CHAPTER-III

PERFORMANCE AUDITS

AGRICULTURE AND HORTICULTURE DEPARTMENTS

3.1 Development of major crops in Sikkim

Highlights

A review of development of major crops during the period 1999-2004 revealed deficient budgetary and financial management leading to persistent savings, disproportionately high establishment costs, poor implementation of various schemes, gap in technology dissemination and non-realisation of revenue on distribution of agricultural inputs. Despite substantial financial support and technological intervention by the Government, productivity registered a declining trend and the area under cultivation also remained more or less static, suggesting that efforts of the Department over the years were yet to yield desired results in the form of enhanced productivity or increase in the area under cultivation.

Poor programme management led to persistent savings ranging between 15 and 44 *per cent* aggregating Rs. 30.19 crore during 1999-2004 under Plan schemes.

(Paragraph 3.1.6)

Department incurred a disproportionately high establishment expenditure hovering around 73 *per cent* as against the norm of 7.5 to 16.5 *per cent.*

(Paragraph 3.1.7)

Substantial financial support and technological intervention by the Department over the last five years involving expenditure of Rs. 117.92 crore did not yield desired results in the form of enhanced productivity or increase in the area under cultivation.

(Paragraph 3.1.10)

Coverage of High Yielding Varieties of rice, wheat and maize declined from 30,050 ha in 1999-2000 to 20,313 ha in 2003-04, despite spending Rs. 67.67 crore.

(Paragraph 3.1.12)

Replacement of varieties of rice, barley, jawar, bajra and small millet was not achieved even after expenditure of Rs. 2.38 crore under Integrated Cereal Development Programme as the seeds were not distributed.

(Paragraph 3.1.24)

Despite restriction in National Pulses Development Programme, Department procured 68.95 quintals of certified seeds valuing Rs. 1.11 crore for distribution to farmers.

(Paragraph 3.1.25)

Introduction

3.1.1 Agriculture Department is responsible for increasing agricultural production to meet the increasing demand, through dissemination of scientific knowledge, ensuring availability of quality seeds, fertilisers and other related inputs to the farmers. To attain this goal, the Department implemented various programmes/schemes for development of crops by promoting the latest technology in high yielding varieties of seeds and educating the farmers on optimum farming techniques through demonstration and distribution of mini-kits, seeds and fertilisers etc.

Organisational set-up

3.1.2 The overall responsibility of planning, implementing and monitoring the financial and physical progress relating to 'Development of Crops', both in Agriculture and Horticulture sector in the State is vested with the Secretary, Agriculture and Horticulture Department, who is assisted by Principal Directors (2), Directors (4), Additional Directors(6), Additional Secretary/Deputy Secretary (1), Deputy Director(Accounts) and Accounts Officer in the head office and by Joint Directors (12), Deputy directors (26) in the district offices beside other field staff.

Audit Coverage

3.1.3 A review of various programmes/schemes relating to 'Development of Major Crops' for the period 1999-2004 was conducted during February 2004 and April 2004, with reference to the records maintained by the Secretary, Agriculture and Horticulture Department and in all the four districts of the State.

Financial management

3.1.4 The budget provision and expenditure relating to 'Development of Major Crops' in Agriculture and Horticulture Department for the period 1999-2004 were as under:

Table – 3.1

(Rupees in crore)

Year	Grant			Actual Expenditure	Savings	Surrender
	Original	Supplementary	Total			
1999-2000	21.56	3.86	25.42	22.98	2.44(10)	1.00
2000-01	31.31	2.94	34.25	23.87	10.38(30)	8.84
2001-02	29.02	0.79	29.81	24.13	5.68(19)	4.31
2002-03	31.01	1.08	32.09	23.58	8.51(27)	7.44
2003-04	26.31	0.22	26.53	23.35	3.18(12)	2.72
Total	**139.21**	**8.89**	**148.10**	**117.91**	**30.19**	**24.31**

Source: Detailed Appropriation Accounts.
Figures in brackets represent percentage.

Scrutiny in Audit revealed persistent savings, high establishment cost, non-submission of detailed contingent bills etc. as indicated in the succeeding paragraphs.

Unnecessary supplementary provision

3.1.5 Supplementary provisions of Rs. 5.03 crore obtained during 2000-2004 were unnecessary as there were substantial savings of Rs. 27.75 crore and the expenditure during any of the above years did not come up even to the original provision. Similarly, the amount of Rs. 3.86 crore obtained as supplementary provision during 1999-2000 was in excess of actual requirement as there was an ultimate saving of Rs. 2.44 crore. These cases indicate that the need for supplementary provisions was not closely examined by the spending department or the Finance Department.

