CHAPTER-III

PERFORMANCE AUDITS

FOOD & CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

3.1 Management of Public Distribution System

Highlights

Audit of Public Distribution System in Sikkim disclosed short lifting of allotted quota of rice and sugar by 58 and 49 per cent respectively, especially in Above Poverty Line (APL) quota. Families living above the poverty line were brought under additional below poverty line (BPL) category leading to extra burden on State Government. Management of food godowns was not up to the mark as there were shortages of food grains beyond the permissible limit. Issue of wheat and superior kerosene oil was handled by the nominees selected by the Government instead of godown in charge.

Department's effort to obtain reimbursement of expenditure towards Hill Transport Subsidy and differential cost on distribution of levy sugar from Food Corporation of India (FCI) did not fructify leading to blocking of substantial funds with Government of India. Revolving Fund was not managed effectively as substantial amount of unauthorised expenditure was met from the Fund leading to its depletion. Audit review of the scheme revealed the following deficiencies/irregularities:

Identification of additional 24,000 families below the poverty line (BPL) over and above Government of India approved list of 43,450 families not only led to financial burden of Rs. 5.38 crore on the State exchequer on account of subsidy but also raised the BPL population to 67 *per cent* against the Government of India approval of 43 *per cent*.

(Para 3.1.16)

Decision of the State Government to launch the "Chief Minister's Antyodaya Annadaan Yojna" (CMAAY) to provide rice free of cost to the beneficiaries resulted in additional expenditure of Rs. 2.28 crore on account of subsidy.

(Para 3.1.20)

Inspite of incurring Rs. 71.52 lakh towards computerization of ration cards, the programme was not launched till date resulting in unfruitful expenditure besides defeating of purpose of eliminating bogus ration cards.

(Para 3.1.23)

There was shortage of rice and sugar to the tune of 277.61 MT and 58.63 MT respectively during the period 2002-05, corresponding to Rs 32.78 lakh.

(Para 3.1.26)

The Department did not handle the procurement and distribution of PDS wheat and instead nominated various flour mills to deal with the procurement of allotted quota and distribution of wheat products to the beneficiaries.

(Para 3.1.29)

Failure of the Department to submit bills for reimbursement to FCI on account of expenditure towards distribution of sugar resulted in charging of higher rate to the consumers and non- reimbursement of Rs. 89.03 lakh from FCI.

(Para 3.1.40)

The Department utilised the Revolving Fund for incurring unauthorized expenditure of Rs. 1.61 crore on payment of salaries, muster rolls / work charged, miscellaneous office expenses etc, during 2000-01 to 2004-05 which also led to depletion of balance of Revolving Fund.

(Para 3.1.43)

Introduction

3.1.1 The Food & Civil Supplies and Consumer Affairs Department (FCS & CAD) is responsible for the control and distribution of essential commodities like food grains, superior kerosene oil, salt, sugar etc. to the public through the Public Distribution System (PDS) besides, control of price of salt, kerosene, motor spirit, high speed diesel etc.

3.1.2 The Department deals with following schemes relating to PDS:

- ***Below poverty line (BPL***): Introduced by Government of India with a view to ensuring food security for all those falling under the category of BPL. Under this scheme, 35 kilograms of rice is provided to the identified BPL families on monthly basis at the subsidized rate of Rs. 4/- per kilogram *w.e.f.* April 2002.
- ***Antyodaya Annadaan Yojana (AAY)***: Launched by the Prime Minister of India in December 2000 to reform and improve the PDS so as to serve poorest of the poor in the rural and urban areas. Under this scheme 35 kilograms of rice is provided to the beneficiaries at Rs. 3/- per kilogram per month per family. The scheme was implemented in the State from October 2001.
- ***Annapurna Yojana (APS)*****:** Introduced by Government of India *w.e.f* . 2000 for providing rice (10 kg) to helpless, indigent senior citizens above the age of 65 years, who though eligible for old age pension, are not in receipt of National Old Age Pension. The State Government implemented the scheme from July 2001 and covered 2,411 beneficiaries.
- ***Nari Niketan/Welfare Institute:*** Introduced by Government of India in April 2003. Under this scheme 5 kg of rice to each inmates of welfare

institute and 15 kg of rice to SC/ST students of Monastic school is distributed at the rate of Rs.4/kg.

- ***Mukhya Mantri Khadya Suraksha Abhiyan :*** Introduced by the Government of Sikkim in September 2004 to provide rice at subsidized rate to other economically weaker section of society not covered under any of the above scheme.

3.1.3 As on 31 March 2005 the State Government identified 3,61,888 beneficiaries under different categories as detailed below :

Table 3.1

Scheme	Below Poverty Line (BPL)	Annapurna Yojana (APS)	Antyodaya Annadan Yojana (AAY)	Addl. BPL	Welfare institution / Nari Nikatan	Mukhya Mantri Khadya Suraksha Abhiyan (MMKSA)	Total
No. of beneficiaries	33,450 (1,78,289)	--- (2,411)	9,994 (53,268)	14,000 (74,620)	41 institutes and destitute homes	10,000 (53,300)	**(3,61,888)**

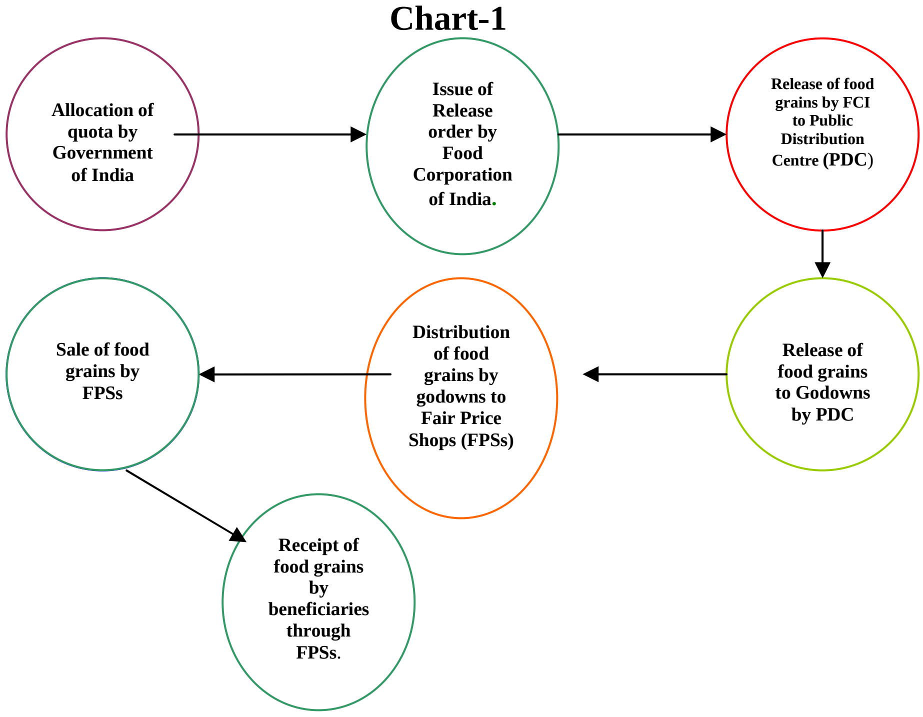
Figures in bracket represent no. of beneficiaries.
Average size of the family is taken as 5.33 members (as shown in GOI letter) to arrive at the total number of beneficiaries.

Organisational set-up

3.1.4 The responsibility of all activities relating to Public Distribution System is vested with Principal Secretary, Food & Civil Supplies and Consumers Affairs Department who is assisted by Special Secretary (1) under whom there are Additional Secretary (1) and Officer-on-Special duty. Additional Secretary is assisted by Joint Secretary (1), Deputy Secretaries (4), District Civil Supplies Officers (5) and Sr. Accounts Officer besides the Godown in-charge.

