

## CHAPTER-III PERFORMANCE REVIEWS

### RURAL MANAGEMENT AND DEVELOPMENT DEPARTMENT

#### 3.1 ACCELERATED RURAL WATER SUPPLY PROGRAMME

*The Accelerated Rural Water Supply Programme (ARWSP) aims at providing adequate and safe drinking water to the rural population. Performance review of implementation of the scheme during the period 2003-08 revealed that the Department did not have reliable data relating to the status of the habitations and the details of the schemes planned/executed for the supply of water to rural populace.*

##### **Highlights:**

**The Departmental figures relating to the habitations and their coverage varied in the Annual Action Plans, Monthly Progress Reports and those furnished to audit raising doubts about the authenticity of the data.**

*(Paragraph 3.1.9.1)*

**The Department spent Rs. 33.53 crore on water supply schemes during the year 2004-05 although not a single scheme was sanctioned during the year. Hence, the Department's claim of covering/upgrading 797 PC habitations to FC status is questionable.**

*(Paragraph 3.1.9.1)*

**Three out of 84 habitations physically verified, were not getting any water supply even during the peak season due to drying up of the sources. This, combined with the fact that 1,053 habitations were shown as slip back habitations by the Department in 2005, makes the claim of the Department regarding zero NC habitations questionable.**

*(Paragraphs 3.1.9.9)*

**The quality of water was never tested and treatment of water was not done during the period under review.**

*(Paragraph 3.1.9.10)*

##### **3.1.1 Introduction**

The GOI introduced ARWSP in 1972-73 to assist the States and Union Territories with 100 *per cent* grants-in-aid to provide adequate and safe drinking water to problem villages. With the introduction of the Minimum Needs Programme (MNP) in 1974-75, the GOI withdrew the programme and reintroduced it in 1977-78, when the progress of supply of safe drinking water to the identified problem villages under the MNP was found unsatisfactory. The Government of Sikkim has been implementing the programme since its reintroduction at national level in 1977-78. To ensure maximum inflow of scientific and technical inputs into the rural water supply sector, and to deal with the quality problems of drinking water, the GOI launched the National

Drinking Water Mission (NDWM) in 1986, which was renamed as Rajiv Gandhi National Drinking Water Mission (RGNDWM) in 1991 and continued till 1998-99. The Mission was revamped and included ARWSP, Sub-Missions and Sector Reform Programme from April 1999.

The objectives of ARWSP are as under:

- To ensure coverage of all rural habitations with access to safe drinking water;
- To ensure sustainability of drinking water systems and sources;
- To tackle the problem of water quality in affected habitations;
- To institutionalise the reform initiative in the rural drinking water supply sector.

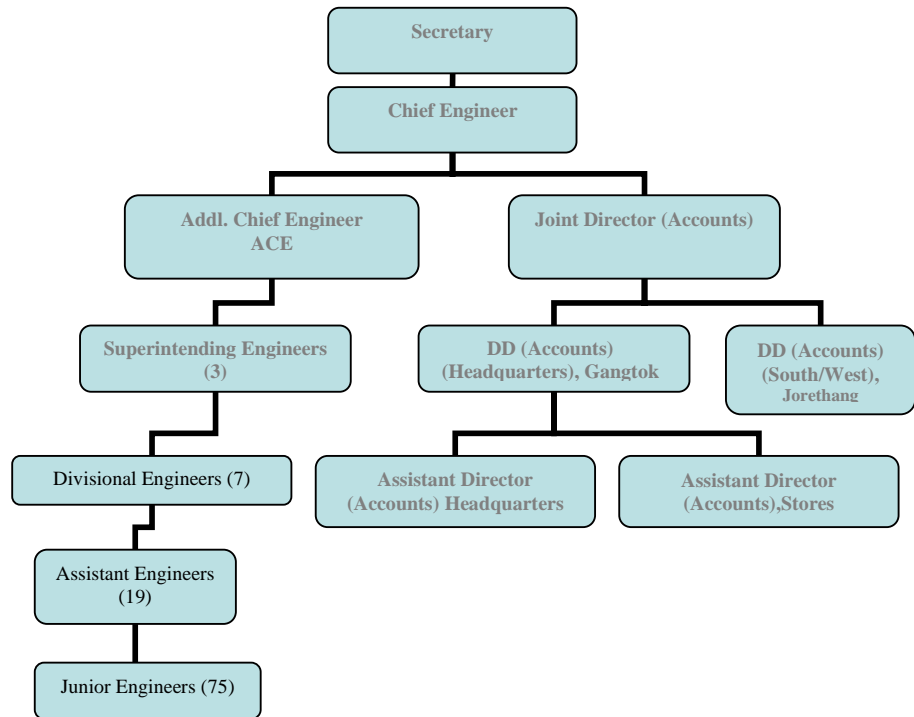
For achieving the above objectives, the following were to be addressed on a priority basis:

- 40 litres per capita per day (lpcd)<sup>1</sup> of drinking water for human beings;
- One hand pump or stand post for every 250 persons and
- Availability of water source within 1.6 km of the habitation in the plains and 100 meters elevation in hilly areas.

### 3.1.2 Organisational set-up

The Rural Management & Development Department (RM&DD) is responsible for implementation of the ARWSP. The organisational setup of the Department is as under:

**Chart No-3.1.1**



<sup>1</sup> lpcd – litres per capita per day 12 litres per minutes for one handpump or standpost

### 3.1.3 Scope of Audit

The performance review of ARWSP was conducted during June-August 2007 and April-June 2008 covering the implementation of the programme during the period 2003-08. Records maintained in the RMDD Headquarters at Gangtok, East District and South District Offices were scrutinised. Although the Department spent Rs. 130.15 crore on the implementation of the programme during 2003-08, it could not provide the detailed list of habitations/population covered, complete details of schemes sanctioned, schemes completed, date of completion, incomplete schemes etc. in spite of repeated requests and reminders. This information, being vital to audit scrutiny, was requisitioned at various levels right from the executing agencies to the Head of the Department besides bringing up in the entry as well as the exit conferences. The Department could however, produce files relating to only 127 schemes involving Rs. 6.34 crore and a list of 1,204 schemes estimated at Rs. 83.85 crore. **Audit is therefore unable to verify the extent of the implementation of the programme or vouch for the amount stated to have been expended on the programme by the Department during 2003-08.**

### 3.1.4 Audit Objectives

The main objective of the performance review was to assess whether the Department had succeeded in providing all the rural habitations in the State with safe and adequate drinking water. This included assessing whether,

- Planning for the programme including survey of habitations was conducted efficiently and effectively ;
- All the rural habitations were provided with access to adequate and safe drinking water as per norms;
- The problem of water quality in affected habitations was tackled effectively;
- Sustainability of drinking water systems and sources was ensured; and
- Adequate attention was accorded to operation and maintenance of the existing water supply schemes.

### 3.1.5 Audit Criteria

The main criteria used for arriving at audit conclusions were as follows:

- Guidelines for Implementation of Rural Water Supply Programme (August 2000);
- Guidelines for National Rural Drinking Water Quality Monitoring and Surveillance Programme;
- Guidelines for Implementation of Schemes and Projects on Sustainability under ARWSP.

### 3.1.6 Audit Methodology

The performance review commenced with an entry conference with the Departmental officers on 11 June 2007, wherein the audit objectives, scope,

criteria and methodology were discussed and the feedback of the Department obtained. Audit conclusions were arrived at on the basis of a scrutiny of the records relating to the 127 schemes provided by the Department and replies of the Department to the questionnaires issued. Physical verification of 84 schemes was also carried out jointly with the departmental officers. An exit conference was held on 1 August 2008 and the views of the Department were considered while finalising the review. Formal reply to the audit findings was however, not furnished by the Department (November 2008).

### **Audit findings**

#### **3.1.7 Planning**

##### **3.1.7.1 . Survey and Identification of habitations**

GOI directed (February 2003) the State Government to carry out a survey to ascertain the status of drinking water supply in the rural habitations and rural schools and identify the habitations with water quality problems as on 1 January 2003. The survey result was to be submitted by the Department to the GOI by 31 March 2003 and was to be validated by an independent evaluator “Indian Institute of Public Administration, New Delhi” (IIPA). This date was extended to 31 December 2003 by the GOI, due to the delay by the State Government in taking up the survey work.

The Department, without inviting tenders and without verifying the credentials, awarded (November 2003) the survey work to a private local firm (*M/s Trident Infotech Pvt Ltd*), on the basis of the request of the latter, at a cost of Rs. 14.75 lakh. The cost of the survey was later (January 2004) increased to Rs. 20.28 lakh purportedly due to the increase in the scope of work. While the survey was stipulated to be completed by 7 February 2004, the firm submitted the survey report on 15 June 2005, i.e. after a delay of more than a year. Reasons for the delay were not on record. Action could not, however, be taken against the firm due to the absence of a penalty clause in the agreement. The Department forwarded the survey report to the GOI in June 2005 and after validation by the IIPA, received it back in April 2006. In terms of the survey report, there were 2498 habitations in the State, out of which, 1,445 were categorised as Fully Covered<sup>2</sup> (FC) and 1053 as Partially Covered<sup>3</sup> (PC) habitations. There were no Not Covered<sup>4</sup> (NC) habitations.

Neither a copy of the survey report prepared by the firm nor the final report sent by the IIPA could be made available to audit for scrutiny. The Department could not also produce the basic survey data filled in the prescribed formats. Further, the firm was also supposed to provide digitised Geographical Information System (GIS) map of the habitations. Although the firm intimated (March 2005) the Department that it had completed the survey works in all respects, viz. habitation survey, preparation of digitised GIS map, water quality testing, discharge measurement etc, no such reports, maps and details were available with the Department. Only the list of habitations was

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<sup>2</sup> FC – those habitations which receive 40 litres of water per capita per day and are located within 1.6 Km. of water source or at an elevation difference of 100 metres in mountain areas

<sup>3</sup> PC – those habitations that have a safe source within the distance or elevation norms but whose water availability ranges from 10 lpcd to 30 lpcd.

<sup>4</sup> .NC. – those habitations that do not have any water source within the prescribed distance or elevation

available. **Hence, the authenticity of the survey and its inputs in the planning process could not be vouched.**

Audit interaction with the executing officials in the district and sub-divisional offices and panchayats revealed that no one was aware of any survey conducted by any firm as no individual had ever visited the districts, sub-divisions or panchayats in connection with such a survey. This indicated that the survey report prepared by the firm was not based on actual field visit and hence it could not be relied upon. **Non-availability of any survey report with the Department, absence of detailed basic data formats, digitised GIS map and evidence of field visit by the firm raises doubts about the authenticity of the data of the Department.**

### 3.1.7.2 Annual Action Plans (AAPs)

The State Government was required to prepare the AAPs and submit them to the GOI six months before the commencement of the financial year on the basis of the shelf of the schemes. While preparing the AAPs, coverage of the remaining habitations as per the Comprehensive Action Plan 1999 (CAP 1999) of the GOI and incomplete works were to be given priority over taking up of new works. The revised AAPs were to be forwarded to the Central Government latest by the 30<sup>th</sup> April of the financial year to which these pertained.

The GOI guidelines laid down that a State Advisory Board was to examine the AAP and identify the schemes to be undertaken each year. The schemes were to be taken up for implementation after approval of the AAP by the GOI. In Sikkim, the State Advisory Board has not been constituted and the AAPs were prepared and sent to the GOI by the Department itself.

Scrutiny of records relating to the preparation of the AAPs revealed considerable delays ranging between six months and fourteen months in preparing and sending the AAPs to the GOI. The AAPs merely mentioned the expected number of habitations to be covered and the requirement of funds for the year without giving any details like names of the habitations, number of households in each habitation, source of water, quantity and quality of water discharged from the source, treatment measures required etc. Besides, the AAP did not follow the guidelines of GOI in the following areas:

- Priority was not given to the ongoing incomplete works.
- Final allocation under the State Sector MNP and ARWSP was not shown.
- Since no mention of SC/ST population to be covered was made in the AAPs, utilisation of 35 *per cent* fund for such coverage could not have been ensured.
- No periodicity of the Operation & Maintenance (O&M) activities was indicated and dedicated schemes for O&M works were not prepared and included in the execution plans.
- State level AAPs were not supported by plans at the district level, as district/sub-division/panchayat level AAPs were never prepared.

Thus, the AAPs remained an exercise in futility and the very objective of giving definitive direction to the programme was defeated.

### 3.1.8 Financial Management

#### 3.1.8.1 Funding Pattern

ARWSP is fully financed by the GOI. The State is required to match the funds released by the GOI on a 1:1 basis under the State sector Minimum Needs Programme (MNP). The following was the funding arrangement under the programme:

- 15 per cent of the funds released every year under ARWSP are to be utilised for Operation and Maintenance activities and the funds earmarked for this purpose, are not permitted for use in creation of capital assets.
- 35 per cent of the allocation is to be earmarked and spent on the coverage of SC/ST habitations.
- 15 per cent of the funds should be utilised for treating water quality problems
- Five per cent of the allocations should be utilised to ensure sustainability of source.

#### 3.1.8.2 Budget provision and expenditure

The year-wise funds received and expenditure thereagainst under ARWSP and MNP were as under:

**Table-3.1.1**

Year	ARWSP				State Sector (MNP)	
	Budget provision	Opening balance	Funds received from GOI	Expenditure	Budget provision	Expenditure
2003-04	13.79	0.47	9.33	10.07	11.15	11.00
2004-05	8.66	-	10.22	8.65	14.76	24.88
2005-06	13.15	1.57	14.10	13.11	11.71	11.73
2006-07	16.81	2.56	13.33	16.79	7.38	7.37
2007-08	11.66	-	13.47	11.66	14.92	14.89
<b>Total</b>	<b>64.07</b>		<b>60.45</b>	<b>60.28</b>	<b>59.92</b>	<b>69.87</b>

*Source: Demands for Grants and Detailed Appropriation Accounts*

The low expenditure under ARWSP during 2004-05 was due to the failure of the State Government in implementation of the Swajaldhara scheme. The short expenditure under ARWSP was however, offset by excess expenditure against the budget provision under MNP. There was an excess expenditure of Rs. 10.12 crore under MNP during 2004-05 due to excess surrender of the provision in advance during the year, which is indicative of poor financial and expenditure management. The excess expenditure has not yet been regularised.

#### 3.1.8.3 Non-maintenance of separate records and accounts

In terms of the GOI guidelines, records and accounts of ARWSP were to be maintained separately and ARWSP funds were to be kept in a separate bank account. Scrutiny of records revealed that no separate bank account was operated for the funds provided for the ARWSP. No separate cashbook, inventory of stores and stock etc. were maintained at any level for the programme.

### 3.1.9 Programme Implementation

#### 3.1.9.1 Inconsistent data regarding coverage of habitations

The GOI categorised rural habitations into FC, PC and NC categories. Upto 2002-03, the Department exhibited a total of 1679 habitations in its AAPs. There was an abrupt increase of 793 habitations in 2003-04 over that of 2002-03. In 2004-05, the Department again exhibited an increase of another 26 habitations over 2003-04. However, the number of habitations remained static in the three subsequent years 2005-08.

Analysis disclosed that the figures of habitations reflected by the Department in the AAPs, Monthly Progress Reports (MPRs) and the figures furnished to audit in response to a specific query, were inconsistent, as detailed below:

**Table-3.1.2**

As on 1 April	Figures as per AAPs			Figures as per MPRs			Figures furnished to audit in response to audit queries		
	Total	FC	PC	Total	FC	PC	Total	FC	PC
2003	1679	1337	342	1679	1333	346	1679	1337	342
2004	2472	1583	889	2540	1460	1080	1679	1583	96
2005	2498	1445	1053	NA	NA	NA	2498	1445	1053 <sup>5</sup>
2006	2498	1565	933	NA	NA	NA	2498	1565	933
2007	2498	1727	771	NA	NA	NA	2498	1703	795

Source: AAPs, MPRs and Departmental reply

NA : Figures not available.

As would be seen from the above details, not only was the total number of habitations different (except in 2003) in all the three reports, but even the number of FC and PC habitations were different in all the years. **Thus, the authenticity of the data provided by the Department relating to the habitations and their coverage is questionable.**

During the period under review, Rs. 130.15 crore was spent on the schemes. The Department could neither furnish the year-wise data of schemes sanctioned, executed and completed nor the total number of schemes executed, the location of the schemes, population intended to be covered, estimates and vouchers etc. except in respect of 127 schemes valued at Rs. 6.34 crore. However, a list of 1,204 schemes estimated to have cost Rs. 83.85 crore, was produced as mentioned in paragraph 3.1.3. The year-wise breakup of the schemes as found in this list is given below:

**Table-3.1.3**

(Rupees in crore)

Year	Number of schemes sanctioned	Total expenditure for the year
2003-04	460	21.07
2004-05	Nil	33.53
2005-06	393	24.84
2006-07	190	24.16
2007-08	161	26.55
<b>Total</b>	<b>1204</b>	<b>130.15</b>

Source: Departmental records and Appropriation Accounts

<sup>5</sup> This figure was shown as 'Slipped back' habitations by the Department in its reply to audit.

The above table reveals that the records of the Department were not reliable, as Rs. 33.53 crore was spent on the schemes during the year 2004-05 although not a single scheme was sanctioned during the year. While the Department intimated that Rs. 88.35 crore was expended on the 1204 schemes mentioned above, the detailed accounts booked by the Office of the Senior Deputy Accountant General (Accounts & Entitlement) showed the expenditure on the implementation of the ARWSP and MNP as Rs. 130.15 crore. The Department could not explain the difference of Rs. 46.30 crore between these two sets of figures, as it did not have the complete details of the schemes or the break up of expenditure incurred on these year-wise. In the absence of the relevant supporting details and reliable data, the Department's claim of covering/upgrading 797 PC habitations to FC status is questionable.

Also, in the absence of any data regarding the coverage of SC/ST habitations, the expenditure of Rs. 45.55 crore (being 35% of the expenditure) to be spent on them could not be verified.

### 3.1.9.2 Slip back habitations

Although the Department did not mention about reversion of the habitations from FC to PC or NC category (*slip back habitations*) in the AAPs and MPRs, 1,053 PC habitations were shown as slip back habitations during the year 2005 while furnishing information to audit in response to a specific query. Reasons for slip back of habitations from FC to PC category were neither furnished to audit nor found recorded.

### 3.1.9.3 Physical Progress

In the absence of consistent figures regarding coverage of habitations, the figures reported in the AAP have been taken for assessing the implementation of the programme. The targets and achievements in upgrading the PC habitations to FC status during 2003-08 are given below.

**Table-3.1.4**

Year	Opening balance			Target and achievement during the years		Population covered
	FC	PC	Total	Target	Achievement	
2003-04	1337	342	1679	120	120	17000
2004-05	1583	889	2472	120	120	15000
2005-06	1445	1053	2498	120	120	10000
2006-07	1565	933	2498	138	138	12000
2007-08	1727	771	2498	299	299	25000
<b>Total</b>				<b>797</b>	<b>797</b>	<b>79000</b>

Source: Annual Action Plans, Detailed Appropriation Accounts

As can be seen from the above table, 472 habitations remained to be covered as of March 2008. Thus, the Department could cover only 55 per cent of the PC habitations during 2003-08. While there were no NC habitations, the Department showed the conversion of 797 PC habitations into FC status, covering a population of 79000. Analysis revealed that the Department had already covered the entire rural population of 3.70 lakh (as per Census 1991) by the year 2001-02. It had to cover only the incremental growth of rural population of 1.1 lakh (the increase in rural population between 1991 and



2001 census) during the review period. However, after covering 72 per cent of the incremental population during 2003-08, there were 472 habitations yet to be covered, which renders the departmental figures of coverage of population highly unreliable. The difference in the figures was neither reconciled nor could the Department explain the reasons for difference in the two sets of figures.

#### **3.1.9.4 Execution of work**

The Department spent Rs. 130.15 crore on implementation of the scheme during 2003-08. However, it failed to give the details of all the schemes as mentioned in paragraph 3.1.9.1. An analysis of the details of the 127 schemes produced to audit revealed the following:

#### **3.1.9.5 Works estimates**

Cost estimates for the water supply works should be prepared only after a detailed survey, investigation and preparation of design and drawings. Scrutiny of records however, revealed that the cost of each scheme was determined in advance by the Department while preparing the shelf of schemes, without detailed drawings, designs and estimates.

Out of 400 schemes sanctioned in May 2005 for the year 2005-06 (Rs. 23.24 crore), estimates of 283 works were prepared after the cost of the individual schemes were sanctioned. These estimates were received as late as in September 2005 from the executing divisions/ sub-divisions in the Department. For the balance 117 schemes, the estimates had not been received as of that date. This indicated that funds were allotted to individual schemes by the Department on lump sum basis without considering the actual requirement of funds. The estimates for individual schemes were prepared by the executing divisions/ sub-divisions subsequently, based on the amount sanctioned for each scheme rather than on the basis of actual field requirement. This is indicative of lackadaisical approach in the estimation and execution of schemes by the Department.

A detailed scrutiny of the estimates of 127 schemes revealed that in 85 cases, not even the basic data regarding the population/households to be covered was mentioned. In 67 cases, no mention had been made regarding the location of the source and quantity of water available. In the remaining cases, even if some mention about the discharge was made, this was not sufficient to determine the adequacy of supply of water. In 75 cases, no drawings were prepared. These omissions corroborate the fact that estimates were prepared after the allocation of funds and in a perfunctory manner.

#### **3.1.9.6 Delay in execution of schemes**

There was a delay in completion of 75 works (59 per cent) costing Rs. 3.88 crore from one and half months to 31 months. Reasons for delay were ascribed by the Department to non-availability of stock material in the stores in 57 cases (Rs. 3.04 crore), illness of the contractors etc. in four cases (Rs. 21.58 lakh), monsoon in three cases (Rs. 28.54 lakh) and construction of road by PWD in one case (Rs. 10 lakh). There was no reason available on record for delay of ten works (Rs. 23.70 lakh).