While accepting the observation, the Department intimated (September 2004) that the supplementary provisions were surrendered due to non-receipt of funds from Government of India for Centrally sponsored schemes.

Poor programme management leading to persistent savings

3.1.6 There were persistent savings during the period 1999-2004 ranging between 15 and 44 *per cent* primarily attributed to non-receipt of funds from Government of India for Centrally sponsored schemes. It was seen in Audit that entire savings of Rs. 30.19 crore upto 2003-04 were on the Plan side and surrenders were also from Plan outlays. The details are given below:

Table – 3.2

(Rupees in crore)

Year	Grant		Expenditure		Savings (-)/ Excess (+)	
	Plan	Non-plan	Plan	Non-plan	Plan	Non-plan
1999-2000	15.67	9.75	13.37	9.61	(-) 2.30 (15)	(-) 0.14
2000-01	25.68	8.57	14.46	9.41	(-) 11.22 (44)	(+) 0.84
2001-02	20.47	9.34	12.91	11.22	(-) 7.56 (37)	(+) 1.88
2002-03	23.58	8.51	13.28	10.31	(-) 10.30 (44)	(+) 1.79
2003-04	16.75	9.78	13.65	9.70	(-) 3.10 (18)	(-) 0.08
Total	**102.15**	**45.95**	**67.67**	**50.25**	**(-) 34.48 (34)**	**(+) 4.29**

Source: Detailed Appropriation Accounts.
Figure in brackets represent percentage.

The Department contended (September 2004) that there were no shortcomings in programme management as the programmes were implemented on the basis of receipt of funds from Government of India for Centrally sponsored schemes. The persistent savings indicated the Department's inability to interact appropriately with Government of India for release of the required amount of funds in time.

High establishment cost

3.1.7 According to the manpower management and planning norms prescribed by Government of India, establishment expenditure should be between 7.5 *per cent* and 16.5 *per cent* of total expenditure. It was noticed that establishment expenditure hovered around 73 *per cent* of total expenditure in the scheme under review.

While accepting the fact, the Department intimated (September 2004) that high establishment cost was due to upward revision of wages and non-feasibility of reducing cadre strength.

Non-submission of detailed contingent bills

3.1.8 Finance Department circular dated 12 December 1983 which was reiterated in September 1996 stipulated that at the time of drawal of amount under abstract contingent bills, the Drawing and Disbursing Officer must certify that detailed contingent bills for all abstract contingent bills drawn more than three months ago have been submitted to the Accountant General by the controlling officer of each department nominated for the purpose. A test check of records revealed that huge amounts of advances were drawn by the Department without submitting the detailed contingent bills for the earlier advances to the Accountant General. Consequently, a sum of Rs. 1.31 crore remained unadjusted at the end of 2003-04. Non-submission of detailed bills in time is fraught with the risk of diversion of funds from the intended purpose, and possible misappropriation and fraud.

Impact on productivity and area under cultivation

3.1.9 Sikkim became the 22nd State of the Indian Union in April 1975. It has net cultivable area of 79,000 hectares (11.13 *per cent*) with 64 *per cent* of the people directly or indirectly dependent upon land resources for their livelihood. There have been substantial investment and expenditure by the Government of Sikkim and the Government of India towards development of crops in Sikkim during the period 1999-2004 to make the State self-reliant in production of food grains.

Scrutiny in Audit revealed that despite substantial investment, the desired impact in the form of enhanced productivity or increase in the area under cultivation was not achieved, as indicated below.

No impact on agricultural productivity

3.1.10 A check of the data on productivity and area under cultivation of agricultural produce of major crops revealed that neither had the area under cultivation nor productivity increased during the period covered under review as can be seen from following table:

Table-3.3

(Area in'000 hectare, production in'000 MT, yield in kg per hectare)

Crops	Particulars	Year				
		1999-2000	2000-01	2001-02	2002-03	2003-04
Rice	Area	15.90	15.22	14.90	14.79	14.74
	Production	23.44	21.36	21.37	18.33	21.19
	Yield	1,473	1,403	1,434	1,239	1,438
Maize	Area	39.40	39.90	40.11	39.44	36.70
	Production	52.83	59.61	57.01	45.96	57.25
	Yield	1,341	1,494	1,421	1,165	1,554
Wheat	Area	8.10	7.22	6.70	6.33	5.74
	Production	12.85	10.10	9.19	8.75	8.09
	Yield	1,586	1,400	1,372	1,382	1,409
Mustard	Area	5.76	5.76	5.80	5.37	6.00
	Production	4.16	3.94	3.79	3.70	4.20
	Yield	723	684	654	690	700
Soyabean	Area	4.15	4.15	4.15	3.88	3.89
	Production	3.41	3.41	3.31	2.99	3.21
	Yield	821	822	799	771	825

Source: Annual Reports of the Department.