3.1.5 Resource flow Chart indicating programme process for Public Distribution System in the State was as below:

Chart-1



Scope of Audit

3.1.6 Performance audit for the period from 2000-01 to 2004-05 was conducted in the office of the Principal Secretary and two out of four District Civil Supplies Officers (West and South districts) between February and May 2005. Out of total expenditure of Rs. 43.45 crore, Rs. 17.38 crore (40 *per cent*) pertaining to West and South districts was test checked in audit with reference to the records relating to:

- Procurement, storage, distribution, fixing of prices and control of essential commodities like rice, sugar, wheat, superior kerosene oil, etc through the PDS in the State.
- Control and maintenance of the departmental carriage vehicles for distribution of essential commodities in the State.
- Proper management of food godowns.

Audit Objectives

3.1.7 The main objective of the performance audit of 'Management of Public Distribution System' was to ascertain whether:

- Availability of food grains to public at affordable prices was ensured;
- Selection of the beneficiaries under various schemes was according to the laid down norms/ guidelines.
- Storage facilities were adequate and the extent of shortage in transit/storage was within the permissible limit.
- Fixing of rates for various items under PDS was as per the norms fixed by Government of India.
- Internal Control mechanism in the Department was adequate and reliable to ensure efficient management of Public Distribution System in the State.

Audit criteria

3.1.8 For fulfillment of the above objectives, management of public distribution system in the State was assessed by applying the following criteria:

- Lifting of foodgrains.
- Selection of beneficiaries under various schemes.
- Storage facilities *vis-a-vis* quantity handled by godowns.
- Issue rates of PDS items.
- Reimbursement of Hill Transport Subsidy, transportation and handling charges etc.

Audit methodology

3.1.9 The performance audit began with audit engagement letter (January 2005) to the Department followed by entry conference. The entry conference was attended by Special Secretary and Additional Secretary of the Food & Civil Supplies and Consumer Affairs Department (FCS&CAD) besides other officers. Audit was carried out based on analysis of procedures existing with FCS&CAD in relation to PDS in the State in general and West and South districts in particular. The data provided on selection of beneficiaries under various categories, allocation of quota by Government of India, release of foodgrains by the Food Corporation of India, lifting and allocation of foodgrains by the FCS&CAD, distribution of foodgrains to the beneficiaries by the Fair Price Shops (FPSs) etc, were duly analysed from the point of economy, efficiency and effectiveness. The audit scrutiny was also supplemented by discussion between senior level officers of the Department and the Accountant General. At the end of audit exit conference was held which was attended by Principal Secretary to the Government of Sikkim and Senior Accounts officer, FCS&CAD, Accountant General and Deputy Accountant General amongst others. The report was finalized after taking into consideration the points put forth by the Department during the exit conference.

Audit findings

Financial

3.1.10 Budget estimates, actual expenditure, savings and excess figures under Revenue and Capital head during 2000-01 to 2004-05 were as under:

Table -3.2

(Rupees in crore)

Year	Budget estimate			Actual expenditure			Saving (-)/ Excess (+)		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
2000-01	13.82	0.15	13.97	3.94	0.08	4.02	(-) 9.88	(-) 0.07	(-) 9.95 (71)
2001-02	14.86	0.22	15.08	8.03	0.21	8.24	(-) 6.83	(-) 0.01	(-) 6.84 (45)
2002-03	9.94	0.38	10.32	7.28	0.38	7.66	(-) 2.66	Nil	(-) 2.66 (26)
2003-04	10.14	0.27	10.41	9.98	0.27	10.25	(-) 0.16	Nil	(-) 0.16 (2)
2004-05	14.99	0.12	15.11	13.16	0.12	13.28	(-) 1.83	Nil	(-) 1.83 (12)
Total	**63.75**	**1.14**	**64.89**	**42.39**	**1.06**	**43.45**	**(-) 21.36**	(-) **0.08**	**(-) 21.44**

Source-Appropriation Accounts
Percentage in bracket

The Department recorded savings in all the years under review ranging between Rs. 0.16 crore and Rs. 9.95 crore corresponding to 2 and 71 *per cent* of total allocation. The Department did not furnish any reasons for such savings.

Implementation

Implementation of all the six schemes mentioned in **table 3.1** were test checked in audit and the results are enumerated in succeeding paragraphs.

Short lifting of quota

3.1.11 Allocation of essential commodities by Government of India and lifting by the State Government for the period from 2000-01 to 2004-05 are indicated below:

Table -3.3

Rice

(Quantity in MT)

Year	Allotted by GOI				Lifted by State Govt.				Short (-) / excess (+) lifting			
	BPL	APL	AAY	APS	BPL	APL	AAY	APS	BPL	APL	AAY	APS
2000-01	8,916	83,640	Nil*	Nil#	5,288	2,687	-	-	(-) 3,628 (41)	(-) 80,953 (97)	-	-
2001-02	11,373	35,640	1,008	172	11,373	5,975	1,008	172	-	(-) 29,665 (83)	-	-
2002-03	15,420	27,189	2,820	256	15,420	4,977	2,820	239	-	(-) 22,212(82)	-	(-)17(7)
2003-04	14,748	19,412	3,604	-	14,748	10,670	3,604	-	-	(-) 8,742 (45)	-	-
2004-05	11,730	12,510	3,470	250	11,730	10,810	3,470	250	-	(-) 1,700 (14)	-	-
Total	**62,187**	**1,78,391**	**10,902**	**678**	**58,559**	**35,119**	**10,902**	**661**	**(-) 3,628**	**(-) 1,43,272**	**-**	**(-) 17**

***** *Implemented w.e.f. October 2001, # Implemented w.e.f. July 2001.*

BPL – Below Poverty Line; APL- Above Poverty Line; AAY- Antyodaya Anna Yojana; APS- Annapurna Scheme

Table -3.4

Wheat, Sugar & Superior kerosene oil

(Quantity: wheat and Sugar in MT and SKO in KL)

Year	Allotted by GOI			Lifted by State Govt.			Short lifting		
	Wheat	Sugar	SKO	Wheat	Sugar	SKO	Wheat	Sugar	SKO
2000-01	1,200	4,692	7,896	1,200	2,980	7,896	Nil	1,712 (36)	Nil
2001-02	1,200	4,692	7,167	1,200	3,122	7,167	Nil	1,570 (33)	Nil
2002-03	2,100	4,692	6,532	2,100	2,549	6,532	Nil	2,143 (46)	Nil
2003-04	2,400	4,692	5,880	2,400	1,932	5,880	Nil	2,760 (59)	Nil
2004-05	9,600	4,692	5,280	9,600	1,289	5,280	Nil	3,403 (73)	Nil
Total	**16,500**	**23,460**	**32,755**	**16,500**	**11,872**	**32,755**	**Nil**	**11,588**	**Nil**

3.1.12 While rice and sugar were routed through 24 godowns of FCS&CAD, wheat and superior kerosene oil (SKO) were distributed through nominee dealers appointed by the State Government. Audit observed that there was short lifting of quota of rice and sugar of 1,46,917 MT and 11,588 MT respectively being 58 and 49 *per cent* of the allotted quota. Short lifting of rice was more pronounced in APL category (1,43,272 MT), followed by BPL (3,628 MT) and APS (17 MT). Non-lifting of quota in full inspite of sufficient budgetary outlay deprived the beneficiaries of the facility.

3.1.13 In reply, while accepting the fact, the Principal Secretary to the Government stated (August 2005) that lifting of APL rice was substantially low because of parallel market rate and that of sugar was due to Government of India's policy shift to lift levy sugar from the mills directly. They, however, informed that the position had since improved.