The Chief Engineer, RMDD is responsible for procurement of stores for the entire scheme and procurement is done centrally, after receiving the indents from all the divisions. Scrutiny revealed that there was adequate stock of cement and GI pipes during the period in two departmental stores. However, the material was not issued to these works. The Department stated that the materials in store did not pertain to the scheme and hence could not be issued to the scheme work. As mentioned in paragraph 3.1.8.3 above, the Department did not maintain separate accounts in respect of the material issued to ARWSP works. Hence the contention of the Department is not tenable. Thus, failure of the Department to issue stock material in time in a majority of cases delayed the provision of drinking water to the habitations within the targeted period.

#### **3.1.9.7 Excess construction of hydrants**

In terms of GOI norms, one water hydrant was to be provided for every 250 population. However, rural habitations without any safe source of water and with a permanently settled population of 100 persons or 20 households, whichever is more, could be taken as the unit for coverage with funds under the ARWSP.

Scrutiny of 127 schemes revealed that the population in the habitations in which the ARWSP schemes were executed ranged from 110 to 312 persons. A majority of the habitations (97 out of 127) had population below 250. In terms of the GOI norms, only one or two hydrants were needed per habitation. But the Department, in most cases, provided one hydrant to each household. On an average, one hydrant was provided for 10 persons, which is far in excess of the requirement. A joint physical verification of 84 schemes during August 2007 and April 2008 also confirmed that individual hydrants were provided in most households. Not only was this against the norm, but it also pushed up the cost of the schemes due to the extra cost of the hydrants and associated pipes and fittings.

#### **3.1.9.8 Repair/augmentation work**

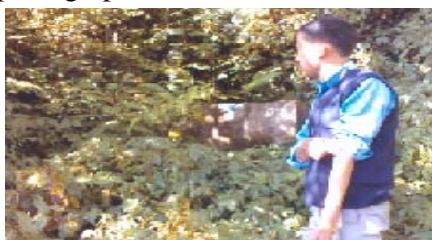
As per the scheme guidelines, up to 15 *per cent* of the funds released every year under ARWSP to the State can be utilised for operation and maintenance (O&M) of assets created, subject to (i) ceiling of matching grant provided by the States out of the MNP provision, and (ii) the approved norms already circulated to all the States. A separate project was required to be prepared for taking up O & M activities. The funds earmarked for O & M were not to be used for creation of capital assets. The Department thus could have spent Rs. 19.52 crore on O&M activities (against the expenditure of Rs. 130.15 crore) during the review period.

Scrutiny of records, however, revealed that no separate project for O & M activities was ever prepared by the Department. During 2003-08, a meagre provision of Rs. 50 lakh was kept for O & M under ARWSP, out of which, only Rs. 15.23 lakh was spent. Details of expenditure of Rs. 8.51 lakh out of this could not be provided by the Department. An amount of Rs. 6.72 lakh was diverted for unauthorised purposes viz. purchase of computers & other items, survey works etc.

Further, analysis of the details of 1,204 schemes (list produced by the Department) revealed that 925 schemes (76.83 *per cent*) pertained to

repairs/augmentation/extension etc. of the existing schemes instead of new works. The Department had carried out repair/augmentation of works estimated at Rs. 55 crore as against the new works estimated at Rs. 28.85 crore during 2003-08 indicating a clear preference for repair works.

While the schemes were handed over to the concerned Panchayats after the works were completed, the funds meant for operation and maintenance of the schemes were not passed on to the Panchayats. Reluctance to pass on the O & M funds to the Panchayats affected the maintenance of the schemes and delivery of quality water supply to the rural people. This was corroborated by a physical verification of 84 out of 127 schemes, where it was found that in 64 schemes, maintenance was not carried out, as can be seen from the photographs below:



Improper maintenance of source at Bojoghari



Broken tap at Phalidara (South)



Non-maintenance of sedimentation tank at Bojoghari



Non-maintenance of reservoir tank at Nandigaon

The Department accepted (April 2008) that regular scheme funds were diverted for repair and maintenance work and stated that though they could not make adequate provision under O&M, an average of 12.41 *per cent* was incurred for the purpose out of the normal ARWSP fund under capital head of account. However, the details of Rs. 16.15 crore spent on maintenance could not be provided. Moreover, the Department spent Rs. 55 crore on repair/augmentation works, which was far in excess of the norm.

### 3.1.9.9 Adequacy of supply of water

The ARWSP prescribed a minimum provision of 40 lpcd. In order that the water was supplied to the villagers at the prescribed rate round the year, it was essential that a perennial source of water was identified. This was even more important considering the fact that the main water sources for rural water supply in Sikkim are mountain springs which get charged during the rainy season (April – September) but gradually dry up during the summer months.

Scrutiny of records relating to 127 water supply schemes revealed that the water supply systems were constructed without conducting any survey and investigation regarding the sustainability of the source. In 67 cases, it was seen

that the estimate does not even mention the source. In 30 cases, no data on discharge was given. The data regarding availability in the remaining cases was sketchy and given in terms of litres per minute which is not adequate to calculate the sufficiency. As mentioned in paragraph 3.1.9.5, the funds for the water supply systems were allocated by the Department without considering the ground realities. The estimates for the water supply systems were prepared after the funds for the scheme were allocated. The water supply systems were thus designed to fit in the budget provided for the schemes and not based on the actual requirement. Hence the design of the schemes had not taken the adequacy of the water source into consideration.

The above observation was corroborated by a joint physical verification of 84 schemes conducted during August 2007 and October 2008. It was seen that three habitations (*two habitations in South and one in East district*) were not getting any water supply even during the peak season due to drying up of the sources. **This, combined with the fact that 1053 habitations were shown as slip back habitations by the Department in 2005, makes the claim of the Department regarding zero NC habitations questionable.** Further, it was seen that nine habitations (*11 per cent of physically verified schemes*) were not getting adequate water during the lean period. The situation would aggravate during the dry period, when most spring water sources dry up.

No analysis was done by the Department about the quantity of water available to each habitation and no records regarding this were kept. Hence the per capita availability of water could not be checked.

#### **3.1.9.10 Quality of water**

The Department failed to ensure quality water supply to the habitations which was one of the key objectives of the schemes as detailed in the following paragraphs:

➤ **Treatment:** Up to 15 per cent of the ARWSP funds were earmarked for tackling water quality problems<sup>6</sup>. The Annual Action Plans indicated prevalence of water quality problems such as iron content and bacteriological contamination. The Department could have spent up to Rs. 19.52 crore (15 per cent of Rs. 130.15 crore) under ARWSP and MNP for addressing the water quality problems as per the guidelines of the programme.

Scrutiny revealed that no concrete action was taken to tackle the problem. The Department spent Rs. 3.32 crore during 2003-08<sup>7</sup> out of the ARWSP funds on purchase of 1,357 chlorinators to tackle bacteriological contamination. However, bleaching powder required for the chlorinators was not purchased up to August 2007. 5.8 MT (232 bags) of bleaching powder was procured in September 2007 at a cost of Rs. 1.16 lakh out of which, only 1.18 MT (47 bags) was shown as issued as of May 2008. The shelf life of the balance quantity of the chemical amounting to Rs. 0.93 lakh expired in the meantime, rendering it unfit for use.

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<sup>6</sup> Water quality standards were broadly classified into microbiological, chemical, physical and radiological characteristics which were to be examined with reference to BIS standards.

<sup>7</sup> Number of chlorinators :2003-04-220, 2004-05-497, 2005-06-125, 2006-07-338, 2007-08-177.

Joint physical verification (August 2007 and October 2008) of 84 out of 127 schemes by audit along with the departmental officers revealed that no chlorinators were installed in the storage tanks in 63 schemes while the chlorinators in the remaining 21 schemes were defunct as no bleaching powder was used. Thus none of the chlorinators procured at a cost of Rs. 3.32 crore could function as of August 2008. There was no expenditure under the MNP for tackling water quality problems. This was also mentioned in the exit conference and the Department accepted the fact. The above facts show lack of concern of the Department in providing safe drinking water to the villagers.

- **Testing:** The ARWSP guidelines envisaged testing of 100 *per cent* drinking water sources by using user friendly kits and through surveillance of water quality by sanitary survey. During 2001-02, although 11 field testing kits had been procured and distributed to various sub-divisions, these kits became unusable due to the expiry of their shelf life. Thereafter, no procurement of field testing kits were made up to March 2007. Between March 2007 and April 2008, the Department purchased field testing kits for testing chemical and bacteriological parameters at a cost of Rs. 6.01 lakh. The kits were partially distributed (April 2008) to various block development offices (BDOs) for periodical testing of water. However, a major portion of the kits remained idle in the departmental stores. No test report had been submitted to the Department by the BDOs as of July 2008. The head office also did not follow up the matter with the BDOs at any point of time. The above facts indicate that the testing kits remained unused and the quality of water remained untested.
- **Water Testing Laboratory:** A State Level Water Testing Laboratory was established (2005-06) at the departmental headquarters, Gangtok. Despite repeated requests, the related records were not produced to audit. Although the lab was established in 2005-06, a number of equipment and chemicals worth Rs. 2.70 lakh had been purchased as early as 2002-03 for the laboratory. Joint physical inspection of the lab in July 2008 revealed that the lab was kept under lock and key and was completely unused. The equipment was languishing due to disuse and the chemical reagents were still found in a packed condition. No facilities for testing of water quality were however, established in the districts.
- **Occurrence of waterborne diseases:** As per the statistics maintained by the State Health Department, 2.77 lakh persons from rural areas were affected by water borne diseases like diarrhoea, cholera and gastro-enteritis during the period 2002-2007, out of which 25 persons succumbed to these diseases. This implied that about eight *per cent* of the State's population was annually affected by water borne diseases. These figures, however, were only the reported cases which came to the notice of the health authorities. Actual figures would be on the higher side.

Scrutiny of records however, revealed that the RMDD never obtained these statistics from the Health Department with the objective of devising plans to contain the outbreak of diseases due to water contamination, despite availability of sufficient funds to address water quality problems.

### **3.1.10 Sustainability and preservation of water sources**

#### **3.1.10.1 Sustainability of sources**

The water supply systems of the State are gravity fed surface sources, mostly hill water springs, which are sensitive to pollution, population growth and environmental degradation. In terms of the scheme guidelines, five *per cent* of the ARWSP funds amounting to Rs. 6.51 crore could be utilised towards preserving the water sources and making them sustainable in the long run.

Audit scrutiny revealed that the Department had not conducted any detailed study to record the decline in the yield of water from the sources. Measures required to make the water sources sustainable and to preserve the ecology of the sources were not identified and adopted. No expenditure was incurred on protecting and preserving the water sources to make them sustainable.

#### **3.1.10.2 Traditional water sources**

Based on the recommendation of the Eleventh Finance Commission (EFC), the GOI specifically granted Rs. 1.26 crore to Sikkim for utilisation during 2000-05 for protection and augmentation of the traditional water sources that have been the mainstay of water supply for the daily household needs of the people in the rural areas.

The Department transferred the entire amount of Rs. 1.26 crore to the four district development officers (DDOs) during 2000-05. No action was taken by the Department to ascertain whether the money was spent for the intended purpose. Specific details of the items on which the funds were spent, were not available with the departmental headquarters. Details except in respect of DDO (East) could not be provided to audit.

Details obtained by audit from the DDO (East) revealed that out of Rs. 23.95 lakh transferred to him, Rs. 8.05 lakh was diverted for unauthorised purposes like establishment of water testing lab at departmental headquarters, printing and stationery works, payment for baseline survey etc. These activities were not connected with protection / augmentation of the traditional water sources envisaged by the EFC.

The balance amount of Rs. 15.90 lakh was shown as spent on revival of 37 traditional water sources at the fixed rates of Rs. 50,000 (24) and Rs. 30,000 (13). Since the nature of the sources was different, located in different areas with different land profile and distance from main road, each source would require a different treatment with different cost. However, ignoring this fact, only two types of estimates were prepared for Rs. 50,000 and Rs. 30,000 for the entire 37 works and all these works were shown as completed exactly within the estimated cost, which was implausible. The above facts indicated that the works were taken up merely because funds were available and not with the holistic approach of providing required protection to the water sources.

### **3.1.11 Institutionalisation of reforms**

#### **3.1.11.1 Non-implementation of Sector Reforms Programme**

The GOI introduced Sector Reforms Programme to institutionalise the reforms in rural water supply sector from the year 1999-2000 with the objective of

involving the community for bringing about transformation from the target based, supply driven approach to a demand based approach where users get the service they want and are willing to pay for the same.

For implementation of pilot projects of the sector reforms programme in the State, the GOI sanctioned Rs. 22.15 crore (Rs. 13.22 crore for South District and Rs. 8.92 crore for West District) and simultaneously released Rs. 6.08 crore in March 2000.

Scrutiny of records revealed that the Department had not implemented the projects even as of June 2008, as it failed to ensure beneficiary participation in the projects. The entire amount of Rs. 6.08 crore was lying unutilised in Government account. The Department had been proposing to the GOI since 2006-07 for diverting this fund towards construction of roof water harvesting structures. This proposal had however not been acceded to by the GOI. Thus, failure of the Department to implement the projects led to failure in institutionalising the reform initiatives in rural water supply besides blocking of central fund of Rs. 6.08 crore for more than eight years. The State was also deprived of the balance funding of Rs. 16.07 crore for the projects.

### **3.1.12 IEC and HRD activities**

The Information, Education, Communication (IEC) and Human Resource Development (HRD) activities aimed at empowerment of local bodies and also for capacity building of local communities by giving requisite training on operation and maintenance, sustainability of rural water supply schemes, small scale water treatment, water quality surveillance, technology options for rural sanitation, rainwater harvesting, community management and people's participation in rural water supply, grass root level training, awareness programmes to disseminate information on water borne diseases etc. Implementation of the IEC and HRD activities by the Department was extremely poor as elucidated below:

#### **3.1.12.1 Unfruitful expenditure and idling of funds**

- The GOI sanctioned (March 2002) Rs. 84.90 lakh and simultaneously released Rs. 42.45 lakh as first installment for IEC/HRD activities with an instruction to complete the project within one year. Second installment was to be released only after 60 *per cent* utilisation of the first installment and regular submission of utilisation certificate, audited expenditure, monthly progress report etc. to the GOI. Out of Rs. 42.45 lakh, rupees eight lakh was paid as advance for consultancy charges on IEC activities to M/s Water and Power Consultancy Services (WAPCOS), Rs 2.37 lakh was spent on printing of booklets and Rs. 14.62 lakh transferred (31 March 2003) to the Sikkim Rural Development Agency (SRDA), an autonomous body, on the last day of the financial year, without mentioning the purpose for which the funds were to be utilised.

Despite repeated requests, the Department could not make available the details of works done by the WAPCOS as well as usage of the booklets. Details of Rs. 14.62 lakh transferred to the SRDA was also neither available with the Department nor provided by the SRDA. The balance

amount of Rs. 17.46 lakh (Rs. 42.45 lakh - Rs. 24.99 lakh) remained idle in Government account.

The above facts are indicative of a half hearted approach of the Department in implementing the support activities of IEC and HRD, which rendered the expenditure of Rs. 24.99 lakh unfruitful. The Department also failed to avail of the balance fund of Rs. 42.45 lakh sanctioned by the GOI for the project due to this lackadaisical approach. Further, misutilisation of the funds of Rs. 14.62 lakh by the SRDA could not be ruled out, since the details were not furnished to audit.

The reply of the Department (September 2007) that funds transferred to the SRDA were utilised for IEC activities is not tenable in the absence of any supporting documents to substantiate the claim either by the Department or SRDA.

- Subsequently, during 2005-08, another central grant of Rs. 24.46 lakh was transferred to the Sikkim Institute of Rural Development (SIRD), designated as the State Level Communication and Capacity Development Unit (CCDU) for IEC activities (Rs. 8.10 lakh), HRD activities (Rs. 8.77 lakh), one time grant for equipment (Rs. 5.70 lakh) and establishment cost (Rs. 1.89 lakh). Scrutiny of records revealed that the SIRD spent only Rs. 11.53 lakh for purchase of equipment, training and audio visual implements, while Rs. 12.93 lakh remained idle in the SIRD account. The UCs, MPRs and audited accounts in respect of the IEC and HRD were never sent to the GOI. The Department had not monitored the activities of the SIRD to ascertain proper utilisation of the funds and hence was unaware of the activities conducted by the SIRD.

Thus, the performance of the Department in respect of IEC and HRD activities remained poor.

### **3.1.13 Monitoring and evaluation**

#### ***3.1.13.1 Ineffective Monitoring and Investigation Unit***

The State Government was to establish a Monitoring and Investigation Unit (MIU) for collecting information from the executing agencies through prescribed reports and returns, maintenance of data and timely submission of prescribed reports and returns to the Central Government. The Unit was also responsible for monitoring field level aspects of quality of water, adequacy of service and other related qualitative aspects of the programme. The Unit was to have technical posts of hydrologists, geophysicists, computer specialists and data entry operators. The expenditure under this component was to be shared between the Centre and the State on a 50:50 basis.

Scrutiny revealed that although the State Government established the MIU as early as in 1977, no monitoring and investigation activities were ever carried out during the period covered under audit. The Unit had no technical experts (hydrologists, geophysicists, computer specialists etc) and had also not established any quality control unit under it till date. An expenditure of Rs. 29.60 lakh was incurred on the MIU by the Department on payment of wages of muster roll and work-charged staff engaged in other activities of the Department. Thus the MIU remained practically defunct.



### 3.1.13.2 *Unfruitful computerisation and MIS*

The GOI sanctioned (January 2005) Rs. 2.36 crore for computerisation and Management Information System (MIS) for effective planning, monitoring and implementation of various activities in the rural water supply and sanitation sector. The project envisaged various activities like installation of computer systems, training of officials, development and implementation of computerised management information systems, connecting all offices with communication network etc. Funds for the project were released in three installments - Rs. 70.88 lakh (March 2005), Rs. 82.70 lakh (March 2006) and Rs. 82.70 lakh (March 2007).

The Department entered into an agreement (September 2005) with the National Informatics Centre Services Incorporated (NICS), a GOI undertaking under NIC for preparation of a revised SRS (Software Requirement Specification) and customisation of web based software developed by the Arunachal Pradesh Government and its operational support for two years at an estimated cost of Rs. 30 lakh, to be completed by September 2006. The entire amount of Rs. 30 lakh was paid (March 2007) to the NICS as advance. An amount of Rs. 1.52 crore was spent on purchase of computer hardware and networking products. Further, an amount of Rs. 53.82 lakh was transferred (March 2007) to Centre for Research & Training in Informatics (CRTI) an autonomous body under Information Technology Department for networking and training.

Scrutiny of records revealed (June 2008) that even after spending the entire amount of Rs. 2.36 crore, the Department had failed to complete the project. Non-completion of the project defeated the objective of providing vital inputs for effective planning, monitoring and implementation of various activities under the programme.

### 3.1.13.3 *Evaluation of the scheme*

The State Government was required to undertake evaluation studies on the implementation of rural water supply programme. However, the scheme was not evaluated at any level since its inception.

### 3.1.14 **Conclusion**

Performance review of the scheme revealed that the claim of the Department regarding coverage of all the habitations with adequate and safe drinking water was not based on any survey. There were inherent contradictions in the figures given by the Department in various reports. The Department failed to provide the number and details of schemes on which Rs. 130.15 crore had been expended during 2003-08 except 127 schemes valued at Rs. 6.34 crore. Due to lack of base data, the adequacy of water supplied could not be verified. Testing and treatment of water was neglected during the review period and despite spending beyond the norm for maintenance, the schemes suffered due to lack of maintenance.

### 3.1.15 **Recommendations**

The following recommendations are made based on the above audit findings:

- The Department should carry out a fresh survey of the habitations to ascertain the actual number of NC, PC and FC habitations.
- The Department should initiate immediate steps to set its records right to sort out the inconsistencies relating to the number of habitations, category of habitations, status and progress of coverage of habitations etc.
- The Department should execute schemes after proper survey, investigation, identification of perennial source of water and after proper design of the systems so that it lasts for the entire design period of 20-25 years.
- Immediate action should be taken to ensure safe water supply by taking up comprehensive testing of water samples and application of appropriate treatment measures.
- Regular maintenance of the water supply systems should be ensured by preparing a separate O&M plan and earmarking and transferring adequate funds to the PRIs.
- The Department should initiate action to institutionalise community participation in rural water supply by implementing the Sector Reforms programme.
- Monitoring mechanism should be strengthened and accountability fixed for effective implementation of the schemes in a time bound manner.