It would be seen from above that yield per hectare declined in 2002-03 for rice, maize, wheat, mustard and soybean by 16, 13, 13, 5 and 6 *per cent* respectively compared to 1999-2000. Similarly, production in absolute terms also fell from 23,439 to 21,190 MT for rice and from 3,407 to 3,210 MT for soyabean during the 1999-2004, recording a decline of 10 and 6 *per cent* respectively. The area under cultivation also came down for all the above crops except mustard. Thus, there was little improvement, either in agricultural productivity or in the area brought under cultivation during the last five years despite an expenditure of Rs. 117.92 crore by the Department.

Reply of the Department (September 2004) that area under various crops vary due to choice of crops by the farmers and fluctuation in productivity is due to climatic factor is not acceptable as area under cultivation remained almost static over the review period. Similarly, productivity also had registered a declining trend except for maize and mustard during the last five years.

Substantial shortfall in production

3.1.11 It was further noticed that not only did the productivity of crops decline over the period of last five years but the Department could not achieve the production as per norms.

Table- 3.4

(Quantity in '000 MT, Rupees in crore)

Crops	Production		Shortfall	
	As per norms	Actual	Quantity	Value
Rice	191.04	105.69	85.35 (45)	47.93
Maize	395.69	272.66	123.03 (31)	72.10
Soyabean	19.53	16.33	3.20 (16)	10.42
Total				**130.45**

Source: Trainer's manual issued by Department.
Figures in brackets represent percentage.

Shortfall in production amounting to Rs. 130.45 crore[#] was indicative of the fact that financial support and technology transfer efforts by the Department over the years did not yield the desired result in the form of enhanced productivity.
Contention (September 2004) of the Department that productivity in the farmers' fields would obviously be less than what is reflected in the trainer's manual as the farmers can not manage the desired quantity of inputs in time due to financial constraints, is not acceptable as the shortfall was large, ranging between 16 and 45 *per cent* which was far below the norms.

Decline in coverage of high yielding crop varieties

3.1.12 One of the prime objectives of the Department was enhancement of coverage of high yielding varieties (HYV) year after year. However, it was seen that the total as well as crop-wise coverage of HYV declined from 30,050 hectare in 1999-2000 to 20,313 hectare during 2003-04 in case of three major crops of rice, wheat and maize, as detailed below:

Table – 3.5

(Area in hectare)

Year	Crop	Districts				Total area	
		East	West	North	South	Crop-wise	Overall
1999-2000	Rice	2,400	2,220	580	860	6,060	30,050
	Wheat	2,490	2,500	990	1,940	7,920	
	Maize	3,930	5,510	1,200	5,430	16,070	
2000-01	Rice	2,580	2,320	580	1,000	6,480	28,472
	Wheat	1,740	1,240	1,010	1,940	5,930	
	Maize	3,728	5,579	1,260	5,495	16,062	
2001-02	Rice	2,500	2,190	570	1,070	6,330	27,037
	Wheat	2,000	2,007	840	1,480	6,327	
	Maize	3,400	5,340	1,210	4,430	14,380	
2002-03	Rice	2,150	1,900	570	970	5,590	26,698
	Wheat	1,980	1,928	840	1,480	6,228	
	Maize	2,900	5,370	1,210	5,400	14,880	
2003-04	Rice	Nil	1,200	570	980	2,750	20,313
	Wheat	589	1,928	840	1,480	4,837	
	Maize	2,362	3,750	1,210	5,405	12,727	

Source: Annual Reports of the Department.

[#] *Calculated on the basis of sale price of 1999-2000 (the seeds sold as grain)*

Thus, there was gross failure in enhancing the coverage of high yielding varieties despite spending Rs. 67.67 crore during the period under review.
In reply, the Department stated (September 2004) that the figure of area coverage reflected in the table pertains to HYV seeds distributed by the Department only and did not take into account the area covered by farmers. The reply was not correct as the Department catered to only a part of the total area under HYV coverage that has been shown in table 3.5.The area for which seeds were distributed by the Department have been shown in ***Appendix-XIV***

Programme implementation

3.1.13 Technology transfer and availability of quality seeds and fertilisers at subsidised rate are critical inputs to enhance productivity in making the State self-reliant in agricultural production. Keeping this in view, the Department has been investing funds in purchase and supply of quality seeds and fertilisers at subsidised rates through various programmes for progressive use by the farmers. It was noticed during the course of review that deficiencies in programme implementation like gap in technology dissemination and shortfall in certified seed production were factors contributing to the non-achievement of the programme objectives.