Conferring of BPL facility to non-BPL beneficiaries

3.1.14 Government of India approved 43,450 families under the BPL category for the State. The Government, however, identified 14,000 additional families for coverage under the ambit of BPL categories and termed them as Additional BPL families. These beneficiaries were provided with rice at subsidised rate of Rs. 4/- per kg.as against the issue rate of 885/quintal. The differential cost of Rs. 515/quintal (*Procurement Rs. 885/qtl – Issue rate Rs. 370/qtl*) was borne by the State Government as subsidy. The scheme, termed as Additional BPL, started from July 2002 and was still being implemented. The subsidised rice of 81,015 quintal was distributed under this scheme from July 2002 to March 2005 involving an additional Government subsidy of Rs 4.16 crore*.

3.1.15 In May 2004, the State Government approved additional 10,000 families under Mukhya Mantri Khadya Suraksha Abhiyaan (MMKSA). Scrutiny of records revealed that the Department distributed 35 kg of rice to each of 10,000 families at Rs. 370/qtl against the procurement rate of Rs. 885/ qtl (APL rate) from September 2004 (2,640 qtls/month) and from October 2004 to March 2005 (3,500 qtls/month) resulting in additional burden of Rs. 1.22 crore† to the State exchequer on account of subsidy at the rate of Rs. 515/ qtl.

3.1.16 Thus, inclusion of additional 24,000 families over and above 43,450 families already approved by Government of India not only led to financial burden of Rs 5.38 crore (Rs. 4.16 crore + Rs 1.22 crore) to the State exchequer on account of subsidy but also resulted in coverage of 67‡ *per cent* of population under the BPL categories.

3.1.17 In reply, the Government stated (August 2005) that the additional families were identified and provided with foodgrains at concessional rates in view of Government policy to cover the marginal families who did not qualify under BPL category as per Government of India norms. The reply was not tenable as inclusion of additional families over and above Government of India approved list cast extra burden on State Government on account of subsidy and was in violation of assurances given (June 2003) to the Government of India as to the curtailment of subsidy as a measure of fiscal reform.

Free distribution of rice to AAY/CMAAY beneficiaries

3.1.18 The Antyodaya Anna Yojana (AAY) was launched by the Prime Minister of India in December 2000, reflecting the commitment of the Government of India to ensure security for all, create a hunger free India and to reform and improve the PDS so as to serve the poorest of the poor in the country. The identification of these families was required to be done by the State Government, from amongst the BPL families within the State. The selected AAY families were to be provided 25 kgs. of wheat and rice per month at subsidised rate of Rs. 2 and Rs. 3 per kg respectively.

3.1.19 The State Government implemented the scheme during October 2001 and issued rice at Rs 3/kg. to 6,714 (15.33 *per cent)* BPL beneficiaries. In August 2003, Government of India decided to expand the AAY to cover additional BPL families from amongst the already identified BPL families. The scale of rice was increased from 25 kg. to 35 kg. at Rs. 3/kg . Accordingly, State Government raised the number of AAY families from 6,714 to 9,994 (23 *per cent*) BPL beneficiaries *w.e.f.* August 2003.

3.1.20 Scrutiny of records revealed that the State Government launched the scheme in August 2003 as "Chief Minister's Antyodaya Annadaan Yojana"

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* *2002-03 –Rs. 29,64,900 ; 2003-04 – Rs. 83,50,210 and 2004-05 – Rs. 3,02,82,000 = Rs. 4,15,97,110/-*

† *Rs. 515 X 23,640 qtl. = Rs. 1,21,74,600*

‡ *(43,450 + 24,000 x 5.33 members /family =3,59,509 i.e. 67 per cent of total population of 5,40,000.*

(CMAAY) and provided 35 kg. of rice every month free of cost from September 2003 to all the 9,994 identified families. Owing to the decision of the State Government to provide rice free of cost to the beneficiaries under CMAAY from September 2003 to March 2005, the Department incurred Rs. 2.28 crore towards issue of 6,593 MT foodgrains to the beneficiaries under CMAAY on account of subsidy.

3.1.21 The Government, while accepting the fact of financial burden on account of subsidy, stated (August 2005) that the scheme had definite impact in providing food security to the poorest of the poor families and in broader sense achieved the scheme objective.

Computerised ration cards

3.1.22 To eliminate bogus ration cards, the Department submitted a proposal for issue of computerised ration cards to all consumers above the age of five years with digital photograph of the ration card holder. The Government approved the proposal in May 2000 according to which Rs. 25/- (including contribution of Rs. 5/- towards Consumers Welfare Fund) was to be realised from the individual consumer at the time of taking photograph and application for ration card. The work was awarded (September 2000) to M/s Shreya Traders.

3.1.23 Scrutiny of records revealed that a total of 3,46,777 photographs were taken at a cost of Rs.71.52 lakh out of Rs. 84.90 lakh realised from the consumers. Even after a lapse of more than four years of launching the programme, new ration cards were not introduced for distribution of PDS items. Thus, the very purpose of launching the programme to eliminate bogus ration cards was defeated and the expenditure of Rs. 71.52 lakh proved to be unfruitful.

3.1.24 In reply, the Government stated (August 2005) that the scheme had been made operational *w.e.f* 15th August 2005 and the computerized ration cards would further strengthen the PDS in the State. However, the fact remains that the new ration cards had not been made operational as of October 2005.

Shortage of food grains

3.1.25 For distribution of PDS items to general public, rice and sugar were lifted from two food storage godowns of FCI located at Rangpo and Jorethang and stored at 24 departmental food godowns located all over the State. The PDS items were, thereafter, released to the designated Fair price shops (FPS) under the jurisdiction of each food godown.

3.1.26 Audit observed that there was shortage of rice and sugar to the tune of 277.61 MT and 58.63 MT respectively during the period 2002-05 in two districts[§] test checked in audit, over and above the permissible limit of 0.5 *per cent.* The excess shortage worked out to Rs. 32.78 lakh. No reasons were reflected in the books of accounts for these excess shortages.

3.1.27 In reply, the Government stated (August 2005) that BPL, AAY, MMKSA beneficiaries were provided with full quantity of allocated foodgrains and the permissible shortage of 0.5 *per cent* on these stocks were met from APL stock which was not considered by the audit while computing the figure for shortages.

[§] *West and South districts.*

The reply was not acceptable as the figures were arrived at in audit after taking into account all permissible shortages at the prescribed rate of 0.5 *per cent*. Government further stated that all out efforts were being initiated to minimize the shortage by effective and close supervision, regular physical verification, instant recovery on inadmissible shortages, etc.

Distribution of PDS wheat by mill owners

3.1.28 The Government of India allotted wheat for distribution under PDS as whole wheat only. During the last five years the total allocation of PDS wheat was 18,500 MT at APL rate. The Department, however, authorized three flour mills to procure wheat from FCI godowns and distribution of wheat products after conversion.

3.1.29 Audit observed that the authorised flour mills were converting wheat into maida, atta, suji etc. as per the prescribed formula and supplying the same to retailers including FPSs in the State. The issue price of wheat products was designed by the Department to include all incidental charges including retailers' commission. Scrutiny of records revealed that the wheat products were not routed through the food godowns but supplied to the retailers and FPSs directly. Test check of records of South and West district showed that the wheat products were not supplied to any of the 216 registered FPSs in West district while only six out of 341 FPSs were supplied in South district. Thus, the action of the Department to distribute the PDS wheat to the general public through private mill owners as Government nominees and also the failure to keep a tab over the actual issue and sale of wheat to the PDS beneficiaries through FPSs was not only against the directives of the Ministry of Food Affairs, Government of India, but also led to conferring of undue benefit to the mill owners at the cost of the PDS beneficiaries.