## TOURISM DEPARTMENT

### 3.2 Tourism Development in Sikkim

*The State Government initiated a number of steps to harness the full tourism potential of the State. Performance review of Tourism Development in Sikkim, however, disclosed that robust planning was not in place and the State's efforts were constrained, owing to the absence of air and rail connectivity, frequent disruption of traffic on national highway and lack of adequate infrastructure for quality accommodation of tourists, especially in the South and West districts. While tourist inflow recorded an improvement in absolute terms, it dipped from 30.60 per cent (2003-04) to 9.48 per cent (2007-08) in the case of domestic tourists and 33.70 per cent (2003-04) to (-) 1.17 per cent (2007-08) in the case of foreign tourists.*

#### Highlights

**The State Tourism policy was not framed on the lines of the National Tourism policy and the benefit of planned development, as reflected in the National Tourism policy was not derived.**

*(Paragraph – 3.2.7.1)*

**Leasing out of assets was characterised by a conspicuous absence of any modality. Neither wide publicity was given nor revenue sharing model explored, leading to the assets located at prominent tourist destinations earning a meagre return of less than 0.5 per cent on the cost employed.**

*(Paragraph – 3.2.9.5)*

**Due to the absence of a comprehensive plan for development of innovative tourism in the State, coupled with the absence of a well laid down marketing strategy, full potential of various types of tourism i.e. eco-tourism, adventure-tourism, health-tourism, etc. was not harnessed.**

*(Paragraph – 3.2.10.1)*

### 3.2.1 Introduction

Sikkim is a veritable paradise and a tourist destination for all seasons. Nestled in the lap of the Himalayas, bounded by some of the highest mountains in the world amidst spectacular terrain, with its rugged snow capped peaks, pristine lakes, luxuriant forests, clear blue skies, roaring rivers and gentle streams, the State has immense potential for different types of tourism. Sikkim is home to the third highest peak in the world viz. Mt. Khanchendzonga, which makes it fit for mountain climbing, rock climbing, trekking, etc. Many Buddhist monasteries and stupas are centers of ancient religious rituals and practices, facilitating development of religious tourism circuit in combination with Nepal, Bhutan and the neighbouring State of West Bengal, as shown below:

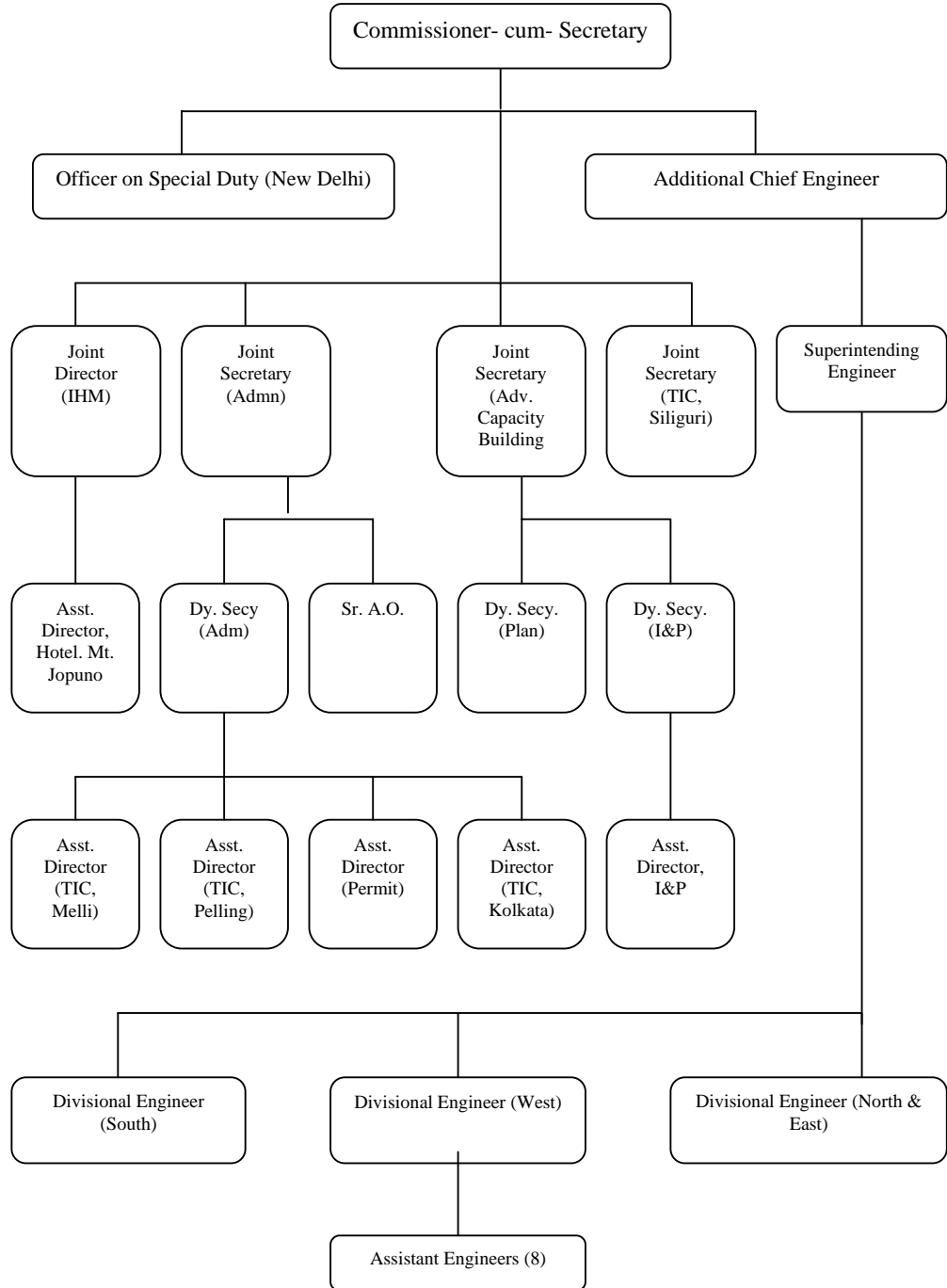


The flora and fauna of Sikkim is a treat for nature lovers and thus fit for health/nature tourism. Realising that the State holds tremendous potential for future economic growth with equity and employment generation, both the Central and the State Governments accorded utmost priority to this sector with adequate budgetary support.

### 3.2.2 Organisational set up

The Department of Tourism is headed by the Commissioner-cum-Secretary, who is assisted by Joint Secretaries, Deputy Secretaries, Additional Chief Engineer, Senior Accounts Officer, etc as can be seen from the organogram given in the next page:

**Chart No. 3.2.1**



**3.2.3 Scope of Audit**

Performance review of tourism development in the State, covering the period 2003-08, was conducted during April-June 2008 through a test check of all the projects completed during the review period and other activities pertaining to the Head Office of the Department and four out of ten Tourist Information

Centres (TICs), covering 32 *per cent* of the expenditure (Rs. 37.84 crore out of a total of Rs. 119.42 crore).

### 3.2.4 Audit Objectives

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

- Required infrastructure for harnessing the full tourism potential of the State was available and adequate;
- Brand promotion and marketing activities for various types of tourism i.e. eco-tourism, village-tourism, adventure-tourism and pilgrimage-tourism etc. were appropriate and adequate;
- Capacity building measures to facilitate self-employment in tourism sector were adequate, appropriate and effective;
- Implementation of schemes / projects for tourism development in the State was economical, efficient and effective;
- Government intervention in planning, funding, infrastructure etc. led to overall development of the tourism sector in the State;
- Monitoring, evaluation and internal control mechanism were adequate and effective.

### 3.2.5 Audit Criteria

Audit findings were benchmarked against the following criteria:

- National Tourism Policy, Tourism Perspective plan, Tourism Master Plan;
- Sikkim Financial Rules;
- Guidelines issued by the Ministry of Tourism, GOI/ State Government; Board of Directors of the Sikkim Tourism Development Corporation (STDC);
- SPWD Code and Manual;
- Prescribed monitoring mechanism.

### 3.2.6 Audit Methodology

Audit commenced with a letter of engagement (March 2008) to the Secretary of the Department and CEO of the Sikkim Tourism Development Corporation (STDC), followed by an entry conference (April 2008) wherein, audit objectives, scope, methodology and criteria were explained and their agreement obtained. Group discussions with stake holders (e.g. Government, public, tourists, service providers, etc.) were held (April to June 2008). Questionnaire was issued to the Department and Corporation and data and information furnished was analysed with reference to the original records followed by a physical verification of assets. Survey of tourists was also undertaken for obtaining their views. At the end of audit, an exit conference was held (September 2008) with the departmental officers and the report was finalised after taking into consideration the views of the Department.

### Audit findings

Audit findings relating to the development of tourism in the State are discussed in the succeeding paragraphs:

#### 3.2.7 Planning

The Union Ministry of Tourism (2002) formulated the National Tourism Policy - 2002 with the objective of positioning tourism as a major engine of economic growth. The Policy envisaged provision of a legislative framework to regulate tourism related trade and industry, ensure safety and security of the tourists and create basic infrastructure and health care facilities for harnessing the full tourism potential in the State.

- The State Government failed to provide a legislative framework to tourism related activities, as a State specific Tourism Policy was not formulated in line with the National Tourism policy. The Department informed (September 2008) that the State Tourism Policy is under preparation and would be completed by 2009-10.
- Safety and security of the tourists was also not accorded due priority as evidenced from the fact that (i) Tourist Police were not appointed to help the tourists for hassle free trips to various tourist destinations; (ii) separate mobile unit (including ambulances) with sufficient staff to attend the tourists during emergency was not deployed despite eleven cases of accidents involving death of 22 tourists during 2003-08; and (iii) adequate safety measures were not adopted by way of formation of State Level Committees for safety and rescue of tourists by the State Government, especially for adventure sports.
- The State Government failed to enact the Trade Rules and also failed to create adequate tourist infrastructure as pointed out in paragraph 3.2.7.4 and paragraph 3.2.9 respectively.

##### 3.2.7.2 Perspective Plan

Union Ministry of Tourism prepared<sup>8</sup> (November 2002) a 20 year Perspective Plan - Sikkim Tourism Vision 2022 for sustainable development of tourism in Sikkim, which envisioned five targets. The Department's performance *vis-a-vis* these targets after six years (March 2008) of the formulation of the plan is detailed below:

Sl. No	Targets	Status of implementation
1.	Increase earnings from tourism by at least 10 <i>per cent</i> per annum.	Earnings remained almost static ranging between Rs. 79.01 lakh (2003-04) and Rs. 82.00 lakh (2007-08) in case of the Department and Rs.2.03 crore (2005-06) and Rs. 1.95 crore (2006-07) in case of the Corporation <sup>9</sup> .
2.	Achieve annual growth rate of 10 <i>per cent</i> in foreign tourist arrivals during the period 2002-2012.	Although the inflow of foreign tourists increased in absolute terms from 8,433 (2002) to 17,837 (2007), the annual growth rate reflected a decreasing trend from 33.70 <i>per cent</i> (2003-04) to (-) 1.17 <i>per cent</i> (2007-08).

<sup>8</sup> Through Horizon Industrial Consultancy Services, New Delhi

<sup>9</sup> Corporation finalised its accounts upto 2006-07.

Sl. No	Targets	Status of implementation
3.	Create employment opportunities for 1,500 persons per annum.	While employment creation in public sector during 2003-08 was nil, the Department had not kept any statistics of employment generation in private sector and thus employment generation, if any, could not be ascertained.
4.	Add 200 quality accommodation spread over in the four districts of the State except Gangtok	The State has achieved its target as over 314 hotels/lodges were added in the East and North districts during 2003-08.
5.	To innovate and promote at least one new tourism product (eco/ adventure tourism) and new destination every year.	Although the State has started promoting a few tourism products, full tourist potential on eco-tourism, adventure tourism, health tourism and pilgrim tourism has not been exploited.

The Department stated (September 2008) that the Perspective Plan gives a general trend of planning process which cannot be rigid and binding in terms of the achievement figures.

### 3.2.7.3 Master plan

The Master Plan for tourism development in Sikkim, approved (February 1998) with a perspective of 15 years (1997-2011) recommended a district-wise tourism development strategy as shown below:

District	Strategies
East	(i) Upgradation of attractions; (ii) Imposing entry charges for all attractions; (iii) Upgrading hotels through incentives and regulations; (iv) Improvement in transport and other infrastructure; (v) Improvement in the skills of the people engaged in tourism industry, (vi) Use of taxes collected from hotels, restaurants and the transport sector for promotion of Sikkim
West	(i) Master plan of Pelling including land zoning for residential, market and evening activity; (ii) Motivating establishment of hotels; (iii) Improvement in transport services; (iv) Improvement in attractions supported by appropriate marketing.
North	(i) Setting up minimum permanent structures in North Sikkim to protect environment; (ii) Physical planning of Lachung, Chunthang and Lachen areas and development of campsites in line with environment guidelines.
South	(i) Developing South District as a halting point for tourists.

Audit scrutiny, however, revealed that the Department did not frame a district-wise tourism development strategy. The annual plans submitted to Planning & Development Department for availing plan funds, were not dovetailed with the strategy recommended in the Master Plan for various districts. As a result, while the expenditure and effort invested towards preparation of Master Plan failed to yield the desired result, the activities envisaged in the Master Plan were yet to be achieved, as evidenced from the following:

- In respect of East District, upgradation of attractions consisting of tourist circuit development, tourist destinations, Buddhist circuits, tourist pilgrimage centres, wayside amenities, trekking routes etc. was not undertaken by the Department. Developmental programmes such as

identifying circuits for places of special interest and sightseeing were taken up by the Department but without carrying out any survey for proper identification of such tourist places with potential for increased tourist inflow, availability of transport, communication and accommodation facilities, etc.

- In the West District, developmental works such as land zoning for residential, market and evening activities, restoration of Rabdentse palace, ropeway from Rabdentse palace to Pemayangtse monastery etc. were not undertaken.
- In South District, development of tourist shopping area and Science Museum at Namchi, river rafting base etc. were not carried out.
- Selection of infrastructure development projects, viz; tourist circuits, pilgrim centres, wayside amenities and trekking routes etc. was based on public demand, followed by the recommendations of the MLAs/Ministers overlooking the Master Plan, rather than survey and analysis of the actual need. As a result, while infrastructure worth Rs. 56.17 crore remained idle as brought out in paragraph 3.2.9.3, adequate infrastructure for quality accommodation for tourists in prime locations such as South (Ravangla and Namchi) and West districts could not be created.
- The Master Plan was not reviewed during the last 11 years to bring it in tandem with the National Tourism Policy 2002 and the Perspective Plan (November 2002) for Sikkim, for effective implementation and convergence. In fact, the Master Plan was not sent to the other line departments to elicit their views, suggestions for improvement and for achievement of targeted goals/objectives in a coordinated manner. This was all the more important in view of the rapid growth achieved by the tourism sector at national and international levels. The Department stated (September 2008) that the actual achievement of Sikkim Tourism was higher than what was documented in the Master Plan on its socio-economic objectives, employment generation and marketing of tourism products and that, there was also a need for review of Master Plan. While the Department's view that there was a need for review of Master Plan is welcome, their contention that the actual achievement was higher than what was documented in the Master Plan is not tenable as neither the developmental works were undertaken according to the Master Plan nor was Master Plan ever referred to. Besides, the Department could also not substantiate its contention with documentary evidence or any baseline data regarding employment generation.

#### **3.2.7.4 Tourist Trade Rules**

The Sikkim Registration of Tourist Trade Act 1998, envisaged (February 1999) formulation of rules for regulating tourism activities in the State. The Department framed (August 2006) the Sikkim Registration of Tourist Trade Rules, 2006 after a lapse of eight years. The rules, however, could not be implemented owing to the objections from the Urban Development & Housing Department and the Excise Department that substantial revenue towards registration fee of hotels, excise duty, etc., would be lost. The



modified draft<sup>10</sup> of the Rules was submitted (April 2008) to the Home Department for obtaining Cabinet approval, which was awaited (July 2008). Thus, due to abnormal delay in introducing the Rules, the Department failed to have proper and complete control over the tourism related activities, especially to obviate exploitation of the tourists by private agencies and to help build the image of State Tourism.

The Department stated (September 2008) that the Tourist Trade Rules would be implemented by November 2008.

### 3.2.8 Financial Management

Budget allocation, expenditure, excess, savings, etc of the Department for the period 2003-08 was as below:

Table 3.2.1

*(Rupees in crore)*

Year	Allocation			Expenditure			Savings
	Revenue	Capital	Total	Revenue	Capital	Total	
2003-04	4.31	10.26	14.57	4.28	8.19	12.47	02.10 (14)
2004-05	4.64	17.95	22.59	4.59	7.29	11.88	10.71 (47)
2005-06	5.20	27.71	32.91	5.17	15.20	20.37	12.54(38)
2006-07	6.04	35.12	41.16	6.02	23.78	29.80	11.36 (28)
2007-08	6.30	52.27	58.57	6.31	38.58	44.89	13.68 (23)
<b>Total</b>	<b>26.49</b>	<b>143.31</b>	<b>169.80</b>	<b>26.37</b>	<b>93.04</b>	<b>119.41</b>	

Source: Detailed Appropriation Accounts.

Figures in brackets indicate percentages.

Savings were primarily in capital heads, as the Central funds (Rs.64.58 crore) received from the Union Ministry of Tourism (MoT) and the MoDoNER were not released by the Finance, Revenue and Expenditure Department (FRED) in time due to which, 13 projects suffered and progress in respect of some of the projects, especially trekkers circuit development, Buddhist circuits, pilgrimage centres etc., were delayed. Out of Rs. 105.85 crore received during 2003-08 for CSS, only Rs. 38.61 crore was spent, leading to an unspent balance of Rs. 67.24 crore (63.52 *per cent*) as of March 2008. This is primarily because of slow progress of projects owing to (i) delay in obtaining forest clearance for the proposed projects, (ii) delay in acquiring private lands for developmental activities, (iii) model code of conduct imposed by the Election Commission, (iv) non receipt of funds from MoT and MoDoNER in time etc. Besides, funds received from MoT and the MoDoNER were retained for a long period by the FRED prior to their release to the Department.

The Department confirmed (September 2008) that the savings were due to non-achievement of the desired progress in some of the ongoing schemes, especially during the past two years.

#### 3.2.8.1 Utilisation Certificates

A number of schemes for tourism development were undertaken by the Department by availing of financial assistance under CSS. In fact, a major share of capital investment on planned schemes was funded through CSS.

<sup>10</sup> Sikkim Registration Tourist Trade Rules 2008 empowers the State Government to frame rules for the classification of Hotels and Travel Agents, registration of hotels, restaurants and bars, tour operators, powers of inspection of the premises, penalties, etc.

Audit scrutiny of 39 projects (out of 84) involving Rs. 142.51 crore revealed that subsequent instalments in respect of 35 projects involving Rs.36.66 crore were not released by the concerned Ministry, due to non submission of utilisation certificates (UCs). In four projects, the UCs was submitted to the Ministry after a delay of 12 to 24 months.

The Department stated (April 2008) that the UCs for a large number of projects have since been submitted to the Ministry for release of final instalments.

## Programme Implementation

### 3.2.9 Infrastructure development

The National Tourism Policy 2002 stressed upon creation of basic infrastructure for harnessing full tourism potential in the State. The status of infrastructural facilities taken up, completed and in progress during 2003-08 is given below:

**Table-3.2.2**

(Rupees in crore)

Year	Projects taken up		Completed		Work in progress	
	Nos.	Value	Nos.	Value	Nos.	Value
2003-04	43	9.89	27	3.78	16	6.11
2004-05	42	57.17	11	2.82	31	54.34
2005-06	76	72.53	8	7.33	68	65.20
2006-07	36	46.79	27	23.68	9	23.11
2007-08	21	104.69	2	18.56	19	86.13
<b>Total</b>	<b>218</b>	<b>291.07</b>	<b>75</b>	<b>56.17</b>	<b>143</b>	<b>234.89</b>

Source: Annual Reports of the Department

As can be seen from the table above, during the period 2003-08, a total of 218 projects (Rs. 291.07 crore) were taken up. However, 75 assets comprising tourist lodges (9-Rs. 4.97 crore), way side amenities (3-Rs. 0.28 crore), cafeteria (2-Rs. 0.18 crore) and others (61-Rs. 50.74 crore) developed by the Department upto March 2008 involving a capital expenditure of Rs. 56.17 crore, were not put to use owing to a variety of reasons such as improper maintenance, failure to lease out, improper location etc.

#### 3.2.9.1 Air and rail connectivity

The State is landlocked with no worthwhile air or rail connectivity and therefore road connectivity is of utmost importance. NH 31A is the only lifeline for Sikkim connecting the State with the rest of the country. Frequent landslides often disrupt road link, affecting tourist inflow into the State. There has not been any visible progress towards setting up the proposed airport at Pakyong even after entering into a MoU (March 2002) with the Airports Authority of India. The process for setting up airport commenced during 2001 with sanction of Rs. 358.36 crore towards Special Problem Grants by the Tenth Finance Commission. The Roads & Bridges Department completed the land acquisition and incurred Rs. 25.92 crore till March 2008. A fund of Rs. 100 crore was earmarked by the Twelfth Finance Commission for the purpose. Recently a High Level Meeting between the Deputy Chairman, Planning Commission and the State Government envisaged (April 2008) completion of the airport by 2011. Thus the tourist inflow owing to absence of air connectivity was constrained. STDC has been operating heliservices

with a seating capacity of five and the performance of this service is unsatisfactory (loss of Rs. 79.99 lakh till March 2008) due to non-receipt of subsidy from the State Government, high operating cost and lack of a marketing strategy.

Tourism Department had not even kept track of disruption of road traffic due to landslides, let alone initiating suitable steps to coordinate with BRO and other State Government Departments for remedial action.

Infrastructure development for associated facilities like accommodation, restaurants, way-side amenities etc. was neither assessed nor developed in tandem with the Perspective Plan and the Master Plan. Thus, failure of the Department to expedite the Airport project kept the tourism industry at the mercy of the only National Highway which remained vulnerable due to landslides and strikes.

The Department accepted the audit observation and stated (September 2008) that it had a detailed discussion (August 2008) with the Airports Authority of India for early commencement (2008-09) of the airport project so as to complete it by 2011.