A. Seeds

Gap in technology dissemination

3.1.14 Government of India announced (1988) a seed policy to secure high quality seeds of various crops available anywhere in the world to maximise the yield and enable the farmers to increase their farm income. Subsequent to this, while circulating individual scheme guidelines, Government of India stressed that seed varieties older than 10 years should not be used by the farmers and announced, as a deterrent measure, that failure to do so will invite non-release of financial assistance. In Sikkim, the Department procured paddy (PD-10), wheat (sonali/ sonalika), maize (pro-agro), potato (Kufri Jyoti) and soyabean (PK-1042) seeds for Rs. 9.86 crore and distributed them to the farmers during the period 1999-2004. These varieties were found to be more than 10 years old and, thus, not permissible as per the Government of India stipulation. Procurement and use of more than 10 years old varieties could be one of the reasons for not attaining the envisaged maximum yield of various crops.
While accepting the fact that the Sonalika and Sonali wheat seeds were more than 10 years old, the Department informed (September 2004) that the other seeds mentioned above were replacement of old varieties.

Shortage of certified seeds production

3.1.15 The seed policy of the State Government stipulated growing of seeds in the State in such a manner as to make the State self-reliant. It was noticed that production of certified seeds in the State fell short by 57 to 97 *per cent* of seed requirements during 1999-2004 as detailed below:

Table –3.6

(Quantity in quintals)

Crops	Seeds			Shortfall in production (in percentage)
	Procured	Produced	Total	
Paddy	1,784.99	659.10	2,444.09	73
Wheat	10,382.94	382.02	10,764.96	96
Maize	968.57	709.91	1,678.48	57
Mustard	1,217.88	40.16	1,258.04	97

Source: Annual Reports of the Department.

Thus, despite spending Rs. 58.82 lakh towards production of certified seeds, the Department was far behind in production of seeds to make the State self- reliant. The shortfall in seed production, which makes the State dependent upon other States for import of seeds at a high cost, year after year, was also pointed out in the CAG's Audit Report in 1990-91 on which the Public Accounts Committee recommended (March 1999) that all out efforts should be made to achieve the targeted production of seeds. However, till date, the position had not improved. Persistent shortfall in production of seeds indicated the Department's failure to initiate suitable steps to make the State self-reliant.

In reply, the Department informed (September 2004) that shortage was due to non-availability of foundation seeds in time and reduction of area under Government farms.

Wasteful expenditure on Seed Village Programme

3.1.16 Government of India approved Seed Village Programme under Oilseeds Production Programme (OPP) and National Pulses Development Programme (NPDP) to meet the demand for certified seeds locally and to ensure timely availability of seeds. Agriculture Department was to identify the fields in which certified seeds could be produced. Only progressive farmers with adequate infrastructure were to be involved in production of certified seeds under the programme. An assistance of Rs. 500 per quintal on certified seeds produced by the farmers was provided. Despite the anticipated production and the financial incentive offered there was no contribution of certified seeds from seed villages during 1999 to 2004. The Department had, thus, failed in its objective to make the State self-reliant in meeting its seed requirement.

B. Fertiliser

Excess Consumption of fertiliser in demonstration programme

3.1.17 Recommended doses of fertilisers are to be used for demonstration purposes to obtain maximum possible yield in the most economical manner. For this, 45 kg/ha each of urea and muriate of potash (MOP) is recommended for rice, millet, wheat, maize and 11kg/ha and 33kg/ha of urea and MOP respectively for buck wheat. Similarly, 90kg/ha of Di Ammonium Phosphate (DAP) for rice, wheat, maize and 85kg/ha for buck wheat is recommended. Test check of consumption of fertiliser in demonstration programme during 2001-03 revealed that the Department incurred excess expenditure of Rs. 34.96 lakh due to procurement and use of more fertilisers than required for demonstration, as detailed below:

Table-3.7

(Quantities in MT, Rupees in lakh)

Year	Urea			MOP			DAP			Excess Exp[ℜ]
	Purchased	Reqd.	Excess	Purchased	Reqd.	Excess	Purchased	Reqd.	Excess	
2001-02	302	84	218	99.15	87	12.15	254	177	77	19.63
2002-03	197.7	57	140.7	119.9	60	59.9	172.78	122	50.78	15.33
Total	**499.7**	**141**	**358.7**	**219.05**	**147**	**72.05**	**426.78**	**299**	**127.78**	**34.96**

Source: (i) Trainer's manual of the Department and
(ii) Administrative Report of the Department.