3.1.30 In reply, the Government stated (August 2005) that the distribution of wheat through food godowns was not taken up in view of limited corpus available with the Department, non-availability of scientific godowns for their proper storage, etc. Inspite of this, limited quantity of wheat was being distributed recently through food godowns and if the experiment was found fruitful Department would take over the distribution fully.

Idling of departmental trucks

3.1.31 For carriage of PDS food grains from FCI depots to food godowns located in the State, the Department was maintaining 12 vehicles (eight trucks and four utility vans). Out of these 12 vehicles, six vehicles (two trucks and four utility vans) were purchased during March-December 2002 from the financial assistance of Rs. 31.10 lakh received (April 2001) from Government of India as 50 *per cent* loan and 50 *per cent* grant. Further, the Department was also engaging private carriage contractors for transportation of PDS items from the FCI depots.

3.1.32 Scrutiny of records revealed that during the period from 2000-01 to 2004-05, the Department paid Rs. 1.49 crore to private contractors for carriage of PDS food grains from two FCI depots to various food godowns in the State. Test check of records of 11 vehicles, out of 12 vehicles maintained by the Department revealed that against the available 11,730 days (after deducting 30 days per year for repair, leave/absence of driver etc.) the vehicles were engaged for 4,970 days only during the period from 2000-01 to 2004-05. The average engagement of these vehicles ranged from 57 days to 244 days per year. Four out of six newly acquired vehicles remained totally idle during the period from March 2002 to April 2003, while the remaining two trucks were partly utilised. Thus, the Department failed to deploy its vehicles regularly, resulting in avoidable expenditure of Rs. 90.17 lakh as carriage charges to private contractors.

3.1.33 In reply, the Government stated (August 2005) that the Department was making an effort to utilize departmental trucks to the fullest extent possible.

Excess issue/consumption of HSD

3.1.34 As per norms fixed by the Department for consumption of High speed diesel (HSD) for departmental vehicles *viz.* Trucks / DCM Toyota / Mahindra Utility Jeep is 2.50 km, 3.00 km and 8.00 km per litre respectively.

3.1.35 Scrutiny of records of 10 departmental vehicles revealed that during the period from 2000-01 to 2004-05, a total distance of 1,63,548 km was covered by consuming 1,52,489 ltrs. of HSD against the required quantity of 1,27,106 ltrs. resulting in excess consumption of 25,383 ltrs. of HSD the cost of which worked out to Rs. 7.01 lakh.

3.1.36 In reply, the Government stated (August 2005) that norms were fixed with a view to augmenting productivity. Consumption was, however, higher at times owing to various unavoidable factors such as difficult terrain, old age of vehicle, etc. The reply was not tenable as out of 10 vehicles, six vehicles were new (two to three years old), and norms were fixed by the Department after taking into consideration all the above factors.

Non-reimbursement of Hill transport subsidy

3.1.37 According to Government of India, Ministry of Food and Civil Supplies (Department of Food), New Delhi letter (October 1990) transportation charges for carriage of food grains from the godowns of the FCI to Principal Distribution Centers would be borne/reimbursed by the FCI on the basis of claim preferred by the Department.

3.1.38 Scrutiny of records revealed that Hill Transport Subsidy amounting to Rs. 3.91 crore towards carriage of food grains by the Department for the period from 1991-92 to 2004-05 (till April 2004) was outstanding with the Food Corporation of India. The Department did not initiate suitable measures to sort out the issue and realise the subsidy.

3.1.39 While accepting the facts, the Government stated (August 2005) that issue of reimbursement from Food Corporation of India was being vigorously pursued by the Department.

Higher rates for levy sugar

3.1.40 Government of India instructed (May 2001 and June 2002) the State Government to supply sugar at the uniform retail issue price fixed by Government of India from time to time and claim the differential cost, if any, from Food Corporation of India. The Department issued 11,871.43 MT of levy sugar to the consumers during the period 2000-01 to 2004-05 at the rate of Rs. 14/kg *w.e.f.* March 2001 and Rs.14.25/kg *w.e.f.* March 2002. As the corresponding retail issue price fixed by Government of India was Rs.13.25/kg (1st March 2001) and Rs. 13.50/kg (1st March 2002) respectively (effective from next month *i.e.* April) the Department failed to adopt the price and claim the differential cost from Food Corporation of India despite being reminded by Food Corporation of India in May 2003. The issue of sugar at a higher rate overburdened the consumers to the extent of Rs. 89.03 lakh as shown below:

Table -3.5

(Quantity in MT & Rupees in lakh)

Period	**Quantity lifted**	**RIP fixed by GOI**	**Issue price/ MT**	**Higher rate /MT**	**Excess amount realized**
2000-01	2,980.00	13,000	13,750	750	22.35
2001-02	3,121.50	13,250	14,000	750	23.41
2002-03	2,549.27	13,500	14,250	750	19.12
2003-04	1,932.00	13,500	14,250	750	14.49
2004-05	1,288.66	13,500	14,250	750	9.66
Total	**11,871.43**				**89.03**

3.1.41 In reply, the Government intimated (August 2005) that raising of claim to FCI would be initiated by the Department.

Unauthorised expenditure from the Revolving Fund

3.1.42 In order to facilitate procurement and distribution of food grains to the consumers in time without facing any financial difficulties, the Department operated the Revolving Fund since 1975-76.

3.1.43 The Department opened Bank Accounts in three Banks *viz.* State Bank of Sikkim (SBS), Central Bank of India (CBI) and Sikkim State Co-operative Bank (SISCO) for easy operation on procurement and distribution of rice and sugar. All transactions relating to payments made to Food Corporation of India for procurement of rice and sugar and receipt of sale proceeds in food godowns were accommodated in these accounts. Though the procurement of food grains was made at Central Issue Price, the sale proceeds were realised and deposited into the banks at the prescribed selling rate. Thus, the expenditure incurred on various items like subsidised sale, transportation, loading, unloading, godown shortage etc. which was not absorbed in the selling price should have been recouped by debiting the expenditure to appropriate service head of account. Audit noticed that the Department unauthorisedly utilised the Revolving Fund for incurring expenditure on payment of salaries to regular employees, muster rolls/work charged payment, miscellaneous office expenses, repairs of vehicles, purchase of vehicle, purchase of HSD / petrol, etc., amounting to Rs. 1.61 crore during 2000-01 to 2004-05 over and above the budget provision.

3.1.44 In reply, the Government stated (August 2005) that efforts would be initiated to meet these items of expenditure by making adequate budgetary provision.

Conclusion

3.1.45 Management of Public Distribution System in the State was characterised by inclusion of additional beneficiaries under BPL categories leading to extra burden on the State Government, shortage of food items in godowns beyond the permissible limit, etc. Computerized ration cards programme was not implemented after four years of its inception. Internal control mechanism needed further strengthening to contain booking of unauthorised expenditure in Revolving Fund and obtaining reimbursement of expenditure from Food Corporation of India towards Hill Transport Subsidy and differential cost on distribution of levy sugar.

Recommendations

3.1.46 Following recommendations are made:

- *The Department should initiate suitable measures to lift full allotted quota of food grains and avoid procurement from open market.*
- *Fixing of rates for issue of food grains should be rationalized to avoid excessive dependence on subsidy.*
- *Management of Revolving Fund should be strengthened and debiting unauthorized expenditure to the Fund and its consequent depletion should be avoided.*
- *Effective steps should be initiated to obtain reimbursement of hill transport subsidy and expenditure on distribution of sugar from Food Corporation of India.*
- *Effective godown supervision and physical verification system should be introduced to minimize the shortages.*

3.1.47 All the above recommendations were accepted (August 2005) by the Government with the assurance that Government would initiate suitable measures to implement the recommendation as early as possible.