### 3.2.9.2 *Delayed initiation of work*

Audit scrutiny of 39 infrastructure projects sanctioned (Rs. 142.51 crore) by the MoT during 2003-08 in the State revealed that, while initiation in case of 13 projects (Rs. 30.04 crore) was delayed by seven to 13 months, 26 projects (Rs. 75.81 crore) were under execution at various stages. Of the 13 projects, in eight projects, the delay was owing to the failure of the contractors to take up the works as per schedule, while in five projects, delay was on the part of the Department. Two cases (out of 13 cases) of delayed initiation of projects were examined in detail in audit, and the results are enumerated below:

- MoT sanctioned (September 2002) Rs. 40 lakh and released (October 2002 and June 2003) Rs. 32 lakh towards construction of “extension of flower show at Gangtok” with a stipulation to commission the project within 12 months. The Department, however, could not commence the work due to non-finalisation of proper site at Gangtok and proposed (July 2007) shifting the project to Namchi at an estimated cost (revised) of Rs. 5.13 crore. This was despite the fact that the Department, while sending the project to the Ministry, had categorically stated that the land was available. Even after sanction (July 2007) of the revised project and release of additional fund of Rs. 3.79 crore (aggregating to Rs. 4.11 crore) and Cabinet approval (November 2007) for execution of the project at Namchi, the Department failed to take up the work as of March 2008 due to delay in tendering process. The Department accepted (March 2008) the delay in completing tender formalities and assured that the project would be completed during 2008-09.
- MoT sanctioned (Rs. 6.50 crore<sup>11</sup>) and released (March 2004) rupees four crore for construction of administrative building of Institute of Hotel Management (Catering Technology and Applied Nutrition), Gangtok with

<sup>11</sup> Main Building & Hostel-Rs. 4.5 crore, Equipment-Rupees one crore and Furnishing-Rupees one crore

a stipulation to complete it within 12 months (February 2005). The Department awarded (March 2005) the project to the contractor for Rs. 3.40 crore (later revised to Rs. 7.78 crore in October 2007), with a stipulation to complete it within 12 months (September 2008). Thus, initiation of the project was delayed and consequently, the intended benefit was not achieved even after incurring an expenditure of Rs. 3.98 crore till March 2008. The Department accepted (September 2008) the audit observation.

### **3.2.9.3 Idle Assets**

The Department completed 75 works (Rs. 56.17 crore) comprising wayside amenities, cafeteria, Yatri Nivas and trekker huts/trails etc. during 2003-08 which were lying idle for six months to four years as of March 2008, primarily because the handing over of assets for proper use was yet to take place. These assets not only failed to yield value for money and attract tourists as envisaged in the project proposals, but also led to loss of potential revenue on account of lease rent, entry fees etc.

Joint physical verification of assets by the Audit team and the departmental officers revealed the following:

- MoT sanctioned (1998-99) Rs. 78 lakh for construction of a Base Camp at Yuksom, West District to be completed in November 2004. After completion of 88 *per cent* of works (Rs. 68 lakh), the entire area was buried (May 2004) due to landslide, as shown in the photograph below:



*Damaged Yuksom Base Camp, West Sikkim*

Efforts of the Building & Housing Department to reconstruct the structure did not fructify due to paucity of funds. Even after the Department took over (2006-07) the structure, no effective steps were initiated to reconstruct the damaged structure, leading to infructuous expenditure of Rs.68 lakh. Neither the UCs were sent nor the fact of damages was intimated to the MoT. The Department stated (May 2008) that there was no proposal to revive the damaged buildings. The Department failed to initiate an integrated approach for harnessing the full tourism potential, as on the one hand, it was promoting Yuksom as the entry point for trekking to Mt. Khangchendzonga and on the other hand, it failed to reconstruct the base camp to provide the necessary logistics to the tourists.

- Similarly, another asset (Yatri Nivas at Tashiding) constructed (January 2002) at a cost of Rs. 71.72 lakh by availing of financial assistance from

MoT was not put to use as of June 2008, as can be seen from the photograph below. The Department had not opened it for tourists visiting Tashiding monastery.



*Unused Yatri Nivas at Tashiding, West Sikkim*

The Department accepted the observations and stated (September 2008) that the process for leasing out the asset has been initiated.

- The way side amenities and cafeteria at Phamrong waterfalls in West Sikkim constructed (February 2007) at a cost of Rs. 15.93 lakh was not opened for tourists as yet, as can be seen from the photograph below:



*Unused Cafeteria at Phamrong waterfalls*

This place is blessed with abundant natural beauty and waterfall with a potential to attract large number of tourists. The Department stated (September 2008) that it had initiated the process for leasing out.

- Cafeteria at Sirwani in South Sikkim constructed (September 2003) at a cost of Rs. 13.02 lakh was damaged (June 2007) due to landslide. No effort was made to reconstruct the asset and put it to effective use as of July 2008.

These instances are only pointers to the Department's inability and ineffectiveness in harnessing the full tourism potential in the State.

### 3.2.9.4 Time and cost overrun

Scrutiny of 129 projects (completed: 75; Work-in-progress: 54) out of 218 revealed that execution of 38 projects relating to tourist circuit development, tourist destinations, Buddhist circuits, tourist pilgrimage centres, trekking routes, etc. involving Rs. 17.21 crore<sup>12</sup> was delayed by eight months to five years from the scheduled date of completion. This was primarily due to the non-availability of stock materials such as cement, rods, etc., road blockage due to landslides, delay in finalisation of site, boundary disputes, delay in obtaining forest clearance, etc.

Thus, delayed completion of projects not only led to cost escalation but also deprived necessary facilities to tourists at important tourist destinations such as Tashiding in West Sikkim, Rumtek and Rorathang in East Sikkim and Buriakhop in West Sikkim etc.

### 3.2.9.5 Leasing out of assets

Out of 75 assets completed, 30 assets had to be leased out to private entrepreneurs. While 20 assets were leased out, one asset (wayside amenity at Sirwani) was damaged (August 2007) by landslide and the remaining nine assets were yet to be leased out (September 2008). Audit findings related to leasing the above assets are given below:

- The Department had not worked out any modality for leasing out its assets and revenue sharing model, taking into account the potential revenue from the asset, its location, cost incurred, etc. was not explored.
- Wide publicity as stipulated in the Sikkim Financial Rules for selection of an appropriate lessee and obtaining the best deal for the Government was not adhered to in any of the 20 cases. Instead, the assets were leased out on the recommendation of the Minister and MLAs without considering the market rates and the financial soundness of the lessees. Nine assets leased out (2003-08) by the Department were ideally located at prominent tourist points recording large inflow of tourists. However, owing to the low lease rent, these assets could only earn a meagre return on investment of less than 0.5 per cent per annum.
- In four cases, assets were leased out at below the assessed rate ranging between Rs. 226 and Rs. 3,238 leading to loss of Government revenue of Rs. 2.49 lakh. Despite abysmally low lease rent, Rs. 3.31 lakh (12 cases) towards lease rent for one to 70 months was not realised as of March 2008.
- The Department leased out (1976) Hotel Norkhill, Gangtok to M/s Elgin group for twenty years (September 1996). The lease agreement provided that the first offer for subsequent lease (after expiry of the existing lease) would be made to the existing lessee and only if he declines, the property would be let out to others. The High Court in its decision on a case filed by M/s Elgin group directed the Department to call for tenders and offer the highest bid to the group for its acceptance. However, Elgin group was allowed the lease for the subsequent period (1997-2021) at Rs. 30 lakh<sup>13</sup>

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<sup>12</sup> The total value is in respect of 22 works. The cumulative expenditure for the remaining 16 works was not furnished.

<sup>13</sup> Offered by second highest bidder M/s Yoksum Breweries Limited

ignoring the highest offer<sup>14</sup> of Rs. 36.52 lakh per annum, with an increase of 12 per cent after the first three years and an increase of five per cent every succeeding three years, leading to a loss of Rs. 10.49 crore for the lease period (June 1997 to May 2021) and also undue favour to the Group. The highest offer was ignored (March 1997) on the grounds of non-submission of financial soundness certificate which was not plausible as the offers were invited primarily to arrive at the highest bid for leasing out the property to the existing lessee and even the second highest bidder had not submitted the bankers certificate.

The Department accepted the audit observations and assured (September 2008) that measures would be taken for leasing out all the assets without further delay.

### 3.2.10 Brand promotion and marketing

Sikkim has great potential for eco-tourism, village-tourism, adventure-tourism, health-tourism, pilgrim-tourism etc. While village-tourism was being promoted at Kewzing, Hee-Bermiok, Pastanga, Tinchin, Yuksom etc. through private entrepreneurs/villagers, which was appreciated by different authorities, adequate attention was not paid by the Department towards harnessing the potential of other tourism as described below:

#### 3.2.10.1 Tourist potential not harnessed

- **Eco-tourism:** National Tourism Policy 2002 envisaged formulation of a policy on Eco-tourism for promoting travel to natural areas to appreciate the cultural and natural history of the environment without disturbing the integrity of the ecosystem. Sikkim has immense potential for eco-tourism like wild animals spotting, bird watching, angling, hills and lakes viewing, boating, nature walk, etc. which however, was not tapped. Even the policy on eco-tourism was yet to be formulated despite the creation (April 2006) of a cell under Forest, Environment and Wildlife Management Department and deployment of supporting staff alongwith a Director.
- **Adventure tourism:** The State being a hill station, has vast potential for adventure-tourism. The geo-physical setup of the region and mountainous terrain makes the State a heaven for adventure sports viz, river rafting, boating, angling, mountain biking and Para gliding etc. Though the Department created (1992) a separate cell for adventure-tourism, personnel with requisite experience were not recruited. Thus, the tourists (mainly foreigners) were dependent on private agencies like TAAS, SATTO and others, who charge exorbitant rates for hiring trekking equipment, tour guides, etc. which acts as a deterrent towards tourism development in the State. The Department stated (September 2008) that adventure tourism was being promoted at various places in the State. However, the activities pertaining to adventure-tourism are not being regulated by the Department.
- **Health tourism:** The flora and fauna of Sikkim is world famous and the State has an abundance of plants with high medicinal value. Moreover, its healthy, pollution free climate and a variety of organic vegetables are highly conducive to good health. The Tourism Department however, failed

<sup>14</sup> M/s Mt. Pleasant Tours and Travels

to formulate any policy for development of health- tourism to attract more tourists.

- **Pilgrim tourism:** Sikkim has about 200 monasteries or gompas belonging to the Nyingma and Kagyu sect, of which, eleven<sup>15</sup> are renowned, demonstrating ancient rituals and practices. These monasteries have great potential to attract tourists, both domestic and foreign, especially from South East Asian countries, where Buddhism is the main religion. No efforts were however, initiated by the Department to develop and promote pilgrim tourism in the State.

Thus, due to the lack of a comprehensive plan for development of innovative tourism in the State coupled with the absence of an aggressive marketing strategy, full potential of various types of tourism was not harnessed.

### **3.2.10.2 Tourist Information Centres (TICs):**

Scrutiny of four<sup>16</sup> out of ten TICs revealed that these were ill equipped in terms of infrastructure to provide adequate information to the tourists. Kiosks (touch screen) installed at all four TICs for facilitating information about Sikkim tourism at finger tips were non-functional for periods ranging between one and two years, primarily because the software was outdated. As the TIC is the first point of a tourists' interaction with the State, ill equipped TICs failed to create the desired impact for promoting the brand name for Sikkim Tourism and proved a deterrent in harnessing the full tourism potential of the State.

### **3.2.11 Manpower management**

Trained and skilled manpower is a critical requirement for growth of the tourism industry and therefore human resources development assumes utmost importance. The Tourism Master Plan of Sikkim recommended (January 1998) vocational courses for state level guides (for trekking activities as well as historical guides) and local guides (for monasteries and historical monuments, tea estate etc), training to prospective lodge managers in remote areas, awareness camps for taxi drivers, yak owners, potters etc. These activities were not accorded due importance as, except for organising awareness camps for taxi drivers and diploma courses for hotel management at IHM, the Department had not initiated measures to employ the local unemployed youth, or train the available manpower for tourist activities.

#### **3.2.11.1 Capacity Building Programme**

National Tourism Policy -2002 emphasised capacity building programme. Perspective Plan and Master Plan also highlighted the need for capacity building programmes. Although the Department took up 'Capacity Building Programme' with effect from 2006-07 and conducted 27 training programmes incurring Rs. 36.72 lakh during 2006-08 on training 1,753 candidates in the areas of guide, river rafting, culinary skills and sensitisation of taxi operators etc., it lacked a focused approach, as evidenced from the following:

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<sup>15</sup> (i) Pemayangtse, (ii) Rumtek, (iii) Enchey, (iv) Phensang, (v) Phodong, (vi) Lachung., (vii) Lachen (viii) Dubdi, (ix) Lingtem, (x) Ralong., and (xi) Tashiding.

<sup>16</sup> Kolkata, Pelling, Rangpo and Jorethang



- The involvement of the Tourism Department was minimal and the entire exercise right from the formulation of training programme to imparting of training was carried out by private agencies like TAAS/SAATO and SAMA without considering their ability to undertake such activities.
- Candidates for training were selected on the recommendation of the MLAs/Ministers without due publicity in the local papers. Unemployed youth registered with the Department of Personnel and Training were not considered. Computerised history sheets of the trainees for probable job placement were also not initiated.
- The Department had not initiated any action towards training of key stakeholders of the tourism industry in the arena of (i) hygiene (ii) conduct (iii) integrity and (iv) safety with a view to change their attitude and behaviour towards the tourists, especially foreign tourists, as envisaged in “Atithi Devo Bhavah”- a concept introduced (2004-05) by MoT to tap the full tourism potential.
- The Department failed to take advantage of the assistance granted (March 2004) by the MoT towards training and capacity building programme for Service Providers to impart professional expertise to the local populace as well as to create fresh opportunities for employment generation in the tourism sector.

The Department accepted (May 2008) the findings and assured that steps would be taken to arrange for such training in future.

### **3.2.12 Monitoring and Evaluation**

Monitoring and Evaluation Cell was created as late as in April 2007 with the deployment of four officers from within the Department but specific job description was not provided to them. As a result, the Cell remained perfunctory. The Department stated (September 2008) that the Monitoring and Evaluation has since been strengthened.

### **3.2.13 Impact Assessment**

An attempt was made in audit to assess the impact of the development in tourism sector in the State. Besides scrutiny of records, physical verification of various tourist spots and assets was carried out jointly by the Audit team and the Departmental officers. Survey through questionnaire to tourists was also undertaken to gauge the tourists’ perception. Findings are enumerated below:

Tourist inflow into the State had recorded a positive growth in absolute terms during 2003-08. However, growth rate of domestic tourists dipped from 30.60 *per cent* in 2003-04 to 9.48 *per cent* in 2007-08. Similarly, growth rate of foreign tourists also dipped from 33.70 *per cent* in 2003-04 to (-) 1.17 *per cent* in 2007-08.

Audit team carried out a survey by administering a questionnaire to the tourists at entry point in Rangpo. Survey results revealed that a majority of the tourists (domestic and foreign) were not aware of the (i) availability of heliservices between Gangtok to Bagdogra, (ii) existence of branches at Kolkata, NJP, Siliguri and New Delhi and (iii) environmental threats to tourist places. While 58 *per cent* of the tourists expressed overall satisfaction with the

facilities and amenities provided, 42 per cent expressed their unhappiness citing that they had more expectations from Sikkim.

#### **3.2.14 Acknowledgement**

Audit acknowledges the co-operation and assistance received from the Tourism Department and the Corporation at various stages of the performance review.

#### **3.2.15 Conclusion**

Sikkim tourism possesses vast potential for generating employment and earning huge foreign exchange besides giving a fillip to the State's overall economic and social development. Although the State Government has initiated a number of steps by way of creation of infrastructure, incentives to investors in tourism sector and encouraging village tourism, much remains to be done. Tourism being a multi-dimensional activity, and a service industry, it would be necessary that all wings of the State Government, private sector and voluntary organisations become active partners in the endeavour to attain sustainable growth in this sector if the State is to become a world player in the tourism industry.

#### **3.2.16 Recommendations**

- The State Government should formulate an action plan to provide air and rail connectivity and uninterrupted road network in a time bound manner;
- Infrastructural facilities should be improved and the available infrastructure should be put to effective use;
- Appropriate revenue model may be evolved for leasing out the departmental assets located at prominent places with large tourist inflow;
- Concerted efforts should be initiated to exploit and promote the vast potential of eco-tourism, pilgrim- tourism, adventure- tourism, health-tourism, etc.;
- Capacity building may be accorded adequate priority to generate employment for local youth and create a brand name for Sikkim Tourism.

### **DEVELOPMENT PLANNING, ECONOMIC REFORMS AND NORTH EASTERN COUNCIL AFFAIRS DEPARTMENT**

#### **3.3 Management of Non-Lapsable Central Pool of Resources**

*The 'Non Lapsable Central Pool of Resources' (NLCPR) was constituted in December 1997 by GOI to facilitate speedy development of infrastructure in the North Eastern States by increasing the flow of budgetary financing for specific viable infrastructure projects in various sectors and to reduce the critical gaps in the basic minimum services. Performance review revealed that implementation of NLCPR schemes in the State has brought about visible improvement in creation of infrastructure in various sectors. However,*

*remedial measures had not been taken by the State Government on the shortcomings pointed out in the Audit Report of 2004 on NLCPR funded projects and PAC recommendations (March 2006) thereon, as irregular utilisation of funds, cost escalation of projects, acceptance of higher tender rates, delay in completion of projects, excess expenditure and undue favour to contractors persisted. Dissemination of information to general public through print and electronic media, signboards at the project site, plaque for completed projects, etc. for greater transparency and publicity of the schemes/projects were also not addressed.*

### **Highlights**

**The nodal department had neither prepared the perspective plan nor identified the gaps in basic minimum services for facilitating identification of prioritised projects.**

*(Paragraphs–3.3.7.1 & 3.3.7.2)*

**Implementing departments incurred unauthorised expenditure of Rs. 2.47 crore on staff component and also diverted scheme funds of Rs. 1.24 crore towards procurement of vehicles against the stipulation of the guidelines. Besides, scheme funds of Rs. 44.45 crore were irregularly utilised towards supplementing the ongoing State plan schemes in violation of guidelines.**

*(Paragraphs–3.3.8.4, 3.3.8.5 & 3.3.8.6)*

**Programme management was characterised by cost escalation to the tune of Rs. 36.15 crore, delayed completion of projects ranging between 11 and 84 months, excess expenditure of Rs. 88.95 lakh and undue favour of Rs. 35.36 lakh to the contractors.**

*(Paragraphs–3.3.9.1, 3.3.9.2, 3.3.9.3 & 3.3.9.5)*

**Monitoring of implementation of projects was lax as quarterly meeting at Chief secretary's level was not held at regular intervals, quarterly progress reports were submitted belatedly and were incomplete, field inspections by DoNER was not carried out on six monthly basis.**

*(Paragraph–3.3.10)*

**Nodal department as well as implementing departments had not ensured dissemination of information to the general public about the schemes and had failed to ensure transparency.**

*(Paragraph–3.3.11)*

### **3.3.1 Introduction**

The 'Non Lapsable Central Pool of Resources' (NLCPR) was constituted (December 1997) by the GOI to facilitate speedy development of infrastructure in the North Eastern States by increasing the flow of budgetary financing for specific viable infrastructure projects/schemes in various sectors and to reduce critical gaps in the basic minimum services such as irrigation, power, roads and bridges, education, health, water supply and sanitation etc. Sikkim became part of North East Region since April 1998.

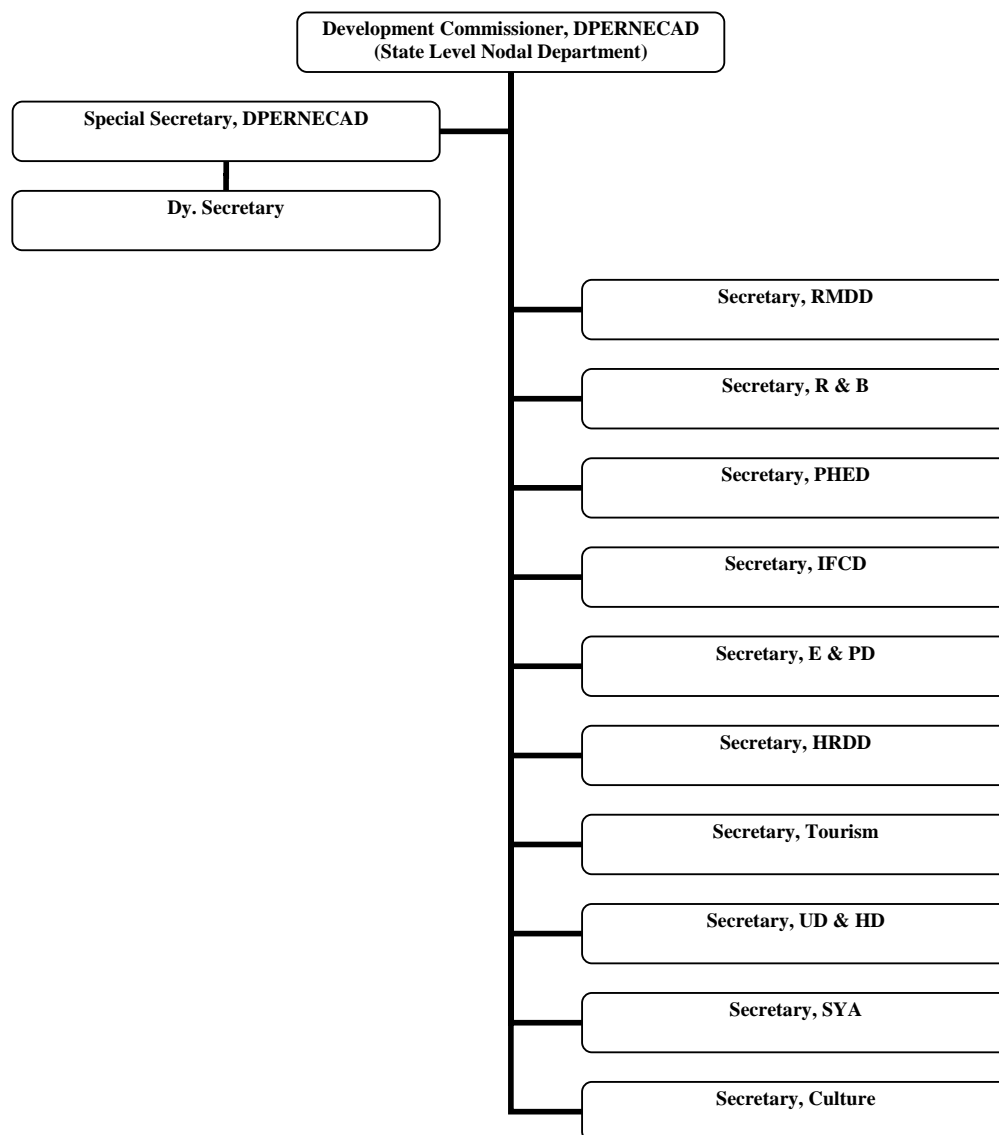
### **3.3.2 Organisational set up**

The NLCPR scheme is administered by the 'NLCPR Committee' at the Central level. While the Secretary, Ministry of Development of North Eastern

Region (MoDoNER) is the Chairman, Finance Secretary, Home Secretary, Secretary of the concerned Ministry/ Department, Advisor, North Eastern Region in Planning Commission, Financial Advisor, MoDoNER, Joint Secretary in-charge of NLCPR are the members.