In reply (September 2004), the Department stated that the actual utilisation was far less as compared to the recommended doses of urea, DAP and MOP at 96 kg/ha, 87 kg/ha and 50 kg/ha respectively for rice. Similarly, for other crops also recommended doses are far more than the actual consumption. Reply of the Department is incorrect as the recommended doses of fertilisers were reckoned from the Trainer's manual issued by the Department. Further, Department's circular (3 November 2000) issued to field functionaries for demonstration purpose also stipulated requirement[•] of fertilisers which was even below the requirement reflected in the Trainer's manual.

Scheme implementation

3.1.18 Out of 17 Centrally sponsored schemes implemented by the Department, Audit conducted a test check of seven schemes[2] and the results are indicated in the succeeding paragraphs.

A. Demonstration of certified seeds

3.1.19 Demonstration is a tool for effective dissemination of improved technologies evolved through research, in respect of use of recommended dose of fertilisers, weed control and plant protection measures - all tailored for local conditions and also rhizobium culture which helps in the fixation of free nitrogen from the atmosphere and increases the production of various crops. Scientists and

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(Rupees/MT)

Product	MRP from 1.4.97 to 28.02.00	MRP from 29.02.00	MRP from 28.02.02
DAP	8,870	9,926	10,088
MOP	4,163	4,802	4,802
Urea	4,274	5,125	5,208

• *Urea & MOP=32 Kg. per hectare for rice, wheat, maize*
DAP = 64 Kg per hectare for rice, wheat, maize.

[2] *National Pulses Development Programme (NPDP), Integrated Cereal Development Programme (ICDP), Oil Seed Production Programme (OPP), Establishment of Agency for reporting Agricultural Statistics (EARAS), Accelerated Maize Development Programme, Macro management in Agriculture, National Wasteland Development Programme for Rain fed Area*

extension functionaries were expected to closely supervise these demonstrations, results of which were to be compiled by executing agencies to assess the impact.
Department incurred Rs. 2.77 crore in demonstration of certified seeds during 1999-04 in NPDP, ICDP, OPP, AMDP and macro management schemes. The following shortcomings were noticed in execution of the demonstration programmes in the State.

Piece meal approach of the Department in Demonstration Programmes

3.1.20 For successful demonstration and to obtain optimum result, seeds and all other basic inputs like fertilisers, pesticides, weedicides etc., are required to be supplied. However, the Department adopted a piece meal approach. In 64 Blocks, the Department distributed inputs worth Rs. 2.77 crore during 1999-2004 for two schemes* , without providing seeds for demonstrations. In one case, only seeds were distributed without other inputs, thereby vitiating the demonstrations. The details regarding periodical inspection of the plots by designated officers and the technical advice rendered to the farmers and their compliance or otherwise, fertiliser and pest control measures adopted, yield obtained etc were not documented and kept on record.

Impermissible use of chemical fertilisers

3.1.21 Though the demonstration in ICDP was to be conducted on use of new variety of micronutrients, bio fertiliser and green manures only, the Department procured 256 MT of chemical fertiliser valuing Rs. 12.36 lakh, which was not permissible as per the guidelines.
Contention of the Department (September 2004) that the demonstration can not be conducted without chemical fertilisers and accordingly the same were used as supplementary input is not acceptable in view of the prohibition in the scheme guidelines.

No impact of demonstration in oil seeds

3.1.22 In spite of considerable expenditure of Rs. 1.53 crore towards demonstration in OPP during the period 1999-2004, production of oil seeds decreased from 7,605MT (yield-761 Kg/ha) during the year 1999-2000 to 6,733MT (yield- 722 kg/ha) as against the national average of 1,126kg/ha. This was indicative of the fact that the demonstration exercise did not yield desired result.
Contention (September 2004) of the Department that the national average of yield cannot be equated with that of Sikkim due to different climatic condition is not tenable as the average yield of the State compared quite poorly (64 *per cent*) with that of all India average.

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* *NPDP and OPP*

B. Integrated Pest Management Demonstration

Ineffective demonstration in Accelerated Maize Development Programme (AMDP)

3.1.23 As per the pattern of assistance for the AMDP scheme, the demonstration programme would be implemented @ Rs. 1,000 per acre and Integrated Pest Management (IPM) demonstration would be @ Rs. 6,000 per 40 ha each or the entire village. In spite of demonstration expenditure Rs. 78.61 lakh incurred during the period 1999 – 2000, production increased only marginally from 1,341 kg/ha to 1,554.50 kg/ha as compared to the national average yield of 1,721 kg/ha. This indicated that the demonstration exercise conducted at an expenditure of Rs. 78.61 lakh has not fully yielded the desired result.