ROADS & BRIDGES DEPARTMENT AND RURAL MANAGEMENT & DEVELOPMENT DEPARTMENT

3.2 Development of District and Rural Roads in Sikkim

Highlights

District and rural roads occupy a place of primary importance for development of the State as the State is landlocked. Performance audit of activities relating to *development of district and rural roads revealed that against the target of 207 km and 510.74 km under district roads and rural roads (Prime Minister Gram Sadak Yojana) , achievement was 150 km and 227.69 km respectively during 2000-05. While entire budget provisions for district and other roads was not utilized leading to savings of Rs. 114.93 crore pending liabilities rose from Rs. 19.03 crore to Rs. 69 crore indicating deficient budgetary and financial management. Programme management was characterised by delays in completion of works, unauthorized and excess expenditure in execution of works, etc. The audit review revealed the following deficiencies/irregularities:*

The Department constructed 150 km. of roads under major district road (51) and other district road (99) against the target of 207 km. indicating an overall shortfall of 26 *per cent*.

(Paragraph- 3.2.16)

As against the target of 510.74 km of roads under PMGSY for providing rural connectivity, 227.69 km was constructed resulting in a shortfall of 55 *per cent*.

(Paragraph- 3.2.20)

Department incurred Rs.23.23 crore on up-gradation works in disregard of the PMGSY guidelines, even though all the habitations in South and West Sikkim did not have all weather connectivity.

(Paragraph -3.2.26)

New works were undertaken without adequate funds which resulted in pending liability of Rs.69 crore as of March 2005.

(Paragraph- 3.2.12)

Erroneous incorporation of higher quantities of bitumen and firewood in the rate analysis led to excess expenditure of Rs.1.15 crore in execution of 6,69,512 sq.m. works alone.

(Paragraphs- 3.2.37 and 3.2.38)

Failure of the Department to accept the lowest offer of 35 *per cent* above the estimated cost at Schedule of Rates 1997 and award of work to same contractor at the revised estimated cost of Rs.5.01 crore led to additional expenditure and undue benefit of Rs.0.89 crore to the contractor.

(Paragraph – 3.2.40 and 3.2.41)

Introduction

3.2.1 The State is landlocked and the road is the only means of communication. Therefore the development of the road network assumes prime importance for all round development of the State. The total length of roads under the State Government was 1,926 km as on March 2005 comprising 186 km of state highways (SH), 493 km of major district roads (MDR) and 1,247 km of other districts roads (ODR). Roads and Bridges Department (R&BD) is responsible for construction and maintenance of these roads. The Department is headed by Principal Chief Engineer- cum-Secretary who is assisted by Chief Engineers (2), Additional Chief Engineers (2), Superintending Engineers (4), Divisional Engineers (8) and Assistant Engineers (14) besides other staff.

3.2.2 The work relating to rural connectivity was carried out through Prime Minister Gram Sadak Yojana (PMGSY). PMGSY was introduced (December 2000) by the Government of India for providing connectivity, by way of an all-weather road, to all unconnected habitations in the rural areas in such a way that habitations with a population of 500 persons and above are covered in three years *i.e.* 2000-03 and that of 250 persons and above by the end of Tenth Plan period *i.e.* 2007. Secretary to the Government, Rural Management & Development Department (RMDD) is responsible for implementation of PMGSY who is assisted by Additional Chief Engineer (1), Superintending Engineers (4), Divisional Engineers (7), Assistant Engineers (16) and other staff who looked after village roads in addition to the other works of rural development.

Scope of audit

3.2.3 The audit of 'Development of District and Rural Roads' for the period from 2000-01 to 2004-05 covering 1,926 km (376 roads) was conducted during December 2004 to March 2005 through test check of records in the head office of Roads & Bridges Department (R&BD) and Rural Management & Development Department (RMDD), South–West circle offices at Jorethang, divisional offices of Namchi and Gyalshing of both R&BD and RMDD with emphasis on West and South districts as sample districts. 30 *per cent* of total expenditure of Rs. 313.47 crore *i.e.* Rs.93.19[**] crore was test checked in audit.

Audit objectives

3.2.4 The main objective of this performance audit was to evaluate the effectiveness in construction of roads, periodic improvement, upkeep and maintenance of existing roads and its overall effectiveness in providing uninterrupted communication of road network to the people. Important audit objectives were to assess and ascertain the:

- Soundness of financial management and adequacy of financial control.
- Effectiveness of programme management.
- Soundness of assets management.
- Effectiveness of material management.
- Proper manpower management.
- Soundness and effectiveness of planning, monitoring and evaluation.

Audit Criteria

3.2.5 Following criteria were used to arrive at the observations reflected in the report:

- Physical and financial targets.
- Planning process.
- Tendering procedure.
- Analysis of Rates and Schedule of Rates.
- Utilisation of assets created.
- Maintenance of assets registers.
- Inventory management system.

(MDR and ODR = Rs. 38.78 crore; PMGSY = Rs. 27.88 crore; Administrative expenditure = Rs. 26.53 crore) = Rs.93.19 crore.

- Manpower utilisation.
- Output quality.
- Monitoring and evaluation.

Audit methodology

3.2.6 The audit process began with the audit engagement letter (August 2004) to the Departments, followed by the entry conference (September 2004). While the Rural Management & Development Department (RMDD) was represented by the Secretary, Roads &Bridges Department (R&BD) was represented by the Chief Engineer along with other officers in entry conference.

3.2.7 Audit was carried out based on analysis of procedures existing with R&BD and RMDD for implementation of various schemes and programmes of construction and maintenance of roads. The data provided by these departments were analysed from the point of economy, efficiency and effectiveness with case studies of selected works implemented in West and South districts. Audit scrutiny was also supplemented by discussion between senior level officers of the Department and the Accountant General. At the end of the audit, exit conference was held (March 2005) and all observations were discussed with the respective Secretaries to the Government in R&BD and RMDD. The audit observations in the report were finalized after taking into consideration the points put forth in the exit conference.

Audit findings

Financial Management and control

3.2.8 Funds for construction of roads are obtained from various funding agencies *viz.*, Non-lapsable central pool of resources, Centrally sponsored schemes, etc. besides State Plan funds. While the rural connectivity related works were executed through the funds obtained from Prime Minister Gram Sadak Yojana (PMGSY), other roads such as state highways, major district roads, other district roads, etc were constructed and maintained through budget grants routed through the State Finance Department.

3.2.9 The budget provision, actual resources released and expenditure incurred on Development of District and other Roads during the period from 2000-01 to 2004-05 were as under:

Table- 3.6

(Rupees in crore)

Year	Grant			Actual Release	Actual Expenditure	Savings
	Original	Supply.	Final Grant			
(1)	(2)	(3)	(4)	(5)	(6)	(4 - 6)=7
2000-01	67.04	33.85	100.89	54.25	53.07	47.82 (47)
2001-02	66.42	14.67	81.09	63.61	61.94	19.15 (24)
2002-03	68.62	4.24	72.86	59.01	58.07	14.79 (20)
2003-04	66.11	6.44	72.55	54.05	54.06	18.49 (25)
2004-05	84.52	16.49	101.01	85.11	86.33	14.68 (15)
Total	**352.71**	**75.69**	**428.40**	**316.03**	**313.47**	**114.93 (27)**

3.2.10 The comparison of year-wise final budget grant with the corresponding expenditure in **Table-3.6** indicated deficiency in budget management and spending leading to large savings ranging from 15 to 47 *per cent* during the years 2000-2005.