At the State level, the Development Planning, Economic Reforms and North Eastern Council Affairs Department (DPERNECAD) is the nodal department, headed by the Development Commissioner and assisted by Special Secretary and Deputy Secretary. At the implementing department level, the head of the department (HOD) of sectoral departments assisted by the nodal officer of the NLCPR nominated for the purpose, is responsible for execution of the scheme. An organogram is given below:

Chart No. 3.3.1



**Note:** RMDD: Rural Management and Development, R&B: Roads & Bridges, PHED: Public Health Engineering; IFCD: Irrigation and Flood Control, E&PD: Energy & Power; HRDD: Human Resources Development; UD&HD: Urban Development & Housing, SYA: Sports & Youth Affairs.

### 3.3.3 Scope of Audit

Implementation of the scheme for the first five years of its operation (1999-2004) was reviewed during April– May 2004 and the findings were incorporated in the Audit Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 which *inter alia* recommended (i) Strengthening of financial management with a view to avoid delay in release of funds, unauthorised expenditure etc; (ii) Avoid large scale cost escalation by preparing the estimates duly considering the scope of works in its entirety and workability; (iii) Avoid execution of minor works which may not lead to specific viable infrastructure creation; and (iv) Avoid delay in completion of works.

While discussing the Audit Report, the Public Accounts Committee recommended (March 2006) the following:

- Implementing department should take utmost care to prepare the DPR after a thorough study/ proper survey to avoid cost escalation;
- Avoid delay in completion of works;
- Monitoring and evaluation mechanism may be put into practice.

The progress achieved in implementation of these recommendations and also the status of implementation of the scheme for the period 2004–08 was reviewed during May – June 2008 through a test check of records in DPERNECAD and six implementing departments<sup>17</sup>.

### 3.3.4 Audit objectives

The audit objectives of the performance review are to assess whether:

- There was a critical assessment of needs in each of the infrastructural areas and whether the individual projects were planned properly;
- Adequate funds were released in a timely manner and utilised for the specified purpose in accordance with the scheme guidelines and DPRs;
- Projects have been executed in an efficient and economic manner and achieved their intended objectives;
- There is a mechanism for adequate and effective monitoring and evaluation of projects.

### 3.3.5 Audit criteria

The audit objectives have been benchmarked against the following criteria:

- Scheme guidelines issued by GOI;
- Instructions and circulars issued by GOI and State Government from time to time;
- Sikkim Public Works Code and Manual; and
- Sikkim Financial Rules.

<sup>17</sup> Human Resources Development (HRDD), Energy & Power (E&PD), Roads & Bridges (R&B), Rural Management and Development (RMDD) and Water Security, Public Health Engineering (WS&PHED) and Tourism Departments.

### **3.3.6 Audit methodology**

The performance review commenced with a letter of engagement (May 2008) to the Development Commissioner, DPERNECAD, followed by an entry conference (May 2008) with Special Secretary of the DPERNECAD wherein the audit objectives, methodology and criteria were explained to the Department and their agreement obtained. Questionnaire was issued to the DPERNECAD and other implementing Departments for furnishing data which was analysed in audit with reference to the original records to draw audit conclusions. Physical verification of assets was also carried out. The report was finalised after taking into consideration the views / reply furnished by the Department in the exit conference (September 2008).

### **3.3.7 Planning**

#### **3.3.7.1 Perspective plan**

Guidelines envisaged preparation of a perspective plan by the State Government after a thorough analysis of the infrastructural gaps and drawing up a priority list of projects. Guidelines further stipulated that infrastructural projects would only form part of the priority list and forbade inclusion of maintenance works in the name of improvement and up-gradation. No perspective plan was ever prepared by the DPERNECAD and selection of projects was not based on any priority list. The list of sanctioned projects revealed that 5 (20 per cent) projects (out of 24 projects sanctioned by the Ministry of DoNER) costing Rs. 30.35 crore, pertaining to two departments, did not qualify for funding under the NLCPR scheme, as these projects were essentially in the nature of maintenance and not related to creation of infrastructure. Neither the implementing departments nor the DPERNECAD ensured adherence to the guidelines. Even the Ministry failed to detect the aberrations.

The Development Commissioner assured (September 2008) that the Department would ensure that henceforth the projects are submitted in conformity with the guidelines.

#### **3.3.7.2 Gap analysis**

Guidelines required the State Government (Nodal Department) to submit an annual profile of projects in terms of priority latest by 31 December for the next financial year. Annual Profile of Projects was to be a comprehensive proposal containing gap analysis of all the major sectors and justification of the listed projects.

Audit analysis of the 26 project proposals (out of 43) submitted by the individual departments revealed that the project reports were devoid of a detailed analysis of the existing facilities in the sector, full justification for the particular project and cost benefit analysis of the project as envisaged in the scheme guidelines. Scrutiny by the Nodal Department was inadequate.

### 3.3.7.3 Detailed Project Reports (DPRs) and Concept papers

Guidelines stipulated preparation of detailed project reports by the implementing departments which, *inter alia*, should include the basic information and must establish economic and technical viability of the project, detailed technical specification, CPM and PERT chart, project monitoring indicators, project implementation schedules, etc. Besides, concept papers on all individual projects denoting approximate financial outlay, benefits accruing from such projects, identification of beneficiaries etc. were also to be submitted.

Audit analysis of 26 DPRs (out of 43) prepared by the implementing departments and cleared by the nodal department for sanction by the Ministry of DoNER revealed that the DPRs failed to include the above details and also failed to establish linkages between economic and technical viability of the project. Defective DPRs led to absence of stringent monitoring by nodal department, time overruns (as pointed out in Table-3.3.7 under paragraph 3.3.9.2 and paragraph 3.3.10 respectively) and revision in scope of works (as detailed in paragraph 3.3.9.1).

### 3.3.8 Financial management

NLCPR is funded by the Ministry of DoNER, GOI in the form of 90 *per cent* grant and 10 *per cent* loan. Details of funds received and utilised by the State during the period 2003-08 are as under:

**Table-3.3.1**

(Rupees in crore)

Year	Opening Balance	Receipts	Total	Expenditure	Closing Balance
2004-05	4.15	113.57	117.72	96.91 (82)	20.81 (18)
2005-06	20.81	12.31	33.12	07.02 (21)	26.10 (79)
2006-07	26.10	32.19	58.29	27.96 (48)	30.33 (52)
2007-08	30.33	7.99	38.32	05.80 (15)	32.52 (85)
<b>Total</b>		<b>166.06</b>		<b>137.69</b>	

Source: Information furnished by Department  
Figures in bracket indicate percentage.

The year wise actual expenditure ranged between 15 and 82 *per cent* leading to accumulation of balance funds of Rs.20.81 crore (18 *per cent*) and Rs. 32.52 crore (85 *per cent*) as of March 2005 and March 2008 respectively. Department- wise and year-wise release of funds and expenditure thereon are shown in the table below:

**Table-3.3.2**

(Rupees in crore)

Year	Number of projects	Funds Released	Expenditure	Percentage of expenditure
Upto 2004	162	258.90	254.75	98
2004-05	12	113.57	96.91	85
2005-06	03	12.31	7.02	57
2006-07	04	32.19	27.96	87
2007-08	05	7.99	5.80	73
<b>Grand total</b>	<b>186</b>	<b>424.96</b>	<b>392.44</b>	

Source: Departmental records. Project-wise details are shown in **Appendix-3.1**.

As would be seen from the **Appendix 3.1**, the major portion of savings occurred in PHED and Tourism (100 per cent in 2007-08), followed by R&B (57 per cent in 2005-06), Energy & Power (47 and 24 per cent in 2005-06 and 2004-05 respectively) and RM&DD (14 per cent in 2006-07). Audit analysis revealed that savings mainly occurred owing to release of funds at the fag end of the year by the Ministry of DoNER as out of 48 cases released during 2004-08, release in 10 cases were made during the last quarter of the year. Besides, the implementing departments failed to complete the works in a time bound manner and defaulted in submission of quarterly progress reports and utilisation certificate to the Ministry in time. Details of such cases are pointed out in paragraphs 3.3.8.3 and 3.3.9.2 (Table 3.3.7).

Neither the implementing departments initiated suitable steps to utilise maximum funds for facilitating expeditious completion of projects nor the nodal department monitored proper funds utilisation to achieve the scheme objective for ensuring speedy development of infrastructure in the State.

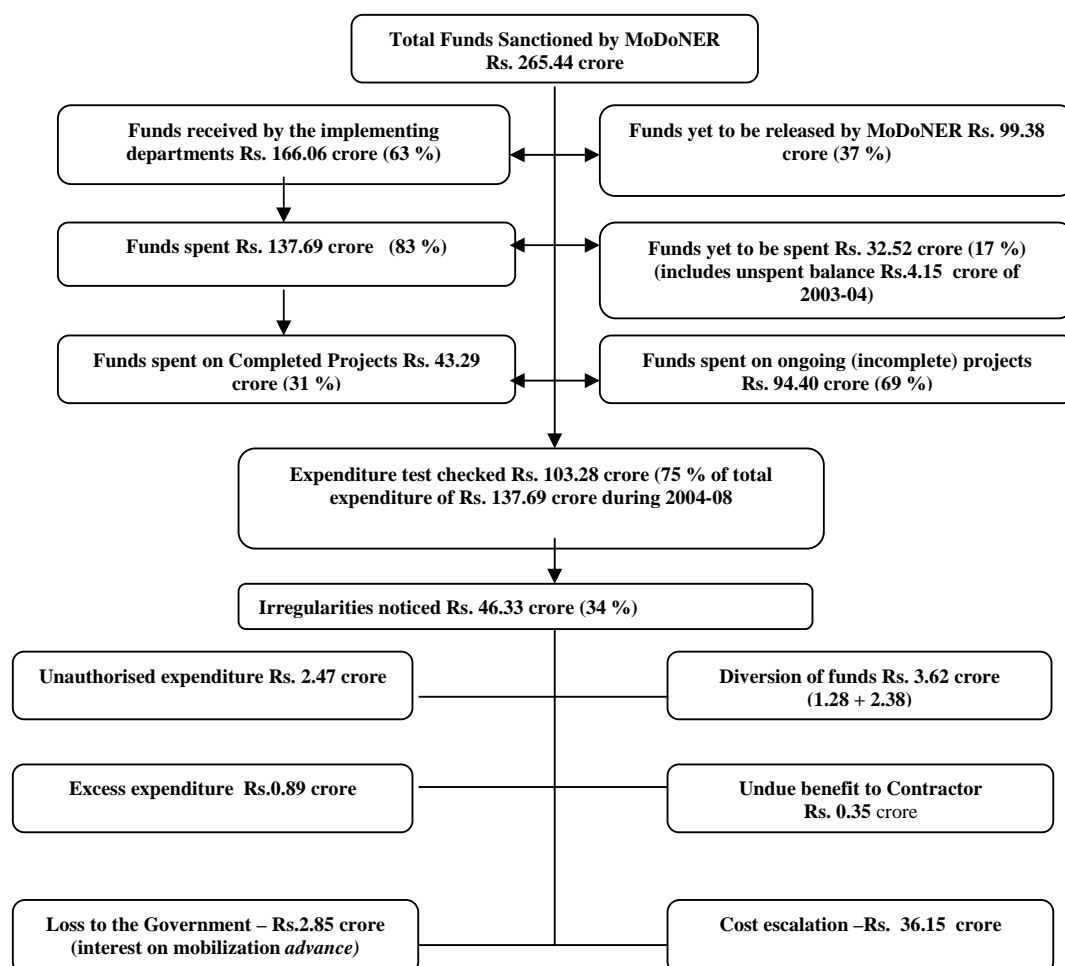
While the Nodal department and the implementing departments (*except R&B*) did not furnish reply, R&B Department stated (September 2008) that savings occurred primarily due to delayed completion of works due to limited working season available in the State, delay in finalisation of tenders, etc.

#### **3.3.8.1 Efficiency of utilisation of funds**

Against the total receipt of Rs. 166.06 crore, the expenditure was Rs. 137.69 (83 per cent) during the period covered under audit (2004-08). Deficiencies noticed during the course of test check are represented through a **finance inverse tree** as shown below:



### Finance Inverse Tree



It would thus be seen that out of the total sanction of Rs. 265.44 crore, only Rs. 166.06 crore was released by MoDoNER (63 *per cent*). Notwithstanding this short release, State Government departments could utilise only Rs. 137.69 crore, of which Rs. 43.29 crore (31 *per cent*) pertained to completed projects. This viewed together with irregular expenditure of Rs. 46.33 crore (out of total expenditure of Rs. 137.69 crore during 2004-08) indicated that the objective of speedy development of infrastructure was not accorded adequate attention.

#### 3.3.8.2 Shortfall in release of funds

Guidelines provided for release of 35 *per cent* of total project cost as the first installment to the State Government on approval of projects by the Ministry. The State Government was required to transmit the funds to the executing department within 30 days of receipt of funds and a certificate to this effect was to be sent to the Ministry.

The Ministry of DoNER, in nine cases (out of 24 cases sanctioned during 2004-08), unilaterally released Rs. 38.08 crore against the requirement of Rs. 39.37 crore (35 *per cent* of the sanctioned project cost of Rs. 112.49 crore without any intimation to State about the total sanction cost) leading to a

shortfall of Rs. 1.29 crore. The DPERNECAD did not initiate any action to obtain remaining funds.

#### **3.3.8.3 Delayed and defective submission of UCs**

Release of funds for second and subsequent instalments was contingent upon submission of utilisation certificate (indicating utilisation of funds of last release (75 per cent) and full utilisation of all prior releases), quarterly progress reports (QPRs), photographs showing progress of works and work plans for the requisitioned amount with milestones and time frame.

Scrutiny of 53 utilisation certificates (UC) made available to audit (out of the total of 80) pertaining to five departments involving 23 projects (Rs.137.69 crore) revealed that 30 UCs were submitted belatedly, the delay ranging from eight to 132 days. The delay was essentially by the implementing departments, the major defaulter being Energy & Power Department (ranging between 12 and 132 days), followed by R&B (13 to 75 days), HRDD (eight to 44 days) and PHED (nine to 40 days). The UCs were incomplete in sixteen cases, as activity-wise physical target (four-E&PD), financial progress (four-E&PD) and date of release of funds to the implementing departments by DPERNECAD (eight) were not incorporated. QPRs were incomplete in all cases test checked in audit. Milestones and time frame for the requisitioned funds were not mentioned in any of the cases checked in audit. This was one of the reasons for non-release of sanctioned funds by the Ministry of DoNER as reflected in the finance inverse tree.

#### **3.3.8.4 Unauthorised expenditure on staff component**

Guidelines issued by MoDoNER prohibited utilisation of scheme funds towards staff component, both work charged and regular. Despite this specific stipulation in the scheme guidelines, departments executing NLCPR schemes incurred Rs. 2.47 crore towards muster roll (Rs. 1.94 crore), work charged establishment (Rs. 31.77 lakh) and regular employees (Rs. 21.31 lakh). It was also noticed that these staff were never deployed on execution of the works relating to the NLCPR schemes but were engaged in the head offices of the departments concerned, divisional offices, stores etc.

Utilisation of scheme funds towards payment of staff salary particularly in view of the fact that the staff were never deployed towards execution of the scheme, was unauthorised and lacked justification.

#### **3.3.8.5 Irregular utilisation of funds**

Guidelines stipulate that funds available under NLCPR was an additionality to the ongoing programmes and thus was not meant to supplement the normal plan programme or substitute a budgeted ongoing scheme of the State Government.

Scrutiny of records however, revealed that the State Government had not complied with the guidelines. Rupees 44.45 crore pertaining to NLCPR were utilised for implementation of three budgeted ongoing projects pertaining to two<sup>18</sup> departments. These projects were approved by the State Cabinet for

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<sup>18</sup> Two projects pertaining to RMDD (Rs. 17.03 crore) and Tourism (Rs. 27.42 crore) departments

execution during 1998-99 and 2003-04 under normal plan programme. However, after incurring Rs. 1.96 crore on the projects, these projects were submitted to MoDoNER for financial assistance and were later executed (2004-08) with NLCPR funds. The fact that the schemes were under implementation through State plan was not disclosed to the Ministry of DoNER by the State Government while forwarding the DPR. Utilisation of NLCPR funds towards financing State Plan schemes was not only contrary to the guidelines but also, in effect, resulted in downsizing the overall plan fund to that extent. There was no improvement in this regard despite assurances from the nodal department as well as implementing departments to the Public Accounts Committee with reference to Audit Report – 2004.

### 3.3.8.6 Diversion of funds

Assistance released from the pool was tied with the projects and no diversion was permissible. However, three departments diverted funds aggregating Rs.1.24 crore during 2003-08 for meeting the cost of vehicles from project funds as shown below:

**Table -3.3.3**

(Rupees in lakh)

Department	No. of vehicles	No. of projects	Amounts
PHED	03	03	17.10
RMDD	05	01	21.72
E&PD	16	03	85.53
<b>Total</b>	<b>24</b>	<b>07</b>	<b>124.35</b>

Source: Departmental records

The vehicles were attached to the officers of the concerned departments for carrying out their day to day assigned work. The officers who are not involved with implementation of NLCPR projects were also allotted vehicles procured from scheme funds. Programme implementation was thus compromised to the extent of diversion.

### 3.3.8.7 Irregular expenditure towards land compensation

Audit noticed that four departments incurred Rs. 2.38 crore from the project fund towards meeting the cost of land acquisition in 11 cases pertaining to six projects although defraying of cost of land acquisition from scheme funds was prohibited as per the guidelines. Not only did the heads of departments allow this expenditure which was against the guidelines, but also concealed this fact from the MoDoNER while reporting expenditure through QPRs. Certification by the HoDs and countersignature by the Development Commissioner that necessary checks had been exercised before submission of UCs were incorrect and misleading in view of inclusion of expenditure towards cost of land acquisition.

## 3.3.9 Project execution

During the period (2004-08) covered under audit, a total of 31 projects (Rs. 498.05 crore) were forwarded by the State Government for approval and sanction of funds by GOI, of which 24 projects (Rs. 265.44 crore) were approved (2004-08) and Rs. 166.06 crore was released (2004-08) by GOI. Out of 31 projects (24 new and 7 ongoing), five projects (Rs. 43.29 crore) were completed and 26 projects were under implementation- status of completion

ranged between five and 97 per cent as of March 2008. The details are shown below:

**Table-3.3.4**

Year	Ongoing projects at commencement of year	Projects forwarded		Projects sanctioned		Total funds released	Projects completed		Projects in progress at year end
		No	Cost	No	Cost		No.	Cost	
2004-05	07	09	78.51	12	116.19	113.57	Nil	Nil	19
2005-06	19	12	211.01	03	25.00	12.31	Nil	Nil	22
2006-07	22	10	208.53	04	68.23	32.19	01 <sup>19</sup>	2.00	25
2007-08	25	Nil	Nil	05	56.02	7.99	04 <sup>20</sup>	41.29	26
<b>Total</b>		<b>31</b>	<b>498.05</b>	<b>24</b>	<b>265.44</b>	<b>166.06</b>	<b>05</b>	<b>43.29</b>	

Source: Departmental records

A total of 160 infrastructure projects valuing Rs. 254.73 crore were executed by the State since the commencement of the scheme in 1998, as shown below:

**Table-3.3.5**

Year	Department	No of projects sanctioned	Completed projects		Incomplete projects	
			No.	Cost	No.	Cost
Upto 2004	RMD	03	03	34.88	Nil	Nil
	I&FC	91	91	35.83	Nil	Nil
	UD&H	02	02	10.60	Nil	Nil
	E&P	07	02	47.68	05	28.30
	R&B	46	45	23.45	01	8.27
	HRD	06	06	30.91	Nil	Nil
	SYA	02	02	15.36	Nil	Nil
	Culture	01	01	1.09	Nil	Nil
	PHE	04	03	11.64	01	6.74
	<b>Total</b>	<b>162</b>	<b>155</b>	<b>211.44</b>	<b>07</b>	<b>43.31</b>
2004-05	E&P	02	Nil	Nil	2	34.57
	R&B	08	Nil	Nil	6	21.05
	PHE	02	Nil	Nil	Nil	Nil
2005-06	E&P	01	Nil	Nil	1	3.03
	R&B	01	Nil	Nil	1	1.99
	HRD	01	Nil	Nil	-	-
2006-07	E&P	01	Nil	Nil	1	9.08
	PHE	01	Nil	Nil	1	11.55
	RMD	01	Nil	Nil	1	4.33
	HRD	01	1	2.00	1	3.00
2007-08	PHE	02	Nil	Nil	2	Nil
	RMD	02	Nil	Nil	2	5.80
	R&B	Nil	2	28.76	1	Nil
	PHE	Nil	2	12.53	Nil	
	Tourism	01	Nil	-	-	-
	<b>Total</b>	<b>24</b>	<b>5</b>	<b>43.29</b>	<b>19</b>	<b>94.40</b>
<b>Grand total</b>		<b>186</b>	<b>160</b>	<b>254.73</b>	<b>26</b>	<b>137.71</b>

Source: Departmental records

Some of the important projects such as construction of 198 school buildings, college buildings at Kamrang, South Sikkim and Burtuk in East Sikkim, Paljor stadium complex at Gangtok, multi stage pumping system for drinking water

<sup>19</sup> Sarva Shiksha Abhiyan

<sup>20</sup> (i) Upgradation of Ravangla- Makha road; (ii) carpeting of Soreng – Budang road; (iii) Pangthang – Bojoghari W/s scheme ; (iv) Augmentation of Gangtok W/s scheme.

supply in East Sikkim, 132 KV power transmission lines at Melli, etc. were created out of scheme funds. This has helped the State to bridge the infrastructural gap to a large extent. Conversely, delay in completion of projects (detailed in Table 3.3.7 under paragraph 3.3.9.2) such as synchronisation of Rimbi stage I and II, Kalez khola, remodelling of transmission and distribution network, extension of 132 KV system, etc has affected the overall improvement in power sector especially transmission of energy and assured quality power supply to citizens besides high transmission losses. Similarly, delayed completion of various roads (10) has forced the commuters to travel in undulated roads causing discomfort and higher maintenance expenditure on vehicles. Non-completion of water supply schemes by PHED affected the availability of adequate potable water supply to public.