C. Distribution of seeds, mini kits etc.

Variety replacement not achieved

3.1.24 As against the ICDP norm of distribution of different varieties of rice, wheat, barley, jawar, bajra and small millet, only wheat seeds were distributed in 64 blocks at a cost of Rs. 2.38 crore, which not only restricted the growth of other crops but also defeated the objective of variety replacement of new germplasma for different crops.

In reply (September 2004), the Department stated that jowar, bajra and millet were not taken up in the programme as the first two are not grown in Sikkim and for the third the locally grown variety is most suitable. The reply reinforces the Audit observation that the variety replacement, as contemplated in scheme guidelines, was not achieved although the other crops like rice and barley are cultivated in Sikkim.

Purchase of certified seeds for propagation

3.1.25 According to the pattern of expenditure of National Pulses Development Programme (NPDP), the Department should purchase breeder seeds and manipulate the same either in the farmer's field or in the Government farms for production of foundation seeds and certified seeds. In spite of the fact that the scheme guidelines nowhere stipulate purchase of seeds for distribution under this component, the Department procured and distributed 68.95 quintal of seeds from the Sikkim State Co-Operative Supply and Marketing Federations Limited (SIMFED) valuing Rs. 1.11 crore during the period from 1999 to 2004.

Contention (September 2004) of the Department that there are no provisions for purchase of foundation and breeder seeds under NPDP scheme and, therefore, certified seeds were procured and distributed is not acceptable as the scheme guidelines do not prescribe purchase of seeds from the market for distribution. The seeds should have been procured from the selected farmers and Government farms through the process of multiplication of seeds from breeder seeds to foundation seeds, certified seeds and truthfully labelled seeds.

Excess reimbursement to farmers

3.1.26 As per the pattern of assistance in Oilseeds Production Programme (OPP), 50 *per cent* of the cost of the material *i.e.* Pyrite, Gypsum, and Dolomite along with transportation limited to Rs. 500 per ha was to be provided to the farmer. It was noticed that 2,005 ha were covered by spending Rs. 32.40 lakh, resulting in excess expenditure of Rs. 22.37 lakh (Rs. 32.40 lakh- 2,005 x Rs. 500).
Reply (September 2004) of the Department that the cost of the dolomite becomes very high when it reaches farmer's field due to transportation cost is not acceptable as transportation cost was taken into consideration to arrive at the maximum permissible amount of reimbursement to the farmers.

Ten per cent cost not recovered

3.1.27 As per ICDP guidelines issued by Government of India, sprinkler irrigation sets were to be distributed to small, marginal, SC and ST as well as women farmers at a subsidised rate of 10 *per cent* of the cost of the set or Rs. 25,000 which ever was less; and to others at a subsidised rate of 30 *per cent* of cost limited to Rs. 25,000. It was noticed that the Department procured all the sets at a maximum price of Rs. 25,000 each without inviting tenders in all the years under review. Further, all the beneficiaries were categorised as either small or marginal or SC & ST or women farmers and accordingly 10 *per cent* of the cost of sprinkler set i.e. Rs. 2,500 only was realisable from the beneficiaries. However, even this partial cost amounting to Rs. 6.35 lakh was not actually recovered from the farmers.
Reply (September 2004) of the Department that 10 *per cent* of the total cost i.e. Rs. 2,500 was used by the farmers for source development with the approval of the Minister in-charge is not tenable in view of the scheme guidelines which categorically stipulate recovery of 10 *per cent* of the cost from the beneficiary farmers.

D. Other points

Agricultural data not captured

3.1.28 Establishment of Agency for Reporting Agricultural Statistics (EARAS), a 50:50 sharing scheme between Government of India and the State Government, was implemented in the State since 1997 with the objective of enumeration and identification of agricultural land holdings in the State. Government of India released Rs. 16.57 lakh for the purpose during the period 1997-2001. The work was entrusted to erstwhile Bureau of Economics & Statistics, now renamed (June 2004) Directorate of Economics, Statistics, Monitoring and Evaluation and an expenditure of Rs. 11.61 lakh was incurred towards establishment expenditure upto March 2002 but the objective of identifying and enumeration of agricultural data was not carried out till March 2002. Thus, the funds spent were wasteful.

Avoidable expenditure

3.1.29 The Department purchased 2,005 MT of Dolomite from a local supplier through SIMFED under the OPP scheme at the rate of Rs. 1,500/MT during the period 1999-2004 and spent Rs. 31.05 lakh. However, the Government of India notified MRP ranging between Rs. 150 and 250/MT during 1999-2004, as ascertained from the Mines & Geology Department (M&G). It was also held that good quality dolomite was available in plenty in Sikkim itself. Thus, the Department's action to procure dolomites from SIMFED without finding out the rates from Mines and Geology Department and the Sikkim Mining Corporation led to avoidable expenditure of at least Rs. 25.06 lakh.