3.2.11 Roads & Bridges Department (R&BD) stated (July 2005) that savings primarily occurred due to delayed execution of works which arose due to delay in sanction of works and finalisation of tender, natural calamities, non-release/delay in release of approved funds, non-finalisation of projects, etc.

3.2.12 Audit noticed that though the provision of funds for each year was almost according to the projected annual plan the actual release of funds was not commensurate with the requirements of funds for the various works executed by R&BD. This resulted in accumulation of liabilities of Rs.69 crore as of March 2005 towards unpaid bills of contractors and suppliers. The pending liability increased from 19 *per cent* in 2000-01 to 68 *per cent* in 2004-05 against the final grant as shown below:

Table- 3.7

(Rupees in crore)

Year	Final grant	Pending liability	*Per cent* w.r.t final grant
2000-01	100.89	19.03	19
2001-02	81.09	23.55	29
2002-03	72.85	75.53	104
2003-04	72.55	86.57	119
2004-05	101.01	69.00	68

Source: Information furnished by Department.

3.2.13 Incurring of liability, notwithstanding the savings of Rs.114.93 crore, indicated poor budgetary control and defective programme management.

3.2.14 Details of funds received[††] under Prime Minister Gram Sadak Yojana (PMGSY) and expenditure thereof was as follows:

Table-3.8

(Rupees in crore)

Year	O.B.	Receipt	Interest accrued	Total	Expenditure	C.B.
2000-01	Nil	13.16	Nil	13.16	13.16 (100)	Nil
2001-02	Nil	20.00	Nil	20.00	7.91 (40)	12.09 (60)
2002-03	12.09	0.09	0.20	12.38	7.76 (63)	4.62 (37)
2003-04	4.62	38.06	0.45	43.13	7.16 (17)	35.97 (83)
2004-05	35.97	0.09	0.25	36.31	12.09 (34)	24.22 (66)
Total	**52.68**	**71.40**	**0.90**	**124.98**	**48.08**	**76.90**

(OB=Opening balance, CB=Closing balance)
Source: Figures furnished by Department
Figures in bracket represent percentage.

3.2.15 Expenditure ranged between 17 to 100 *per cent* of the available funds during the year 2000-01 to 2004-05 primarily due to delay in execution of works. No reply was furnished by the Rural Management & Development Department. It was noticed that although no physical target for new connectivity was fixed for the year 2000-01 the spill over liability of Rs. 13.16 crore for up-gradation works taken up by State Government under Basic Minimum Services programme were paid from PMGSY fund without obtaining any specific approval from Government of India.

[††] kept in a separate bank account

Physical target and achievement

3.2.16 Roads & Bridges Department was maintaining three types of roads *i.e.*, state highways (SH), major district roads (MDR) and other district roads (ODR). The total road length in the State was 1,876 km as on April 2000 which increased to 1,926 km. as at March 2005. Out of the total road length of 1,926 km, 1,028 km. were permanent all weather road comprising SH (186 km.), MDR (493 km.) and ODR (349 km) and 898 km. of fair weather road under ODR. While the state highways remained constant at 186 km as no constructions were taken up, major district roads was enhanced from 442 km to 493 km and other district roads from 1,148 km to 1,247 km. Consolidated position of total road length in the State for the period from 2000-01 to 2004-05 is shown in ***Appendix – XV***.

3.2.17 The position of target and achievement in West and South districts test checked in audit was as follows:

Table –3.9
Target (T) and achievement (A)

(In km)

Year	West				South			
	MDR		ODR		MDR		ODR	
	T	A	T	A	T	A	T	A
2000-01	Nil	Nil	Nil	5(1)	Nil	Nil	20 (4)	25 (5)
2001-02	29 (1)	8 (1)*	9 (1)	9 (1)	Nil	Nil	7 (3)	7 (3)
2002-03	21 (1)	12 (1)*	7 (3)	Nil	Nil	Nil	6 (1)	4 (1)*
2003-04	9 (1)	4 (1)*	9 (2)	Nil	Nil	Nil	4 (2)	1 (1)*
2004-05	5 (1)	5 (1)	9 (2)	4 (1)	Nil	Nil	3 (1)	3 (1)
Total	**64 (4)**	**29 (1)**	**34 (8)**	**18 (3)**	**Nil**	**Nil**	**40 (11)**	**40 (11)**

** Partly completed.*
Figures in brackets represent number of roads.
Source: Departmental figures.

3.2.18 In South district, overall achievement for ODR was 100 *per cent* as the target of 40 km involving nine roads was fully achieved. However, year-wise achievement ranged between 25 and 125 *per cent* during 2000-05. In West district, against the target of 98 km (12 roads) fixed for MDR (64 km and 4 roads) and ODR (34 km and 8 roads) the achievement was 47 km (4 roads) under MDR (29 km and 1 road) and ODR (18 km and 3 roads). The achievement of target was 48 *per cent* in overall terms indicating a shortfall of 52 *per cent*.

3.2.19 While accepting the fact the Department stated (August 2005) that the achievement was less due to cost escalation of cement, bitumen, etc required for construction of roads and less release of funds for expenditure notwithstanding the adequate budget allocation during each year.

3.2.20 Against the target of 510.74 km of roads under the Prime Minister Gram Sadak Yojaona the Department constructed 227.69 km of roads, indicating a shortfall of 55 *per cent*. The details are given in ***Appendix XVI.***

3.2.21 Target and achievement in respect of PMGSY in test checked districts *i.e*. West and South districts were as follows:

Table –3.10
Target (T) and achievement (A)

(in km)

Year	West				South			
	New construction		Upgradation		New construction		Upgradation	
	T	A	T	A	T	A	T	A
2000-01	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
2001-02	16.63 (7)	Nil	84.23 (5)	Nil	17.11 (5)	Nil	76.06 (5)	Nil
2002-03	Nil l	Nil	Nil	Nil	Nil	Nil	Nil	Nil
2003-04	36.45 (9)	Nil	Nil	Nil	43.18 (8)	Nil	Nil	Nil
2004-05	38.96 (9)	4 (2)	Nil	78.23 (4)	46.55 (12)	11.11 (3)	Nil	76.06 (5)
Total	**92.04 (25)**	**4 (2)**	**84.23 (5)**	**78.23 (4)**	**106.84 (25)**	**11.11 (3)**	**76.06 (5)**	**76.06 (5)**

Figures in brackets represent number of roads.
Source: Departmental figures.

3.2.22 It would be seen from above that in West district, against the target of 92.04 km and 84.23 km under new construction and upgradation respectively, achievement was four km and 78.23 km indicating shortfall of 96 and 7 *per cent* respectively. Similarly, in South district, achievement was 11.11 km and 76.06 km under new construction and upgradation respectively against the target of 106.84 and 76.06 km respectively indicating a shortfall of 90 *per cent* in new construction.

Programme implementation and execution of works

3.2.23 Of the 150 km (25 roads) constructed, 72 km of new construction under major district roads (29 km) and other district roads (43 km) consisting of 15 roads (MDR 1 & ODR 14) pertaining to West and South districts was selected for test check in audit involving Rs. 38.78 crore. Similarly, under Prime Minister Gram Sadak Yojana 359 km (60 roads) for new construction (199 km – 50 roads) and up-gradations (160 km – 10 roads) involving Rs. 27.88 crore pertaining to West and South district was test checked in audit.

The audit findings on the execution of works were as under:

Disproportionate allocation for up-gradation works

3.2.24 PMGSY guidelines stipulated that a maximum of 20 *per cent* of the available funds could be allocated towards up-gradation of the existing roads in those districts where all the habitations of the designated population size had been provided all-weather road connectivity.