### 3.3.9.1 Cost over run

Guidelines do not permit financing the cost escalation, except where these arise out of change in scope of works not envisaged at the initial stage. Financing of such increased cost upto a limit of 20 *per cent* of the originally approved cost was to be shared equally between the MoDoNER and the State Government.

Scrutiny of 24 projects revealed cost escalation (Rs. 36.15 crore) ranging from nine to 71 *per cent* of the estimated cost pertaining to five departments as shown below:

**Table -3.3.6**

(Rupees in crore)

Sl. No.	Name of project	Department	Original approved cost	Revised cost	Cost over run
1	Remodelling of transmission and distribution network of Gangtok town	E&PD	22.44	29.88	7.44 (33)
2	Extension of 132 KV system in South		23.03	30.63	7.60 (33)
3	Construction of 66 KV S/C transmission line from Myong to Chungthang and transformer bay at Chungthang and feeder bay and Mayong		31.01	33.83	2.82 (9)
4	Gangtok water supply	PHED	1.33	1.79	0.46 (35)
5	Construction of Ropeway – Namchi-Samdruptse	Tourism	16.04	27.42	11.38 (71)
6	Diversion of Ranipool- Pakyong road	R&B	2.37	3.40	1.03 (43)
7	Upgradation of Ranka- Luing- Burtuk road		4.49	6.25	1.76 (39)
8	Water supply scheme for Chakmakey and Ringyang	RMDD	8.75	12.41	3.66 (42)
<b>Total</b>			<b>109.46</b>	<b>145.61</b>	<b>36.15</b>

Source: Departmental records

Figure in brackets represent percentage

Analysis revealed that cost escalation was mostly due to subsequent revision of the scope of work of approved projects (Rs. 24.24 crore in four cases i.e. Sl. 1, 5, 7 and 8) and higher tender rate (Rs. 11.91 crore in four cases i.e. Sl. 2, 3, 4 and 6). The higher tender rate in these cases was caused due to the time lag ranging from two to three years between the preparation of original project reports and their final approval and sanction by MoDoNER and delayed initiation of tendering process ranging from four months to one year after

approval of projects by MoDoNER. The Departments were thus constrained to accept higher tender rates (nine to 35 *per cent* above the estimated cost) quoted by the contractors based on the workability of rates at the prevailing market rate. Similarly, revision in scope of work in four cases was necessitated as original project reports did not capture the following eventualities duly taking into consideration the field situations:

- In case of Remodelling of transmission and distribution of Gangtok town (sl-1), changes in scope of work were necessitated due to conversion of LT overhead line into underground cable system from Biralu dwar to Convoy ground, insertion of 11kv grade cables at Deorali government quarters sub-station and 11 kv 6-pole gang operated structure for spur line at AH&VS complex, Deorali etc.
- Required length and elevation in case of Construction of Ropeway (sl. 5) was not taken into consideration while preparing original DPR. As against the original estimation of 1,800 mtrs length, revised estimate incorporated 2,750 mtrs. Similarly, length also had to be changed from 570 mtrs to 640 mtrs. to suit the site conditions.
- In case of Ranka- Luing - Burtuk road (sl-7), extensive revision to the tune of Rs. 6.25 crore (original estimate Rs.4.49 crore) was resorted (2005) to, on the grounds of (i) change in site conditions as the original estimate was framed three years back, (ii) insufficient provision for hill cutting in the original estimate to facilitate six meter width road formation, (iii) additional insertion of 1:4:8 CRSM<sup>21</sup> necessitated due to damage of road formation for heavy surface run-off and (iv) provision of 1:2:4 plum concrete, hand packed sausage wall, culverts, etc.
- In case of Water supply scheme for Chakmakey and Ringyang (sl. 8), scope of works was changed to cover new habitations by extension of distribution network by 6,760 mtrs through 15 mm to 50 mm dia GI pipes; insertion of additional 10 reservoir tanks with a capacity varying between 2,000 ltrs and five lakh ltrs.

Thus, failure of the implementing departments to prepare project estimates duly considering the scope of the works in their entirety and workability, led to unanticipated additional burden of Rs. 36.15 crore on the State exchequer towards cost escalation which was not borne by the Ministry of DoNER.

It was also noticed that the biggest defaulter was E&PD (Rs. 17.86 crore) followed by Tourism Department (Rs. 11.38 crore), RMDD (Rs. 3.66 crore), R&B (Rs. 2.79 crore) and PHED (Rs. 0.46 crore). Trend of cost escalation in terms of percentage although showed an improvement (10 to 226 *per cent* upto 2004 and 9 to 71 *per cent* between 2004-08), escalation was still high despite reflection in Audit Report 2004 and Public Accounts Committee's recommendation (March 2006) thereon to prepare DPRs with utmost care duly considering the scope of the work in entirety to avoid cost escalation.

### **3.3.9.2 Time over run**

Scrutiny of project execution files and Quarterly Progress Reports forwarded by the Department to the Ministry (DoNER) revealed that in respect of five

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<sup>21</sup> CRSM : Coarse Rubble Stone Masonry

implementing departments, the projects were not completed within the scheduled time. The delay in execution and completion of the projects ranged from 11 to 84 months, as detailed below, and led to considerable delay in accrual of intended benefits from the schemes even after spending Rs. 195.58 crore on these incomplete projects:

Table -3.3.7

*(Rupees in crore)*

Department	Delay in completion of projects (in months)			Total projects	Expenditure
	7 to 12	13 to 24	25 and more		
PHE	1	3	-	4	37.21
R& B	1	7	2	10	31.94
E&P	-	2	4	6	105.47
RMD	1	-	2	3	19.46
Tourism	-	-	1	1	1.50
<b>Total</b>	<b>3</b>	<b>12</b>	<b>9</b>	<b>24</b>	<b>195.58</b>

*Source: Departmental records*

Detailed scrutiny of ten projects revealed that delay was primarily owing to delayed initiation of tendering process (six) by the implementing departments (RMDD-1, E&PD-1, R&B -3 and PHE-1) without any recorded reasons, delay in completion of projects by the contractors (two) pertaining to PHE and E&PD for which no penalty was charged, difficulty at project site (two) during construction phase such as landslides, traffic congestions and bad weather, etc. Both the implementing as well as Nodal Departments (DPERNECAD) failed to initiate suitable steps to complete the projects within the scheduled time, despite mention in Audit Report 2004 and PAC's recommendation (March 2006) thereon to avoid delay in completion of projects. Nodal department also did not adequately monitor the progress from time to time for ensuring expeditious completion of projects.

### 3.3.9.3 Excess expenditure

Sikkim Financial Rules prescribe procurement of materials in the most economical manner with due emphasis on quality. According to the standing order of the Finance Department, all purchases above rupees one lakh are to be procured through the State Trading Corporation of Sikkim (STCS). PHED placed order with STCS for supply of GI pipes from time to time. However, the STCS was procuring the material from the local suppliers at much higher rates and a commission of three *per cent* was also charged on the cost of the material.

Audit analysis revealed that although PHED procured material from STCS as per the standing orders of the State Government, it failed to compare the rates with the prevailing market rates for GI pipes to secure the most economical rates and ended up with incurring excess expenditure of Rs. 88.95 lakh in procurement of 92,088 meter GI pipes during 2004-08.

### 3.3.9.4 Additional burden on State exchequer

The work "Surface Strengthening, drainage and Protective work on Namchi – Rabongla Road - km one to 26" was put to tender (January 2004) by R&B

Department and based on lowest offer, work order was awarded (December 2004) to the contractor for execution at the agreed cost of Rs. 11.94 crore with a stipulation to complete it by June 2006. Audit analysis of DPR and original cost estimate revealed that the DPR failed to capture the exact requirement of road width, back cutting, protective works, etc. after carrying out proper survey and investigation of the proposed site. Only after five months of execution of work, the Department sought (May 2005) revision of estimate from Rs. 11.94 crore to Rs. 15 crore for widening of roads to encourage tourism and avoid inconvenience to the public. This however, was not accepted (June 2005) by the Chief Engineer. Exactly after one year (June 2006), the proposal was again mooted for revision of estimate to Rs. 16.09 crore on the ground of widening, extra protection work, slope stabilisation, carriage of non-stock materials from farther distances, throwing of spoils to distant place, purchase of private land for dumping spoils, etc. The revised cost (34 *per cent* increase) was approved (August 2006) by the Cabinet. Revision of estimates immediately after commencement of work indicated defective estimates and led to additional burden of Rs. 2.08 crore on the State exchequer.

### **3.3.9.5 Contract management**

Contract management was characterised by undue favour to contractors, irregular payment of mobilisation advances, delay in completion of works, etc as detailed below:

- **Undue favour to the contractors:** Scrutiny of works execution files revealed that Energy & Power Department (E&PD) had extended undue favour of Rs. 35.36 lakh to two contractors towards execution of projects viz., (i) Construction for 66 KV S/S to Chungthang S/S and 2x5 MVA Transformer bay at Chungthang and one feeder bay at Meyong and (ii) Remodeling of Transmission and Distribution Network of Gangtok Town.

Rupees 13.76 lakh was released to the contractor towards carriage of stock and non-stock materials for execution of 'Construction of 66 KV S/S to Chungthang S/S and 2x5 MVA Transformer bay at Chungthang and one feeder bay at Meyong' over and above the agreement. This was despite the fact that rates provided in the agreement (June 2004) were FOR destination (project site) and included all other incidentals such as insurance, freight, handling and packing, unloading at site, etc. Infact, against the estimated cost of Rs. 6.84 crore, higher tender rate of Rs. 8.55 crore was accepted by the Department in consideration of the fact that the rates quoted by the contractor was inclusive of delivery of materials at project site (FOR destination at project site). Thus, payment of carriage charges of Rs. 13.76 lakh beyond the scope of agreement was unjust and led to undue favour to the contractor.

Similarly, in case of 'Remodelling of Transmission and Distribution Network of Gangtok Town', the work was put to tender (June 2004) by E&PD. On receipt of bids (June 2004), post tender negotiation (November 2004) was held with the lowest bidder to reduce the rates and thereafter



work order issued to the contractor. Audit noticed that although the contractor<sup>22</sup> agreed (November 2004) to lower rates for four items (viz, (i) Cable trench, (ii) Heat shrink kit suitable for 3x95 sq. mm XLPE cable, (iii) 11 KV XLPE cable 3X150 Sq mm and (iv) 11 KV XLPE cable 3x50 sqm.), the E&PD while releasing payments to the contractor paid him at the original offered rates leading to undue benefit of Rs. 21.60 lakh as mentioned below:

**Table-3.3.8**

Item	Name of work	Rate quoted & actually paid (Rs.)	Rate agreed after negotiation (Rs.)	Higher rate (Rs.)	Qty	Excess payment (Rs.)
Cable trench	Conversion work along 31 A NH way from MP Golai to below Tadong School	1,950	954	996	700	6,97,200
Heat shrink kit suitable for 3x95 sq. mm XLPE cable	Conversion of 11 KV HT and OH to UG at Upper Syari	33,108	30,719	2,389	2	4,778
11 KV XLPE cable 3X150 Sq mm.	Realignment of double circuit 11 KV line	3,265	1,484	1,781	450	8,01,450
11 KV XLPE cable 3x50 sqm.	Realignment of double circuit 11 KV line	2,148	689	1,459	450	6,56,550
<b>Total</b>						<b>21,59,978</b>

Source: Agreement and payment details.

- **Irregular payment of mobilisation advance:** Sikkim Financial Rules, Sikkim PWD Code and Manual do not provide for grant of mobilisation advance to the contractors for any reason what-so-ever. The issue was highlighted in the Audit Report for the year ended March 2004. The Public Accounts Committee (PAC) recommended (March 2006) that grant of mobilisation advance (MA) should be stopped forthwith. Notwithstanding the PAC's directions and absence of enabling provision in the financial rules, five departments granted mobilisation advance to 12 contractors ranging between Rs. 14.75 lakh to Rs. 6.77 crore aggregating Rs. 22.88 crore during 2003-08 which was irregular.
- The Departments had not devised norms for grant of advance to the contractors and advanced money based on their request. Absence of norms was fraught with the risk of favour to selected contractors. Except in the case of 'Construction of Synchronizer at Rimbi Phase I, II and Kalej Khola Hydro Electricity Project', where the request (August 2005) of the contractor for MA was turned down (August 2005) in all other cases, MA was routinely granted.
- MA is ostensibly granted to enable the contractors to mobilise men and material for expeditious completion of works. However, progress of works in nine cases in respect of three departments was behind schedule and the delay ranged between three and 52 months despite grant of MA. This indicated that the resource mobilisation in terms of men and material by the contractor in the interest of early completion of work was not ensured

<sup>22</sup> M/s Crystal Di Electrical and Polymer, Bangalore

despite giving MA. Delayed progress of works also postponed the recovery of MA for the period of delay (three to 52 months) besides loss of Government funds of Rs. 2.85 crore towards non-levy of interest on MA (calculated on the basis of the average borrowing rate of 8.99 per cent).

- Audit analysis further revealed that in case of two projects<sup>23</sup> interest free mobilisation advances were given to the contractors before commencement of the work. The execution commenced after a delay of more than two years i.e. July 2007 and March 2008 in case of RMDD and Tourism Department respectively. The works were yet to be completed as of March 2008 although these were stipulated to be completed by March 2005 and March 2006 respectively. The physical progress was 15 and 10 per cent respectively, even after providing Rs. 1.36 crore as MA.

Thus, the action of the departments to grant mobilisation advances to the contractors was against the PAC recommendations and failed to protect the interest of the Government. Instead it served the interest of the contractors and led to undue favour to the tune of Rs. 22.88 crore to the contractors.

### 3.3.10 Monitoring and evaluation

The Nodal Department had not initiated suitable measures to streamline the monitoring system despite mention in the CAG's Report 2004 and PAC's recommendation (March 2006) to improve the system, as is evident from the following:

- **Quarterly Progress Report:** Guidelines prescribed reporting of project-wise progress of implementation on quarterly basis. Audit scrutiny revealed that the quarterly progress reports were not forwarded to the Ministry of DoNER within the stipulated period of three weeks from the date of completion of the previous quarter. The delay ranged between eight to 132 days. Analysis revealed that E&PD was the major defaulting department followed by RMDD, R&B, HRDD and PHED.
- **Quarterly meeting by Chief Secretary:** Against the stipulation of 16 quarterly meetings at the Chief Secretary's level in the guidelines, only six meetings were convened by the Chief Secretary during 2004-08. The Ministry on its part had also displayed a lax attitude as representative from the Ministry for attending the quarterly review meetings of the State was never deputed during 2004-08 despite stipulation in the guidelines.
- **Project-wise nodal officer not nominated:** Against the requirement to nominate one nodal officer for each project, one nodal officer was nominated for the Department as a whole irrespective of the number of projects.
- **Field inspections by Ministry:** As per the guidelines, MoDoNER is to carry out monitoring and evaluation of implementation of the projects through field inspections, impact studies, social audits and evaluations through independent agencies. The Ministry was required to depute independent supervision mission on half yearly basis on the lines of

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<sup>23</sup> (i) Water Harvesting Structure at Rabdentse of RMDD, and (ii) Ropeway at Namchi of Tourism Department

externally funded projects to facilitate mid-course correction to the projects. During 2004-08, no impact studies were carried out by the Ministry. Evaluations through independent agencies were also not attempted either by the Ministry or the State Government as of March 2008.

### **3.3.11 Transparency and Publicity**

Guidelines envisaged disseminating of information about the schemes/projects through print and electronic media, display signboards at project sites indicating date of sanction of the project, likely date of completion, estimated cost of the project, source of funding, contractor's name, etc. and a plaque for completed projects.

While no effort was made by the Nodal Department to disseminate information to the general public through print and electronic media about the schemes/ projects supported by GOI under the central pool, physical verification of 15 cases in five departments by Audit in the presence of the officers of the State Government revealed that while in seven cases signboards etc were displayed, in eight cases, signboards indicating date of sanction of the project, likely date of completion, source of funding, etc in respect of ongoing projects involving three departments were not displayed. Similarly, in respect of the completed projects, no plaque was found displayed for one project (out of two completed projects test checked) completed between 2004-08. Thus, the implementing departments as well as the Nodal Department had not ensured dissemination of information to the general public and also failed to ensure transparency as envisaged in the guidelines.

### **3.3.12 Conclusion**

Implementation of NLCPR funded schemes brought about visible improvement in creation of infrastructure in various sectors and helped the State to bridge the infrastructural gap to a large extent. However, the objective of ensuring speedy development of infrastructure such as irrigation, power, roads and bridges, education, health, water supply and sanitation etc. was constrained, as gaps in basic minimum services were not identified prior to implementation of projects, funds not utilised in full, projects not completed within the stipulated time and cost escalations were not contained. Monitoring was not robust enough to check the flaws in implementation despite featuring in C&AG's Report for the year ended March 2004 and PAC's recommendations thereon. No evaluation was ever attempted to gauge the extent of development of infrastructure and reducing the gaps in basic minimum services.

### **3.3.13 Recommendations**

Following recommendations are made to improve the implementation of the schemes:

- The State Nodal Department should be more proactive in scrutinising the project proposals submitted by the implementing departments before releasing grants under NLCPR;

- Stringent inspection of all on-going projects should be carried out regularly to avoid extra expenditure and to ensure timely utilisation of funds and derivation of benefits; and
- Monitoring mechanism should be more effective to ensure that intended benefits are derived by the Society/ targeted population and funds are utilised effectively for the intended purpose.

The matter was referred to the Department (August 2008); reply has not been received (October 2008).

## **HEALTH CARE, HUMAN SERVICES AND FAMILY WELFARE DEPARTMENT**

### **3.4 National Rural Health Mission**

*A mid-term review of National Rural Health Mission (NRHM) in the third year of the Mission period (2005-2012) revealed that the State was performing fairly well in the areas of demographic goals (infant mortality rate, total fertility rate, immunisation etc.) and implementation of National Disease Control Programmes (NDCP) (control over blindness/ tuberculosis/ leprosy/ vector borne diseases etc.). The State has adequate physical infrastructure at the PHSC and PHC level and deployment of paramedical staff is adequate. However, the implementation of NRHM suffered from deficient financial management resulting in huge unspent balance to the tune of Rs. 44.43 crore (82 per cent) as on 31 March 2008. While the progress of civil works relating to the health infrastructure is very slow, health care remained mainly dependant on the health institutions of the Government due to very low number of private health facilities in the State and the number of referral cases to outside the State remained quite high.*

Significant audit findings are given below:

#### **Highlights:**

**Retention of huge unspent balance ranging from Rs. 1.60 crore to Rs. 44.43 crore at the year end indicated failure of the State Health Society (SHS) to optimally utilise the available funds.**

*(Paragraph 3.4.8)*

**The State Government had not released the State's share of Rs. 5.95 crore to the SHS indicating lower priority accorded to health sector.**

*(Paragraph 3.4.8.1)*

**The test-checked Community Health Centres (CHCs) were functioning with excess medical and paramedical staff, while five PHCs were functioning without the required paramedical staff.**

*(Paragraph 3.4.10.1)*

**The facility for indoor patients in CHCs and PHCs remained heavily underutilised due to lack of specialist medical care.**

*(Paragraph 3.4.11)*

### 3.4.1 Introduction

The GOI launched (April 2005) the NRHM with the aim of providing accessible, affordable and quality health care to the rural population, especially the vulnerable sections of the society. It also sought to reduce the Maternal Mortality Rate (MMR), Infant Mortality Rate (IMR), Total Fertility Rate (TFR) and to bring about an improvement in the healthcare delivery system by converging various stand-alone disease control programmes under the umbrella of the Mission.

The key strategy of the NRHM was to bridge the gaps in healthcare facilities, facilitate decentralised planning in the health sector, provide an overarching umbrella to the existing programmes of Health and Family Welfare including Reproductive and Child Health-II, Vector Borne Disease Control Programme, Tuberculosis, Leprosy and Blindness Control Programmes and Integrated Disease Surveillance Project. The Mission also advocated sanitation and hygiene, nutrition etc. as basic determinants of good health and thus emphasised convergence with related schemes/programmes for Women and Child Development, Allopathy, Yoga, Unani, Sidha and Homeopathy (AYUSH), Panchayati Raj etc.