Monitoring and evaluation

3.1.30 Systematic and result oriented monitoring is necessary for effective implementation of crop development programme. The Agriculture Department is vested with the responsibility of continuous monitoring and evaluation of various programme and to take timely corrective measures. Various guidelines issued by the Government of India from time to time envisaged intensified field monitoring of activities through visits by Agriculture Officers and supervision by technical staff, scientists of the Indian Council for Agricultural Research and the State Agricultural Universities. Monitoring mechanism by the Department was not up to the mark as the Department had not drawn up any formal field visit programme and also not attempted any evaluation till date.

Conclusion

3.1.31 Various programmes of seed production and other crop developmental activities undertaken by the Department were yet to show concrete results by boosting agricultural production mainly due to the manner in which the schemes were implemented without undertaking adequate efforts for dissemination of the latest improved technology. The yield of various crops in the State was far less than the accepted norms and the area under cultivation also remained static over the last five years. This indicated that the efforts of the Department involving a huge cost of Rs. 117.92 crore to popularise improved seeds, modern techniques of cultivation etc. were yet to percolate down to the cultivators.

Recommendations

3.1.32 Efforts may be initiated to:

- Strengthen budgetary and financial management.
- Curtail disproportionately high establishment cost.
- Make available the latest technological know-how to the farmers to enhance the productivity.
- Enhance coverage of high yielding crop varieties.

BUILDING & HOUSING DEPARTMENT

3.2 Working of Building and Housing Department

Highlights

Working of Building and Housing Department disclosed absence of adequate financial control, as there were persistent savings, unnecessary supplementary provisions and irregular expenditure in violation of Government orders. Programme management was characterised by delayed completion of works leading to non-fulfilment of intended objectives, loss of revenue on account of license fee and avoidable expenditure on payment of house rent allowance, non-realisation of tools and plants and establishment charges and execution of works without sanction and budgetary provisions. Physical verification of the stores was never carried out in any of the years under review nor was adjustment of profit and loss on stock attempted.

Despite signing Memorandum of Understanding with Government of India and assurance given by State Government, Department incurred excess expenditure of Rs. 4.26 crore towards office expenses, travel expenses, fitting/furnishings etc.

(Paragraph 3.2.7)

Delay in completing various works within the stipulated time led to blocking of Government funds of Rs. 11.18 crore in 17 works alone.

(Paragraph 3.2.9)

Establishment, tools and plant charges amounting to Rs. 8.10 crore were not realised by the Department from user organisations.

(Paragraph 3.2.12)

Despite ban, the Department continued to appoint work charged and muster roll employees and spent Rs. 60.92 lakh towards their wages.

(Paragraph 3.2.18)

Introduction

3.2.1 The Building and Housing Department (BHD) is responsible for construction and maintenance of all residential and non-residential Government buildings and allotment of Government quarters.

Organisational Set-up

3.2.2 The Department is headed by the Principal Chief Engineer cum Secretary, who is assisted by Chief Engineer, Chief Architect, Additional Chief Engineer, Joint Secretary, Superintending Engineers (3), Divisional Engineers (6), Assistant Engineers (11) and Assistant Architects (2).

Audit Coverage

3.2.3 Audit covering administration, financial management, programme and material management of the Department for the period 1999-2004 was conducted during March-April 2004 with reference to the records maintained at the Secretariat, which included Planning, Project, North-East and Headquarters' divisions at Gangtok and other divisional offices in South and West districts. 25 *per cent* of the total expenditure (Rs. 46.37 crore out of Rs. 185.48 crore) was examined in the review.

Financial Management

3.2.4 The Budget allocation and expenditure thereon during the period covered under Audit were as under:

Table – 3.8

(Rupees in crore)

Year	Budget Provision							Expenditure			Savings		
	Revenue			Capital				Revenue	Capital	Total	Reven-ue	Capital	Total
	Orig	Supl	FG	Orig	Supl	FG	Total						
1999-2000	28.58	0.15	28.73	26.82	0.47	27.29	56.02	17.94	13.32	31.26	10.79	13.97	24.76
2000-2001	11.68	6.27	17.95	49.04	5.60	54.64	72.59	17.00	33.11	50.11	0.95	21.53	22.48
2001-2002	5.63	1.44	7.07	8.00	1.71	9.71	16.78	6.89	9.63	16.52	0.18	0.08	0.26
2002-2003	5.98	0.05	6.03	10.15	2.72	12.87	18.90	5.92	12.00	17.92	0.11	0.87	0.98
2003-2004	6.26	0.18	6.44	10.90	3.85	14.75	21.19	6.40	14.64	21.04	0.04	0.11	0.15
Total	**58.13**	**8.09**	**66.22**	**104.91**	**14.35**	**119.26**	**185.48**	**54.15**	**82.70**	**136.85**	**12.07**	**36.56**	**48.63**

NB: Orig=Original, Supl= Supplementary, FG= Final Grant
Source: Appropriation accounts.