3.2.25 Audit observed that the State Government incurred expenditure in the ratio of 3:5 to 7:10 for new connectivity and up-gradations respectively during the last five years, resulting in 50 *per cent* shortfall in new connectivity and 42 *per cent* higher provision for up-gradation corresponding to Rs.15.73 crore.

3.2.26 Notwithstanding the fact that all the habitations in these districts with designated population were not provided with all–weather road connectivity, the Department allocated Rs.23.23 crore between 2000-01 and 2004-05 towards up-gradation of existing roads, which was irregular.

3.2.27 No reply was furnished by the Government.

Unauthorised expenditure

3.2.28 According to PMGSY guidelines the primary focus of the programme was to construct new other district roads (ODR) and village roads (VR) only. The Department, however, in disregard of the stipulation spent Rs.12.76 crore (2001-02) on different state highways (3) and major district roads (4) unauthorisedly.

3.2.29 In reply, the Roads & Bridges Department (R&BD) stated (July 2005) that even though the PMGSY guidelines stipulated taking up of ODR and Village roads only, construction of roads were taken up on actual need basis. The reply was not tenable as PMGSY guidelines emphasised taking up of ODR and VR only. Rural Management and Development Department (RMDD) did not furnish any further reply.

3.2.30 In spite of reiteration in the PMGSY guidelines that habitations with a population of 250 and above should be taken for the purpose of arriving at unconnected habitations, the RMDD included 92 habitations having population of less than 250.

3.2.31 Similarly, in case of three habitations which were already having existing all weather roads within 1.5 km. of path distance, the Department incurred Rs.1.12 crore for providing new roads upto March 2005. No reply was furnished by the Government.

3.2.32 Indian Road Congress (IRC) norms permit 2 *per cent* extra provision towards bends and curves in road works. Based on the decision taken in the meeting of the State Technical Agency (November 2001) extra provision up to 3 *per cent* was allowed for bends and curves in Sikkim.

3.2.33 However, in case of one road work of PMGSY carried out during the period 2002-03 the Department included a provision of 10 *per cent* towards bends and curves resulting in enhancement of estimate to the tune of Rs.30 lakh. Further, in two works, though the estimate appropriately included 3 *per cent* towards bends and curves, contractors were paid additional 3 *per cent* on account of bends and curves, over and above the actual measurement resulting in excess payments to the contractors. Extra allowance on bends and curves was not payable as the payments were released based on the physical measurement of actual execution of works which invariably included bends and curves also.

Delay in completion of works

3.2.34 Time is of the essence of programme management. Audit observed that the various works relating to 'Development of District and Rural Roads' were inordinately delayed due to delay in obtaining clearance from Forest Department, change in scope of works and non-availability of stock materials. In 100 major ongoing works[‡‡] taken up during 2000-2005, there was time over run ranging from eight months to 84 months as of March 2005 while cost overrun was Rs.42.39 lakh in five works alone.

3.2.35 In reply, the R&BD stated (July 2005) that predominant monsoon seasons and landslides led to delayed completion of works. Cost overrun was due to increased cost of construction materials such as bitumen, cement and steel. The

‡‡ *Major works valuing Rs.6.00 lakh and above.*

reply is not acceptable as the Department should have taken these factors into consideration while fixing stipulated date of completion for each work. Further, cost overrun as reckoned in audit was the difference between the value of works as awarded to the contractors on tender rate basis and the final cost paid to the contractors.

3.2.36 In respect of PMGSY works there was delay in execution of works ranging between 18 to 24 months. Inspite of stipulation in the PMGSY Guidelines to levy penalty @ 5 *per cent* for such delayed completion of works, the RMDD did not levy penalty aggregating Rs.71.45[§§] lakh. No reply was furnished by RMDD for the delay in completion and non levy of penalty for such delay.

Excess expenditure due to incorrect rate analysis

3.2.37 According to the norms prescribed by the Ministry of Surface Transport (MOST), the requirement of bitumen for 20 mm. Premix Carpeting Work in high rainfall areas was 29.40 kg/10 sq metres. Against this requirement, the Rate Analysis based on which Schedule of rates (SOR) was prepared by Sikkim Public Works Department (SPWD) provided bitumen @ 35.42 kg/10 sq. metres. This excess provision of bitumen in Analysis of rates (AOR) and SOR was pointed out in Audit Report vide para 4.13 of 1999-2000 on which the Public Accounts Committee (March 2003) directed the Department to reduce the consumption of bitumen. No reduction in consumption of bitumen was attempted by the Department as of March 2005. This resulted in avoidable extra expenditure of Rs. 13.21 lakh on account of excess consumption of 301 MT of bitumen towards execution of 6,69,512.55 sq.m. of Premix carpeting work involving 36 roads between August 2000 and March 2005.

3.2.38 Similarly, as against the MOST norms of 4.5 qtl of firewood/ MT of bitumen for premix carpeting in hilly areas, the Department prescribed 41.87 qtl./MT of bitumen in the rate analysis based on which SOR 2001 was prepared. This excess provision of firewood by 37.37 qtl./MT of bitumen involved an avoidable excess expenditure of Rs. 1.02 crore and undue benefit to the contractors towards consumption of firewood of 89,163.26 qtl. (Rs.113.40/qntl.) in 36 works.

Undue benefit to the contractor

3.2.39 The State Government approved (October 2000) the construction of 'Rimbi-Yuksom road first to 22nd km stretch' in West district at an estimated cost of Rs.2.19 crore (based on SOR 1997). The work was put (December 2000) to tender and the offer of 45 *per cent* above the estimated cost was found to be lowest. The lowest bidder, after negotiation with the Department, brought down the rate to 37 *per cent* above (November 2001) and subsequently to 35 *per cent* above (June 2003) and requested for issue of work order. However, instead of awarding the work to the lowest bidder the Department delayed the award of work and revised (August 2003) the estimate to Rs.5.01 crore according to the SOR 2001.

3.2.40 Audit observed that the Department failed to take a firm decision to accept the lowest offer at 35 *per cent* above estimate according to the SOR 1997 which

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[§§] *Rs.14.29 crore x 5 per cent = Rs.71.45 lakh.*

appeared reasonable according to the prevailing trend of contracts but awarded the work (February 2004) to the same contractor at the revised estimated cost of Rs.4.76 crore according to the SOR 2001 without inviting fresh tenders. The Department's decision was without any basis and led to additional expenditure of Rs.1.80 crore[***] and undue benefit to the contractor besides delay of more than three years in taking up the work.

3.2.41 In reply, the Department stated (July 2005) that no undue benefit was given to the contractor as the scope of work was also revised alongwith the revision of rates to include all additional items which were left out earlier. The reply was not tenable as even after taking into consideration the revised scope of works with all additional items, the cost of work worked out to Rs.3.87 crore at the quoted rates in June 2003. Thus, even after considering the revised scope of works there was extra expenditure of Rs.0.89 crore which could have been avoided.

Excess payment to contractors

3.2.42 Estimates for the works involving hard rock cutting and other metal based items provided for using one third of the quantity of stone obtained from the hard rock cutting.

3.2.43 Audit observed that though 2,64,903 cubic metre (R&B - 1,19,156 + RMD - 1,45,747) of hard rock cutting was executed the cost of one third of the quantity *i.e.* 88,301 cubic metre available at sites and used on the other items of works was not deducted while making payment to the contractors. This resulted in excess payment of Rs.1.18 crore[†††] to the contractors. This was borne out by the fact that the carriage charges paid to the contractors were reduced to the extent of availability of stones at sites but the cost of stones as such was not deducted.

