BCR, etc., at the inception stage became an exercise in futility.

5.3.12 Conclusion

Finance, Revenue and Expenditure Department, the Nodal Department for implementation of schemes under Rural Infrastructure Development Fund confined its function merely towards forwarding the proposals to NABARD without even taking into consideration the normative allocation declared by the Government of India. As a result, the loans sanctioned by NABARD always exceeded normative allocation except during 2011-12 leading to delay in completion of schemes due to fund constraints.

The scheme implementation was marred by i) absence of long term plan to identify the infrastructural gaps in the rural areas, ii) absence of detailed guidelines, iii) ineffective role of the FRED in fund management, iv) inadequate monitoring of the schemes and v) improper survey and investigation. The resultant effect of these inhibiting factors on the schemes were i) implementation of RIDF schemes in urban areas in violation of the spirit of RIDF, ii) assets remaining idle or irregular utilisation of assets, iii) fund constraints leading to delay in completion of schemes and iv) wasteful expenditure on non-functional assets due to creation of such assets in unsuitable locations and for want of repair and maintenance.

5.3.13 Recommendations

- The State Government should revisit its plan for taking up schemes under the RIDF and restrict sanction of schemes within the normative allocation of funds under RIDF for Sikkim.
- Schemes may be taken up after appropriate planning, proper survey, investigation and feasibility study so that there is no deviation of the technical sanction of the schemes and ensure fruitful utilisation of the assets created from borrowed funds.

The State Government should release its share of funds for implementation of the projects to help ensure expeditious completion and utilisation of the created assets.

FINANCE, REVENUE & EXPENDITURE DEPARTMENT AND FOOD, CIVIL SUPPLIES & CONSUMER AFFAIRS DEPARTMENT

5.4 Short realisation of cess and loss of revenue due to belated revision of rates

There was short realisation of ₹ 6.34 crore from three oil companies due to negligence of the Department to realise cess on time, besides loss of revenue of ₹ 86.18 lakh due to belated revision of petrol and diesel prices.

The State Government promulgated (July 2004) an ordinance 'The Sikkim Transport Infrastructure Development Fund Ordinance, 2004' followed by an Act (October 2004) 'The Sikkim Transport Infrastructure Development Fund (STIDF) Act 2004'. The objective of establishing STIDF was to create, develop, maintain and improve transport infrastructure including roads, bridges, flyover, etc., by levying and collecting cess on sale of motor spirit (petrol) and high speed diesel (diesel). In terms of the Ordinance, cess was to be levied at the rate of ₹ 1 per litre on motor spirit (MS) and high speed diesel (HSD) with effect from August 2004. This rate was enhanced to ₹ 2 per litre for both MS and HSD with effect from 1 April 2006 which was further revised and enhanced to ₹ 3 per litre for MS and ₹ 2.50 per litre for HSD effective from 21 April 2011.

Scrutiny of records of the Commissioner-cum-Secretary, Food and Civil Supplies and Consumer Affairs Department (FCSCAD) revealed (October 2011) that against the total cess of ₹ 18.76 crore due from sale of 93,803 KL MS and HSD during 2009-11[7], the Finance, Revenue and Expenditure Department (FRED) realised only ₹ 12.42 crore from three[8] oil companies based in Sikkim resulting in short realisation of ₹ 6.34 crore and consequent undue favour to the oil companies to that extent.

Scrutiny of records further revealed that though the rates of cess had been enhanced with effect from 21 April 2011, the FCSCAD revised the rates of MS and HSD incorporating the enhanced rates of cess in the pricing structure only from 30 July 2011 resulting in realisation of

[7] *2009-10: 44,972 KL; 2010-11: 48,831 KL*
[8] *Indian Oil Corporation Ltd., Bharat Petroleum Corporation Ltd. and Hindustan Petroleum Corporation Ltd*

cess at the old rates ₹ 2 per litre for MS and HSD instead of ₹ 3 per litre for MS and ₹ 2.50 per litre for HSD for 99 days (21April 2011 to 30 July 2011) resulting in loss of ₹ 86.18 lakh[9].

Information collected from the Roads and Bridges Department revealed that during the years 2008-09 to 2011-12, 67 road works at the approved cost of ₹ 250.17 crore were sanctioned under STIDF, out of which the Government could provide only ₹ 37.25 crore to Roads and Bridges, ₹ 2 crore to RMDD and ₹ 6.41 crore to SNT against the total availability of ₹ 56.89 crore under STIDF. As the main objective of creation of STIDF was to develop, maintain and improve transport infrastructure in the State, the short realisation of cess and the loss of revenue due to belated implementation of revision of rates hampered the progress of road works sanctioned under the STIDF scheme to that extent. The availability of funds (₹ 56.89 crore) constituted only 22.74 *per cent* of the required funds (₹ 250.17 crore). Therefore, 62 road works sanctioned during the period 2008-12 remained incomplete (September 2012) due to non-availability of adequate funds.

The FCSCAD stated (August 2012) that loss of cess of ₹ 86.18 lakh due to belated implementation of enhanced rates of cess in respect of MS and HSD as pointed out by Audit was due to late receipt (30 July 2012) of Notification dated 21 April 2012 from the FRED. Reply of the Department is not convincing as both the departments are under the same Government and within the same locality (Gangtok) and hence belated implementation due to late receipt of Government Notification after more than 97 days from the effective date of Notification cannot be accepted. Reply from the FRED was awaited (November 2012).

[9] *On sale of MS: 3,750 KL and HSD: 9,735 KL by M/s Indian Oil Corporation Ltd. and M/s Bharat Petroleum Corporation Ltd. during 21.04.2011 to 30.07.2011.*