The Mission activities were divided into the following five essential components:

- Reproductive and Child Health (RCH II);
- Additionalities under NRHM;
- Immunisation;
- National Disease Control Programme;
- Inter-sectoral convergence for effective management and implementation.

### 3.4.2 Organisational set-up

At the State level, NRHM functions under the overall guidance of the State Health Mission (SHM) headed by the Chief Minister. The activities of the Mission are carried out through the State Health and Family Welfare Society (Society) headed by the Chief Secretary (CS). The Executive Committee of the Society is headed by the Commissioner-cum-Secretary, Health and Family Welfare Department.

The Society integrates all the societies registered under the Societies Registration Act, 1860, which were set up for implementation of various disease control programmes.

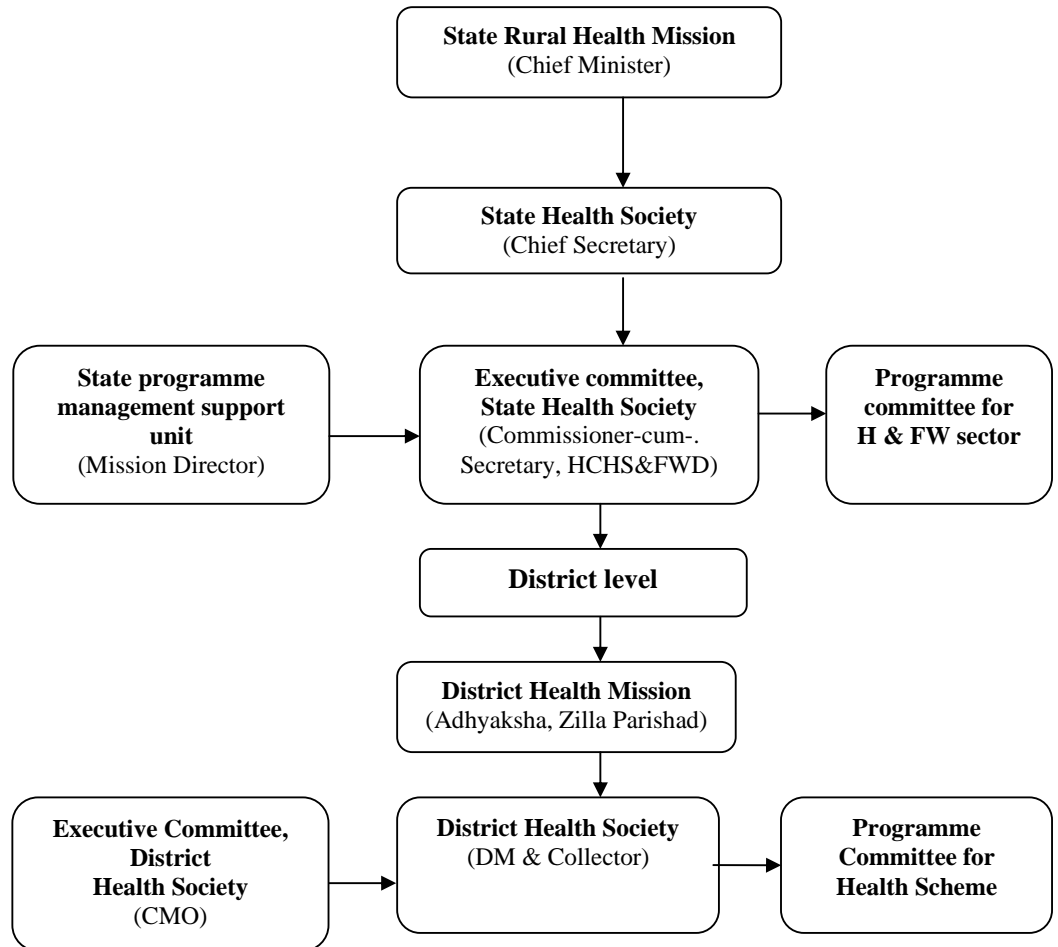
At the District level, there are District Health Missions headed by Adhyakshas of the Zilla Parishads and an integrated District Health Society (District Society) headed by the respective District Magistrates (DM) to support it and its executive committee is headed by the Chief Medical Officer.

The guidelines also provide for programme committees for more focused planning and review of each activity at State and District Level if considered

necessary for administrative convenience, which has also been formed in the State.

An organogram showing the administrative and monitoring set up of NRHM in the State is given below:

**Chart No- 3.4.1**



### 3.4.3 Scope of Audit

Performance review of NRHM for the period 2005-08 was conducted between April and June 2008 through a test check of the records of three out of four District Hospitals/Community Health Centres, six out of 24 Primary Health Centres and 12 out of 147 Primary Health Sub Centres. These samples were selected on the basis of allocation of funds by using Simple Random Sampling Without Replacement (SRSWOR) method. Besides this, records maintained by the State Health Society were also checked.

### 3.4.4 Audit objectives

The objective of the performance review was to assess whether accessible, affordable and quality health care was provided to the rural population through

the implementation of NRHM in the State. Besides, the following were also assessed:

- Adequacy and effectiveness of planning for effective programme implementation;
- Adequacy and effectiveness of fund management;
- Whether all the components of NRHM were implemented efficiently and effectively;
- Adequacy and effectiveness of the information, education, communication and community monitoring of the programmes;
- Adequacy and effectiveness of evaluation and monitoring mechanism.

#### **3.4.5 Audit criteria**

The following criteria were used to arrive at audit conclusions:

- Memorandum of Understanding (MoU) signed between the Union Ministry of Health and Family Welfare and the State Government;
- Programme guidelines issued by the GOI and approved Programme Implementation Plan;
- Finance and Accounts Manual;
- Sikkim Public Works Code Manual and Sikkim Financial Rules;
- Prescribed monitoring mechanism.

#### **3.4.6 Audit Methodology**

The performance review commenced with an entry conference (April 2008) with the Commissioner-cum-Secretary, HCHS & FW, Mission Director, SHS and departmental officers wherein the audit objectives, scope, criteria and methodology were discussed. Audit conclusions were drawn after a scrutiny of records relating to the implementation of various components of the programme for the years 2005-08 at SHS, CHCs, PHCs and PHSCs, analysis of available data, physical verification wherever found necessary, issue of questionnaires and replies of the Department. The report was finalised after taking into consideration the views put forth by the Department and the State Health Society (SHS) during an exit conference (September 2008).

#### **Audit findings**

Audit findings are enumerated in the succeeding paragraphs:

#### **3.4.7 Planning**

The Department delivers health care facilities through a network of public health care infrastructure<sup>24</sup>. Besides, health facilities are also available in the State through one Hospital-cum-Medical College<sup>25</sup>, one hospital of NHPC,

<sup>24</sup> 147 PHSCs, 24 PHCs and 4 DH/CHCs and State Referral Hospital, Gangtok

<sup>25</sup> Central Referral Hospital, Tadong (a joint venture between the Manipal group and the State Government)

one Regional Research Institute (Ayurveda) (GOI) and some<sup>26</sup> private medical practitioners.

The NRHM guidelines provided for decentralised planning and implementation to ensure that need based community owned District Health Action Plans (DHAP) become the basis for interventions in the health sector. The districts were thus required to prepare perspective plans for the entire mission period (2005-12) as well as annual plans by consolidation of Village Health Action Plans (VHAP). Audit noticed that:

- Prior to 2007-08 DHAP was not prepared. VHAP was also not prepared by Village Health Sanitation committees (VHSC)<sup>27</sup>;
- Representatives of villages were not involved in preparation of DHAP;
- Household survey was conducted in 2007-08 without involvement of Accelerated Social Health Activists (ASHA), Auxiliary Nurse Midwives (ANMs), Anganwadi Workers and PRIs as stipulated in the guidelines;

Thus, the entire expenditure of Rs. 3.63 crore released during 2007-08 in the three test-checked DHs/ CHCs was incurred without any VHAP. Besides, DHAP did not mention about the activities on strengthening of PHCs, ANM/General Nurse Midwife training schools, ambulance services, provision for telephones etc. Further, belated submission of PIP (144 days in 2007-08)<sup>28</sup> led to eventual savings of Rs. 44.43 crore as mentioned in paragraph 3.4.8.

The State Health Society (SHS) while accepting the fact stated (July 2008) that due to time constraints and deficiency in the training and capacity building of manpower, the district wise perspective plan and VHAP were not prepared prior to 2007-08 and that during 2007-08 the VHAP has been prepared with the involvement of ASHA, ANMs, Anganwadi Workers (AWW) and PRI members.

### **3.4.8 Fund Management**

The expenditure under NRHM was fully financed by GOI till 2006-07 (in the Tenth Plan period) and thereafter in the ratio of 85:15 between the GOI and the State Government. Funds received and expenditure incurred under the programme during 2005-08 were as under:

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<sup>26</sup> East district=11, South district=7 and West district=2

<sup>27</sup>Village Health Sanitation Committee (VHSC) comprising of Panchayat representatives, Auxiliary Nurse Midwife (ANM), Multipurpose Health Worker (MHW), Anganwadi Worker, Teacher, Accredited Social Health Activist (ASHA), Community Health Volunteers (CHV).

<sup>28</sup> PIP for 2007-08 submitted on 6 August 2007 against stipulated date of 15 March 2007. Date of submission of PIP for the year 2005-06 and 2006-07 were not available with SHS.



**Table 3.4.1***(Rupees in crore)*

Year	Approved outlay	Opening balance	Funds received		Total funds available (Col.3+5)	Expenditure	Unspent balance (Col. 6-7)
			Central	State			
1	2	3	4	5	6	7	8
2005-06	1.82	0.09	2.34	0.00	2.43	0.83	1.60 (66)
2006-07	33.18	1.60	10.28	0.00	11.88	3.08	8.80 (74)
2007-08	43.77	8.80	41.35	0.25	50.40	5.97	44.43 (88)
<b>Total</b>			<b>53.97</b>	<b>0.25</b>		<b>9.88</b>	

Source: Figures furnished by the SHS

It is evident from the above table that the funds received from GOI were not fully utilised by the SHS. The unspent balance ranged between 66 and 88 per cent of the available funds during the period 2005-08. The unspent balance was due to the fact that many of the interventions under the programme like upgradation of STNM hospital (Rs. 22.74 crore), construction of residential quarters and conversion of PHCs to CHCs (Rs. 7.23 crore), release of untied funds (Rs. 1.24 crore), annual maintenance grant (Rs. 0.79 crore), timely issue of medicines (Rs. 1.25 crore), development and implementation of 'Routine Immunisation Monitoring System Software' (RIMSS) etc. were not implemented properly. This was due to poor monitoring and budgetary control besides unrealistic PIPs. Thus, SHS was unable to anticipate the expenditure realistically leading to unspent balance of Rs. 44.43 crore as on 31 March 2008, affecting the programme implementation and negative response of health care services envisaged under NRHM.

The SHS stated (September 2008) that the funds were not fully utilised due to their late receipt and belated approval of PIPs. The reply is not acceptable as the unspent balance of 2006-07 was not fully utilised even in 2007-08. Besides, the SHS failed to utilise the entire funds of Rs. 41.60 crore received in subsequent year i.e. during 2007-08. The SHS could not provide the details relating to date of submission of PIP during 2005-07. Therefore it could not be verified if indeed there was a delay in approval of the PIPs.

#### **3.4.8.1 State's matching contribution**

As mentioned in paragraph 3.4.8, the programme expenditure was to be shared between the GOI and the State in the ratio of 85:15 from 2007-08. As against its share of Rs.6.20<sup>29</sup> crore, the State Government released only Rs. 25 lakh indicating low priority accorded to provision of health care facilities.

The SHS stated (September 2008) that the matching contribution was not made in full due to the delayed approval of PIP (July 2007) and the consequent difficulty in anticipating the required provision to be made in its budget. But the fact however, remains that the State's matching contribution fell short by 96 per cent.

#### **3.4.8.2 Untied funds and annual maintenance grant**

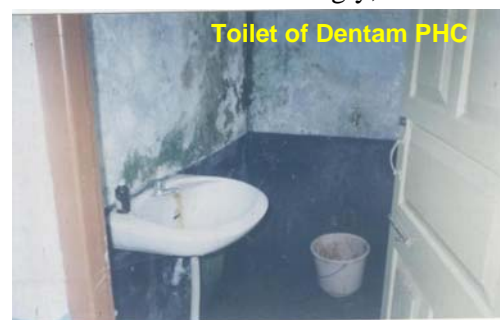
Every year untied fund at the rate of Rs. 10,000 to each VHSC and PHSC, Rs.25,000 to PHCs and Rs.50,000 to CHCs of the State was to be provided for undertaking nutrition, education and sanitation, environmental protection,

<sup>29</sup> 15 per cent of Rs.41.35 crore = Rs.6.20 crore

public health measures and community activities. Similarly, annual maintenance grant of Rs. 10,000, Rs. 50,000 and Rs. 1,00,000 was to be paid to the PHSCs, PHCs and CHCs respectively.

The following was observed in this regard:

- During 2005-06 and 2006-07 no untied fund was released to any of the 452 VHSCs in the State. However, an amount of Rs.45.90 lakh was released to VHSCs from December 2007 to March 2008.
- There are four CHCs, 24 PHCs and 147 SCs in the State. Accordingly,



untied grant of Rs. 68.10 lakh and annual maintenance grant of Rs. 92.10 lakh was required to be released during 2005-08. However, the SHS released untied grant of Rs. 33.50 lakh and annual maintenance grant of Rs. 12.75 lakh to CHCs, PHCs and PHSCs. Further, it would be seen from the photographs that if timely annual maintenance grants were released to CHCs and PHCs, proper up keep of facilities like kitchen, toilet etc. could have been done. Thus non-release of grant affected the objectives of the programme. The SHS stated (September 2008) that non-release of untied fund and maintenance grant was due to delayed formation of VHSC.

### 3.4.8.3 Delay in release of funds

Out of Rs. 53.97 crore released by the GOI during 2005-06 to 2007-08, Rs. 33.78 crore (63 per cent) was released at the fag end of the respective financial years. As per the programme guidelines, funds received from GOI should be released to the implementing authorities within 15 days of receipt. But the SHS released the amount to the executing authorities after delays ranging from 23 to 201 days. Delay in release of funds by the Central to the SHS and its release to the executing authorities created uncertainties in implementation of programme activities at the field level. The SHS stated (July 2008) that delay occurred due to non-receipt of funds from GOI on time and its subsequent reallocation to various major and minor heads. The reply ignores the fact that there was an unutilised balance at the end of each year with the SHS which could have been utilised for the programme after obtaining approval from the GOI.

## Programme Implementation

### 3.4.9 Infrastructure

#### 3.4.9.1 Establishment of health centres

Effective implementation of a programme for delivery of rural health care services depends upon proper planning for establishment of health centres and provision of requisite manpower and infrastructure. According to GOI norms for establishment of rural health centres in hilly and tribal areas, one SC, one PHC and one CHC are to be established for every 3,000, 20,000 and 80,000 population respectively. The position in the State in this regard is tabulated below:

**Table 3.4.2**

Institutions	Particulars	State	Districts			
			East	North	South	West
Population as per 2001 census		4,80,488	1,91,803	39,775	1,27,560	1,21,300
CHCs	Required	6	2	1	2	1
	Existed	4	1	1	1	1
	<b>Shortage (-) /Excess (+)</b>	<b>(-) 2</b>	<b>(-) 1</b>	<b>-</b>	<b>(-) 1</b>	<b>-</b>
PHCs	Required	24	10	2	7	6
	Existed	24	8	3	7	6
	<b>Shortage (-) /Excess (+)</b>	<b>-</b>	<b>(-) 2</b>	<b>(+) 1</b>	<b>-</b>	<b>-</b>
PHSCs	Required	160	64	13	46	40
	Existed	147	48	19	41	39
	<b>Shortage (-) /Excess (+)</b>	<b>(-) 13</b>	<b>(-) 16</b>	<b>(+) 6</b>	<b>(-) 5</b>	<b>(-) 1</b>

Source: Sikkim Health Information Bulletin, Sikkim 2005

It would be seen from the above that there was a shortage of PHSCs and DHs/CHCs in the State, especially in the East district affecting easy accessibility of health care to rural populace.

The SHS stated (September 2008) that there is no shortage of health centres in three districts<sup>30</sup> if the urban population is excluded from the total population. Reply is not tenable as only the rural population of 4,80,488 in the State has been taken into account in audit to arrive at the shortage.

#### 3.4.9.2 Non-commencement of construction works

Construction of CHCs/PHCs/PHSCs buildings and residential quarters costing Rs. 7.23 crore was approved by the GOI during 2007-08. However, construction of these works could not be taken up as of March 2008 for want of administrative approval, tendering etc. The main works where the construction had not commenced include conversion of two PHSCs into PHC at Bermoik and Hee-Gyathang, construction of residential quarters at East, West and South district<sup>31</sup> for doctors and staff. This affected health care

<sup>30</sup> East, West and South district

<sup>31</sup> East district: Pakyong, Samdong, West district: Rinchempong, Hee-Gaythang, Sombaria, Yuksom, South district: Namthang, Bermoik, Namthang

facilities like basic emergency obstetric care and sick neonatal and child care. The SHS accepted (July 2008) the audit observation.

#### **3.4.9.3 Non-utilisation of Mobile Medical Units (MMUs)**

In order to deliver health care facilities in rural areas of the State, National Programme Coordination Committee (NPCC) approved (December 2006) procurement of four Mobile Medical Units (MMU) at a cost of Rs. 2.72 crore. The SHS procured (April 2008) four MMUs equipped with the essential equipment at a cost of Rs. 1.92 crore. However, from the date of their receipt, the MMUs were lying unutilised due to non-availability of adequate and skilled manpower<sup>32</sup> for sonography and other supportive services. As a result, the targeted beneficiaries were deprived of the health care facilities at their doorsteps as intended in the programme guidelines.

The SHS stated (September 2008) that requisite manpower has been recruited and MMUs have been functional from August 2008.

#### **3.4.9.4 Upgradation of STNM hospital**

To augment the medical facilities of STNM hospital at Gangtok in terms of equipment/instruments under NRHM, a project amounting to Rs. 22.74 crore was prepared and submitted to the GOI (September 2006) for financial sanction. The GOI released Rs. 22.01 crore (Rs. 11.01 crore in March 2007 and Rs. 11 crore in March 2008). It was observed that Notice Inviting Tenders (NIT) was issued for but the purchase of medical equipment/instruments had not materialised as of March 2008 due to delay in finalisation of bid document and tender formalities. Thus, the objectives of the mission for providing health care facilities were not achieved. While accepting this, the SHS stated (September 2008) that tender formalities have since been completed and supply orders issued (August 2008).

### **3.4.10 Human infrastructure**

#### **3.4.10.1 Deployment of Manpower**

According to Indian Public Health Standards (IPHS), there should be four Medical Officers (MOs) and 19 para medical staff in each CHC, one MO and 12 para medical staff in each PHC and two Health Workers (one male and one female) in each PHSC. The actual deployment and shortfall vis-à-vis the requirement of manpower in DHs/ CHCs, PHCs and PHSCs of the three selected districts is shown in **Appendix-3.2**.

It would be seen from the Appendix that in the CHCs there was excess deployment of MOs and paramedical staff ranging from 125 to 550 *per cent* and 76 to 433 *per cent* respectively. This excess deployment resulted in under utilisation of MOs and paramedical staff. In two PHCs out of 24, there was excess deployment of MOs ranging from 100 to 300 *per cent*. In five PHCs, the shortfall in deployment of paramedical staff ranged between 7 and 71 *per cent*. In two PHSCs, there was 100 *per cent* excess deployment of health workers (Male and Female). This unequal deployment of paramedical staff led to irrational workload on the existing work force besides affecting the quality of work and service delivery relating to health care at the places where there

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<sup>32</sup> Two medical officers, one radiologist or one medical officer

was shortfall in deployment of staff. The SHS stated (September 2008) that redeployment would be made.

### 3.4.10.2 Deployment of Doctors and Nurses

Analysis revealed that deployment of doctors, para-medicals and others in PHSCs, PHCs and CHCs had no relation with that of total population, patients' turnout or even the identified cases as shown below:

**Table- 3.4.3**

Particulars	GOI norms*	Deployment ratio**				
		State as a whole	East	West	North	South
Population/Doctor	3,500	2018	1354	4402	2735	2989
Population/Nurse	5,000	2908	1929	5869	2931	5480
Population/ANM	1,000	1494	1467	1926	1578	1253
Population/Health Workers	3,000	2075	2188	1688	1001	1906
Population/Health Assistant	20,000	20404	17503	20543	13677	18789
Population/Lab Technician	10,000	10931	8751	12326	10257	11957

Source: Annual Report of 2007-08

\* One post catering to the designated population size.

\*\* Figures indicate the population catered to by one post.

It can be seen from the table above that there were wide inter-district variations in deployment of doctors, nurses, health workers etc. While East district had higher concentration of nurses (1929:1), South and West districts were deprived due to less deployment of nurses.