Assets management and control

Irregular payment of land compensation

3.2.44 The Indian Land Acquisition Act 1894 (1 of 1894) was extended[‡‡‡] (April 1997) and enforced[§§§] in Sikkim *w.e.f* August 1997. To give effect to the Act, Land Acquisition Rules (Acquisition of land for public purpose) were framed and made applicable[****] to the State of Sikkim *w.e.f* January 1978. According to the rules, the landowners should submit original Parcha/Khatian[††††]/Sale deed duly signed by the Attestation Officer and registration and mutation of land should be carried out before releasing payment of compensation in all cases of acquisitions by the Government Departments.

3.2.45 Audit observed that R&BD paid compensation of Rs.1.72 crore between August 1998 and October 2001 towards purchase of 73.1645 hectare of land from general public without obtaining sale deed and mutation in favour of Government. In the absence of the same the interest of Government was not safeguarded.

[***] *4,75,95,754 - 2,96,06,951 {2,19,31,075 + 35% above tender rat }= Rs.1.80 crore.*
[†††] *88,301 cum x Rs.134/ cum = Rs.1.18 crore.*
[‡‡‡] *Vide Government of India Notification No.F-11013/9/77-SKM, dated 23 April 1997*
[§§§] *Vide State Government Notification No.12018/12/76-LRD, dated, 08 September 1977.*
[****] *Vide notification No.1036/LR(s), dated 12 January 1978.*
[††††] *Deeds/papers of land and building (immovable properties).*

3.2.46 In reply, R&BD stated (July 2005) that the action would be initiated to register all properties through Land Revenue Department who has since been assigned with the responsibility of registration of properties in favour of Government.

Idling of soil testing lab

3.2.47 R&BD established (January 2004) a soil testing laboratory by incurring an expenditure of Rs.21 lakh with the objectives of providing soil testing and other related works. However, till the date of audit (April 2005), the laboratory was not put to use primarily due to non-availability of electric connection. Failure of the Department to utilise the laboratory not only led to idling of assets worth Rs.21 lakh but also forced the Departments and contractors to obtain soil testing reports from Jalpaiguri Engineering College, located at a distance of 130 Km. from Gangtok, on payment of charges from Rs.16,000 to 20,000 towards soil testing. Had the laboratory been made operational, the Department could have earned the equivalent revenue besides obviating the inconvenience.

3.2.48 While accepting the fact, the R&BD informed (July 2005) that the commissioning of soil testing lab was delayed due to in-transit damage of film oven.

Inventory Management and control

Unnecessary purchase of Geo-grid polymesh

3.2.49 According to Sikkim Public Works code, purchases should be made in accordance with the assessed requirements for works in progress and work sanctioned. The Divisional Engineers who are in-charge of execution of works should submit the anticipated requirements of their works to Chief Engineer periodically who is authorised to purchase upto the sanction limit.

3.2.50 Audit observed that inspite of having adequate stock of Geo-Grid Poly Mesh R&BD purchased (November 1996) 77 bundles of poly mesh for Rs.21.45 lakh for the protection of slope area of Syari, Tadong and the Palace ridge road of which 62 bundles costing Rs.17.27 lakh could not be used and was lying idle in the store since November 1996. Purchase of stores in excess of actual requirements without adequate planning and non-utilisation elsewhere also was irregular.

Non-recovery of cost of cement from contractors

3.2.51 According to the Sikkim Public Works Code, cost of stock materials issued from stores to contractors for executing works should be recovered from the contractors. The R&BD did not recover Rs.35.11 lakh[‡‡‡‡] from the contractors towards the cost of 19,223 bags of cement issued for execution of 76 works between 2001-02 and 2002-03 although the works were already completed.

Manpower management

Excess expenditure on labourers

3.2.52 The R&BD has 1,926 km. of roads under all categories as on 31 March 2005. The Department has not prescribed any norms for deployment/ engagement

‡‡‡‡ *Rs.173.95 x 19,223 bags + 5 per cent storage = Rs.35.11 lakh.*

of Muster Roll (MR) labourers and Supervisors. In the absence of specific norms, the Department engaged MR labourers at the rate of 1-14/km. which was far in excess of the approved norms of 0.3 labour per km by MOST. Similarly, the Department deployed 0.35 supervisors per km. against the MOST norms of 0.04 supervisors per km. On an average, the Department deployed two supervisors for every 3.5 labourers against the MOST norms of 15 labourers, which translated into 227 *per cent* excess deployment of Supervisors. On an average, the Department incurred Rs.7.46[§§§§] crore per annum on excess deployment of MR and Supervisors despite the Memorandum of Understanding signed by the State Government with the Government of India in April 1999 and 2003 to retrench the excess staff.

3.2.53 While accepting the observation, R&BD stated (July 2005) that the Department would try to retrench the excess staff.

Monitoring and Evaluation

3.2.54 Above deficiencies in the Development of District and Rural Roads were mainly due to improper planning, lack of effective supervision and evaluation. Audit scrutiny revealed that the departments did not have:

- A long term road development policy.
- A master ledger of roads containing the name of each road, length status of road, whether Water bound macadam or Black topped surfaced road, expenditure incurred, etc. and periodicity of maintenance, expansion etc. In the absence of the same, audit could not vouchsafe whether all the roads were maintained and repaired periodically.
- Suitable registers indicating supervision undertaken by DE, SE and CE and compliance of the recommendations/ observations made by them.

3.2.55 In reply, R&BD stated (July 2005) that the Department will initiate necessary action to obviate the same.

Conclusion

3.2.56 *Audit of development of district and rural roads disclosed deficient budgetary and financial management leading to large savings, and alarming rise of pending liabilities. Programme management was characterised by shortfall in achievement in targets, time and cost overrun in execution of works, excess expenditure due to incorporation of higher quantities of bitumen and firewood in rate analysis, and undue benefit to the contractors. Implementation of works relating to Prime Minister Gram Sadak Yojana revealed failure to meet targets, disproportionate allocation for upgradation works, unauthorised expenditure on state highways and major district roads, excess allowances for bends and curves etc. Material management was characterised by unnecessary purchase of materials, non-recovery of cost of cement from contractors, etc.*

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§§§§ *(1822 x Rs.80 x 365 days) + (698 x Rs.84 x 365 days) = Rs.7.46 crore.*

Recommendations

3.2.57 Following recommendations are made:

- Works should be taken up only after ensuring sufficient budgetary support to avoid accumulation of pending liability.
- Programme management should be further strengthened to expedite completion of works within stipulated time and cost.
- Analysis of Rates and Schedule of Rates should be prepared every two years duly following Ministry of Surface Transport specifications and also considering specific ground conditions of the State.
- The portfolio of assets should be maintained for all assets of the Department duly mutated and registered in the name of the Department.
- A Road Development Policy for the State with a perspective of 25 years should be formulated after due deliberations with line departments.
- Deployment of road gang as per the Ministry of Surface Transport (MOST) norm or according to the norms fixed by the Department may be done to reduce expenditure on maintenance.

Acknowledgement

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Glossary of terms

SFR	:	Sikkim Financial Rules, 1979
SPW CODE	:	Sikkim Public Works Code
MOST	:	Ministry of Surface Transport
IRC	:	Indian Road Congress
CBR	:	California Binding Ratio
SH	:	State Highways,
MDR	:	Major District Roads,
ODR	:	Other District Roads,
RMDD	:	Rural Management & Development Department,
R&BD	:	Roads & Bridges Department,
BT	:	Black Topped,
PMGSY	:	Prime Minister Gram Sadak Yojana

References or bibliography

1. **MOST specification**
2. **CPWD Specification**
3. **AOR and SOR of the department**
4. **Government of India guidelines on PMGSY**
5. **PMGSY works Manual**
6. **SPW code and Manual**