Further, test check of three CHCs and six PHCs also confirmed irrational deployment of nurses and ANMs as shown below:

**Table 3.4.4**

Name of the District	Name of the CHCs/PHCs	Requirement		Actually deployed		Excess (+) Shortfall(-)	
		SN	ANM	SN	ANM	SN	ANM
East	Singtam CHC	9	-	10	-	(+)1	-
	Machang	-	3	-	3	-	-
	Sang	-	3	-	3	-	-
West	Geyzing CHC	9	-	8	10	(-)1	(+)10
	Dentam	-	3	-	4	-	(+) 1
	Yuksam	-	3	-	-	-	(-) 3
South	Namchi CHC	9	-	23	47	(+)14	(+)47
	Yangang	-	3	-	4	-	(+)1
	Jorthang	-	3	-	5	-	(+)2
<b>Total</b>		<b>27</b>	<b>18</b>	<b>41</b>	<b>76</b>	<b>(+) 14</b>	<b>(+) 58</b>

Source: Figure furnished by the concerned health institution

It would be seen from the above table that 41 SNs and 76 ANMs were posted against the requirement of 27 SNs and 18 ANMs in three CHCs (three CHCs test checked out of four in the State) and six PHCs (six PHCs test checked out of twenty four in the State). The excess was more pronounced in CHC, Namchi (23 against nine SNs and 47 against nil ANMs) and followed by CHC Gyalshing (10 against nil ANMs). Thus, excess posting of 14 SNs and 58 ANMs resulted in extra outgo of Rs. 24.60 lakh per annum towards pay and allowances<sup>33</sup>. While admitting the excess deployment of ANMs, the SHS

<sup>33</sup> Calculated at the minimum of the pay scale: SN Rs.5000 plus DP, DA, HRA and SBHA =

stated (September 2008) that ANMs would be redeployed when sufficient SNs would be available in the State.

### 3.4.10.3 Periodical visits by doctors

According to IPHS, doctors of PHCs were required to visit each PHSCs at least once in a month. It was noticed during audit of 12 selected PHSCs that periodical visit of doctors was ranging between two and eight days in a year.

The Medical Officers in-charge stated (May 2008) that due to work load, regular visits could not be carried out. Reply is not tenable as assessment of the work load on PHCs revealed that the average number of outdoor patients per day in PHCs/CHCs ranged between 15 and 124<sup>34</sup> and average number of indoor patients per day was less than one in the PHCs (except Jorethang PHC). The MOs were not overburdened and thus due to their irregular visits, the rural people of 12 PHSCs were deprived of medical facilities.

### 3.4.11 Poor outturn of patients

The PHCs and CHCs were established to provide health care facilities to both indoor and outdoor patients. The position of indoor patients in the test checked PHCs and CHCs in three selected districts during 2005-08 is given below:

**Table 3.4.5**

Name of the district	Name of the Health Centres (No. of beds available)	Availability of beds in a year	No. of beds occupied by patients during 2005-08	Average no. of beds occupied	Percentage with reference to no. of beds available	Shortfall in utilisation with reference to column No. 3 (per centage)
1	2	3	4	5	6	7
East	Singtam CHC (100)	36500	37638	12546	34%	23954 (66)
	Machong PHC (10)	3650	546	182	5 %	3468 (95)
	Sang PHC (10)	3650	473	161	4 %	3489 (96)
West	Gayzing CHC (100)	36500	4225	1408	4 %	35092 (96)
	Dentam PHC (9)	3285	2362	787	24%	2498 (76)
	Yuksam PHC (10)	3650	1282	427	12%	3223(88)
South	Namchi CHC (100)	36500	90640	30213	83%	6287 (17)
	Jorthang PHC (10)	3650	5287	1762	48 %	1888 (52)
	Yangang PHC (8)	2920	1314	483	15%	2437 (85)

Source: Figure furnished by the concerned health institution

The position of outdoor patients in the test checked PHCs and CHCs in three selected districts during 2005-08 is given below:

Rs.12,600 X 14= Rs.1,76,400

ANM Rs.4300 plus DP, DA, HRA and SBHA = Rs.11,095 X 58 = Rs. 6,43,510

<sup>34</sup> Considering 282 days in a year. Wherein Jorthang PHC average number of outdoor patients were 73 and indoor patients six

**Table 3.4.6**

Name of the district	Name of the health Centre	No. of outdoor patients attended during 2005-08	Average no. of patients	
			In a year	In a day (considering 282 days in a year)
East	Singtam CHC	104041	34680	123
	Machong PHC	15748	5249	19
	Sang PHC	13542	4514	16
West	Gayzing CHC	63852	21284	75
	Dentam PHC	12960	4320	15
	Yuksam PHC	14039	4680	17
South	Namchi CHC	105310	35103	124
	Jorthang PHC	61460	20486	73
	Yangang PHC	19802	6600	23

Source: Figure furnished by the concerned health institution

It would be seen from the above table that the average number of outdoor patients in a day in the CHCs ranged between 75 and 124 and the average out-turn of outdoor patients in a day in the PHCs ranged between 15 and 73. Poor outturn of patients was due to non-availability of specialist doctors as pointed out in paragraph 3.4.10.2 in district hospitals except South district, absence of blood bank facilities, basic Emergency Obstetric & Neonatal Care in the PHCs, shortage of medicines, non-working X-ray machines (in Machong and Dentam PHCs) etc. Outturn was further affected by the absence of facilities required for patients suffering from cancer, nephrological problems, neuro-surgical disorders, MRI etc. for which 3542 patients out of 42,621 indoor patients i.e. 8.31 per cent was referred outside the State for their treatment during 2005-08 at the cost of Government expenses.

### **Procurement and utilisation of medicines**

#### **3.4.12 Procurement and distribution of drugs**

Basic information on the incidence of diseases in an area, number of patients treated (disease-wise) in a year are essential in assessing the requirement of medicines for a particular district or area. As per guidelines, all the PHSCs, PHCs and CHCs should have at least two months' medicines in their stock.

It was observed that after two years of implementation of the programme the SHS procured 154 items of required medicines worth Rs. 94 lakh during 2007-08. The medicines procured were distributed equally to STNM hospital (State Referral Hospital), Gangtok and all CHCs except 16 items of medicines without assessing their requirement. Due to equal distribution, medicines valuing Rs. 1.73 lakh not required in CHCs Singtam and Namchi remained unutilised. It was further seen that the requisite medicines were not available in the stock during 2005-08. Thus, the objective of the programme for providing basic medicines in time to the rural people could not be fully achieved. The SHS stated (September 2008) that supply of medicines is inadequate because the demand is more than the supply. The reply is a pointer towards lack of proper planning in assessment of requirement depriving the rural poor of health care facilities.

## **Communitisation**

### **3.4.13 Rogi Kalyan Samiti (RKS)/Hospital Management Committee (HMC) and Village Health Sanitation Committee (VHSC)**

The programme guidelines provided for formation of HMC/ RKS in all CHCs and PHCs for day-to-day management of the affairs of the hospital. No RKS/HMC was registered in any CHCs and PHCs as of February 2008. Further, to control and manage the public health infrastructure at PHC level, the VHSC with adequate representation to the disadvantaged sections of the society like women, SCs, STs, minority and OBCs was required to be formed in 452 villages of the test checked districts. However, only 427 VHSCs<sup>35</sup> were formed during 2007-08 in three test-checked districts.

### **3.4.14 Information, Education and Communication**

Information, Education and Communication (IEC) activities play a significant role in NRHM. To generate awareness among the masses about the preventive and curative aspects of health, IEC activities were to be implemented through various agencies like television, advertisements, film shows, distribution of printed materials, health melas, health check up camps etc. These activities were not carried out as envisaged because of inadequate coverage through the electronic media. Assessment/evaluation of impact of IEC activities was not conducted, though an expenditure of Rs. 64.30 lakh was incurred.

## **Convergence with other departments, non-government stakeholders**

### **3.4.15 Role of other departments, programmes and non-governmental organisations**

The programme seeks to improve outreach of health services for common people through convergent action involving all health sector interventions like Integrated Child Development Services (ICDS) Scheme, Mid Day Meal Scheme (MDMS), Total Sanitation Campaign (TSC) etc. Further, guidelines provide for involvement/association of Non-Governmental Organisations (NGOs) in implementation of various components of the programme. In three districts selected for test-check, neither NGOs nor any of the implementing departments of the above schemes were involved in the preparation of District Annual Plan. Three MNGOs<sup>36</sup> were engaged and paid Rs. 45 lakh<sup>37</sup> as grants-in-aid for providing health care services in remote areas of the State. However, neither any report relating to the healthcare facilities provided by the MNGOs nor inspection/evaluation report of activities of MNGOs was available with the SHS. Thus, the role of MNGOs in the implementation of the programme activities remained unassessed. The SHS stated (September 2008) that orientation workshop with the concerned NRHM line departments and MNGOs and PRIs was held in August 2007. It was further stated that health care activities of East and West districts were taken up by one MNGO<sup>38</sup>. The

<sup>35</sup> 154 in East Sikkim, 120 in South Sikkim and 153 in West Sikkim.

<sup>36</sup> Mother Non-Governmental Organisation (MNGO)

<sup>37</sup> East District Rs. 15 lakh in January 2007 and Rs. 6.50 lakh in December 2007, West District : Rs. 15 lakh in March 2007 and Rs. 6.50 lakh in November 2007, Rs. 1 lakh in South District and Rs. 1 lakh in North District.

<sup>38</sup> Voluntary Health Association of Sikkim (VHAS)



contention of the SHS is not satisfactory as the SHS failed to ascertain the follow up activities of the workshop. Further, health care activities of only six PHSCs of East and West districts were assigned to MNGO against 48 PHSCs in East district and 39 PHSCs in West district.

### **Implementation of components under NRHM**

#### **3.4.16 Reproductive and Child Health programme (RCH-II)**

The Reproductive & Child Health Programme was launched in 2005 as the principal vehicle for reducing Infant Mortality Rate (IMR), Maternal Mortality Rate (MMR) and Total Fertility Rate (TFR). It also includes upgradation of CHCs as first referral units for dealing with emergency obstetric care, 24x7 delivery services at PHCs, operationalising of sub-centres, multi-skilling of doctors, contractual appointment of Medical Officers and AMOs, training of Medical Officers in different streams, partnerships with voluntary organisations, RCH camps and accreditation of non-profit organisations and Information Education Communication (IEC) activities as the major interventions in reducing MMR.

The programme also envisaged involvement of ASHAs, Anganwadi workers and ANMs at the village level with focus on both preventive and promotional aspects of health care, accelerated immunisation programme, advocacy on age of marriage and against sex determination, spacing of births, institutional delivery, breast feeding, meeting unmet demands for contraception, besides providing a range of RCH services to have a positive impact on the health indicators as discussed below:

##### **3.4.16.1 Physical performance**

###### ***Demographic goals***

During 2005-08 Sikkim fared well in respect of general health indicators such as Infant Mortality Rate (IMR), Total Fertility Rate (TFR) etc. with reference to the targets set in NRHM. However, data regarding Maternal Mortality Maternal Rate (MMR) was not available with the State.

###### ***Immunisation coverage***

Under RCH-II, Universal Immunisation Programme (UIP) will continue to provide vaccines for Polio, Tetanus, DPT, DT, Measles etc. During 2005-08, the target of immunisation was not achieved in any of the years in respect of any activity except TT to be given at 10 years of age and vitamin dose. Further, there were shortfalls in achievements against the targets of supply of Vitamin 'A' solution by 47 and 29 per cent during 2006-07 and 2007-08 respectively.

###### ***IFA tablets (Mother)***

During the years 2006-07 and 2007-08, the shortfalls in achievements with reference to targets for IFA tablets (Mother) fell short by 37 to 59 per cent respectively. The SHS stated (September 2008) that the shortfall in achievement was due to change of policy in supply of IFA tablets and its inadequate supply from GOI in 2007-08. The fact however, remains that though supply of IFA tablets was one of the essential ingredients of RCH programme, the same could not be supplied in the State.

**Vasectomy, laparoscopic tubectomy, Intra Uterine Device (IUD), Oral Pills Users (OPU)**

There was shortfall in achievements against targets fixed for 2005-08 under vasectomy, laparoscopic tubectomy, IUD and OPU in almost all the years ranging from three to 47 per cent.

The Department stated (September 2008) that the targets under these components can not be seen in isolation and has to depend on the choice of the user beneficiaries. While it is true that the method of contraception will depend on the individual choice of persons, the targets for various components should have been fixed after taking all this into account.

**3.4.16.2 Status of institutional deliveries (child birth)**

The programme envisaged priority of institutional deliveries for reducing maternal and child deaths. During test check of three CHCs, it was seen that institutional deliveries ranged from 69 to 79 per cent, 33 to 49 per cent and 48 to 53 per cent in East, West and South districts respectively, as shown below:

**Table 3.4.7**

Component	East			West			South		
	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08	2005-06	2006-07	2007-08
Total deliveries	475	481	490	2021	2002	2168	2360	2426	2013
Domiciliary deliveries	148 (31)	130 (27)	102 (21)	1395 (69)	1286 (64)	1114 (51)	1232 (52)	1184 (48)	946 (47)
Institutional deliveries	327 (69)	351 (73)	388 (79)	686 (31)	716 (36)	1054 (49)	1128 (48)	1242 (51)	1067 (53)

Source: Information furnished by CHCs.  
 Figures in brackets represent percentage

It is clear from the table that institutional deliveries in West and North are very low compared to East district indicating that SHS failed to motivate the rural population in these two districts. This was accentuated by the absence of basic Emergency Obstetric & Neonatal Care (BEmOC) in the PHCs and effective awareness campaign in the rural areas.

**3.4.16.3 Training**

Under NRHM, training programmes were to be strengthened to ensure skill upgradation of health functionaries. Training proposal was submitted through PIPs by the SHS to GOI for conducting training in various fields and an amount of Rs. 46 lakh was received during 2005-08 for the purpose. It was seen that against the expenditure of Rs. 8.55 lakh, records relating to name of the training courses conducted, place of training, period of training, name of the faculty members, number of persons trained, attendance register of the trainees and feedback from the trainees as to the usefulness of the training programmes for expenditure of only Rs. 2.30 lakh could be produced to Audit. In the absence of documents the expenditure of Rs. 6.25 lakh recorded in the books of accounts could not be vouched in Audit.

### 3.4.16.4 Organising Health days to increase health care services

The SHS neither fixed any target nor organised any health days during 2005-06 and 2006-07 for creating awareness of health care services amongst the rural population. The achievement of health and nutrition days against the targets set by the SHS during 2007-08 are given below:

**Table 3.4.8**

Name of the district	Year	No of health days organised		Excess(+) Shortfall (-)	Percentage of Excess(+)/ Shortfall (-)
		Target	Achievement		
East	2007-08	2907	1191	(-) 1716	(-) 59
West	2007-08	1080	1080	-	-
South	2007-08	1836	1530	(-) 306	(-) 17

Source: Figure furnished by the SHS

It would be seen from the above table that achievements in organising of health days fell short by 17 to 59 per cent. Thus, due to failure in organising health days in the PHSCs, (Anganwadi Centre) a large part of the rural population remained unaware of health care services. The SHS stated (September 2008) that other health camps and IEC activities covering all the villages had been organised in all the 24 PHCs. But the Department could not show any documentary evidence in support of this claim.

### 3.4.17 National Disease Control Programme

Performance review of the implementation of various National Disease Control Programmes (NDCP) revealed that the achievement of the Department is fairly good in the areas of Revised National Tuberculosis Control Programme (RNTCP) and National Leprosy Eradication Programme (NLEP). Diseases like Kala Azar, Filaria/Microfilaria, Dengue etc. under NVBDCP were not found in the State. Findings in respect of National Blindness Control Programme (NBCP) and Integrated Disease Surveillance Programme (IDSP) are given below:

#### 3.4.17.1 Financial performance

The grants received from GOI and expenditure incurred thereagainst during 2005-06 to 2007-08 is given in **Appendix-3.3**.

It would be seen from Appendix that unspent balance at the end of 2005-08 was Rs. 2.25 crore against grants of Rs. 4.85 crore<sup>39</sup> received during three years period ended March 2008. Thus, timely health care facilities were not extended to the rural populace. The SHS stated (September 2008) that the funds for the programme provided under NPCB could not be utilised due to their late receipt from GOI.

<sup>39</sup> Opening Balance for the year 2005-06 of Rs. 32.59 lakh is included in the figure.

### 3.4.18 Physical performance

#### National Programme for control of Blindness

##### 3.4.18.1 Shortfall in Cataract surgery

The achievement against targets fixed under NBCP is given below:

**Table 3.4.9**

Year	Target	Achievement	Shortfall
2005-06	500	351	149 (30)
2006-07	500	366	134 (27)
2007-08	600	402	198 (33)
<b>Total:</b>	<b>1600</b>	<b>1119</b>	<b>481 (30)</b>

Source: Figure furnished by the SHS

Cataract surgery being solely dependant upon the incidence of cataract, fixing targets for it without assessment of the number of persons requiring the same was not realistic. Fixing the targets without assessing the requirement coupled with non-establishment of a full fledged ophthalmic unit resulted in shortfalls in achievement ranging from 27 to 33 *per cent* during the period 2005-06 to 2007-08.

#### 3.4.19 Management Information System

Under NRHM, Integrated Disease Surveillance Programme (IDSP) and Routine Immunisation Monitoring System Software (RIMSS) was prescribed by GOI for surveillance and reporting system of diseases. Audit findings in respect of implementation of these aspects are enumerated below:

➤ **Integrated Disease Surveillance Programme:** IDSP is a decentralised surveillance programme to cover the entire country in a phased manner. Sikkim has been included in Phase III, which started from April 2006. The main objectives of the programme are to:

- (i) Establish a decentralised district-based surveillance system for communicable and non-communicable diseases so that timely and effective public health action can be initiated in response to health challenges in the urban and rural areas and
- (ii) Integrate existing surveillance activities to avoid duplication and facilitate sharing of information across all disease control programmes.

The GOI released Rs. 62.80 lakh during 2005-08 for the programme. An amount of Rs. 9.90 lakh was spent mainly for purchase of furniture and fixtures, laboratory equipment and renovation of Malaria office at Singtam and Rs. 15.93 lakh was spent on IEC activities, civil works, purchase of office equipment and furniture and operational cost. Out of the balance Rs. 36.97 lakh, Rs. 13.72 lakh was released in August 2007 to four Chief Medical Officers of the districts for implementation of the programme. However, no work regarding surveillance was done as of March 2008. Besides, Rs. 23.25 lakh remained unutilised with Project Office, IDSP, Gangtok. Thus, surveillance to ascertain diseases, if any, and timely action for containing them could not be taken up. The Programme Officer, IDSP stated (July 2008) that surveillance work could not be started earlier as there was no infrastructure and manpower to do the same.

- **Routine Immunisation Monitoring System Software:** The programme envisaged development and implementation of RIMSS and establishment of a computerised network at CHCs, PHCs, PHSCs and SHS with a view to enhance the standard of reporting and effective supervision and monitoring. The SHS purchased nine laptops, eight desktop computers and three printers at a cost of Rs. 11.55 lakh. The laptops were issued to programme officers. The desktops were installed at Headquarters office, CHCs, and PHCs. However online connectivity between Headquarters, CHCs, and PHCs is yet to be provided. Further, RIMSS could not be developed by the SHS. Thus, the objective of the MIS to enhance reporting was not fulfilled. The SHS stated (September 2008) that the RIMSS was not implemented properly because there was problem with the software which could not be operated.

### 3.4.20 Monitoring and evaluation

The guidelines provided for conducting periodical evaluation studies of the implementation of the scheme by the Centre and States through reputed institutions<sup>40</sup>, visit of supervision teams constituted by the National Mission in partnership with State Steering Group twice a year for quality assessment and the Planning, Monitoring and Evaluation Cell (PME) to monitor the activities of health care and evaluate the work done by the State Health Society. No evaluation studies had been conducted by any agency to ascertain the impact of the programme and desired outputs as envisaged under the programme. While accepting the fact the SHS stated (September 2008) that monitoring and evaluation would be undertaken from 2008-09.

As per the Memorandum of Understanding (MoU), a review meeting between Ministry of Health & Family Welfare (MoHFW) and the State of Sikkim, was required to be held six monthly/annually. Only one meeting was held (22 September 2007) during 2005-08. Similarly, the meeting of the Governing Body was required to be held at least twice a year and that of Executive Committee at least once in each quarter of the year. However, it was noticed that against the required six and 12 meetings of the Governing Body and Executive Committee, only two meetings of the Executive Committee were held (18 April and 12 October 2007) during the above period. The SHS stated (July 2008) that the meetings could not be held due to other ongoing activities and meetings at state and district level. The contention is not tenable as conducting of meetings was essential to monitor the achievement of goals under NRHM.

### 3.4.21 Conclusion

The State performed well in the areas of demographic goals (infant mortality rate, total fertility rate etc.) and implementation of National Disease Control Programmes. It was however found deficient in programme management resulting in huge unspent balances during all the years under review. Many of the communitisation activities like decentralised planning through formation of VHSC, RKS, DHAP, flexible funding by release of untied funds and annual maintenance grant to VHSCs, PHSCs, PHCs and CHCs were belatedly taken

<sup>40</sup> Institute of Public Auditors of India, IIMs, International Population Research

up. Health care facilities to rural population were affected due to shortage of specialists and irrational deployment of doctors and nurses. Lack of training of medical and para-medical personnel, absence of timely issue of medicines further compounded the lacunae in extending the health care facilities. Surveillance and reporting system of diseases and immunisation were not made functional. While the progress of civil works relating to the health infrastructure was very slow, upgradation of equipment in STNM hospital had not commenced. Monitoring and evaluation of the scheme was never conducted to gauge its success.

#### **3.4.22 Recommendations**

- Planning should follow a bottom-up approach and community involvement should be ensured in the planning process;
- Household and facility surveys at village, block and district levels need to be conducted at regular intervals and gaps in health care services should be identified and appropriate corrective action taken;
- The State Government should ensure rational deployment of manpower;
- Awareness should be created among the public to ensure accountability at various levels; and
- Monitoring and supervision of the Mission activities should be strengthened by establishing monitoring and planning committees at all levels as envisaged in the Mission Guidelines.