The BHD executed the works of other departments, sometimes by operating on the budgets of these departments and sometimes as deposit works. Out of Rs. 43.66 crore received during 2001-2004 from other departments an expenditure of Rs. 42.07 crore was incurred towards the execution of such works.

The irregularities noticed in Audit are brought out in the succeeding paragraphs.

Unnecessary / excessive supplementary provision

3.2.5 In revenue sector, the expenditure of Rs. 17.94 crore in 1999-2000 did not even come up to the original provision of Rs. 28.58 crore and, therefore, supplementary provision of Rs. 15 lakh obtained in March 2000 proved unnecessary. Similarly, during 2002-03, the expenditure of Rs. 5.92 crore did not even come up to the level of original budget provision of Rs. 5.98 crore. Further, in view of the ultimate saving of Rs. 11 lakh in the grant, supplementary provision of Rs. 5 lakh obtained during the year proved unnecessary.

While no reason for 1999-2000 was put forth, the Department stated (September 2004) that during 2002-03 Rs. 9 lakh was surrendered due to vacant post of Additional Chief Engineer and Rs. 5 lakh was obtained under supplementary grant to pay the arrear bills as re-appropriation under salary head was not permissible.

Persistent savings and surrender thereof

3.2.6 Rules required that anticipated savings should not be held in reserve for possible future requirement of funds but surrendered forthwith. Persistent savings were noticed in all the years under review in both Revenue and Capital sectors. The above savings, however, were surrendered at the end of the respective years, which was not only contrary to the rules but also indicated Department's laxity in keeping a watch over the progress of expenditure.
Reply (September 2004) of the Department that provision for Centrally sponsored scheme was kept every year and was surrendered at the year end if no Central funds were received was not acceptable in view of the specific provision in the Sikkim Financial Rules that anticipated savings should be surrendered forthwith.

Irregular excess expenditure in violation of Government orders and commitment made to the GOI

3.2.7 In pursuance of Memorandum of Understanding (MOU) signed by the State Government with Government of India (April 1999) for correcting fiscal imbalance in the State, the State Government was to reduce its non-Plan revenue expenditure in a time bound manner. In pursuance of MOU, the Chief Secretary of the State instructed (June 1999) all the Secretaries/Heads of departments to comply with the ban on creation of posts, purchase of vehicles, expenditure on fittings/furnishings and reduction of establishment expenditure. As a follow up action on the MOU, the State Government intimated (March 2000) Government of India about imposing reduction to the extent of 10 *per cent* on office expenses, 25 *per cent* on travel allowances and a complete ban on fitting and furnishings from the year 2000-01.
However, scrutiny of records revealed that in total disregard of the MOU and the assurance given to the Government of India, the Department continued to incur expenditure in excess of the permissible limit by Rs. 4.26 crore in respect of office expenses, travel allowance and fitting and furnishings during 2000-04. No reasons for such excess expenditure were furnished to Audit.
Contention (September 2004) of the Department that the expenditure was incurred within the budget provision as passed by the State Legislature was not acceptable as provision of funds as well as incurring of expenditure in excess of permissible limit was contrary to the MOU and assurance given by the State Government to the Government of India.

Programme Implementation

3.2.8 Time is of the essence in programme management to see that various works taken up by the Department are completed as scheduled, with due regard to economy and effectiveness. For this, the Department should ensure timely initiation of tender procedure, finalisation of contract, availability of required stock materials, prompt payment of bills to the contractor etc. However, the BHD was far behind in completion of works within the stipulated time, mainly due to non-availability of stock materials and change in scope of work. This indicated that the planning at the initial stage suffered from infirmities, leading to delayed completion of works and deferment of intended benefits from various programmes. Other irregularities noticed in Audit are indicated in the succeeding paragraphs.

Blocking of funds due to non-completion of works in time

3.2.9 BHD's main responsibility was to execute both residential and non-residential Government buildings on behalf of various departments in an efficient manner. However, the Department was not able to execute various works, as scheduled, primarily due to non-availability of stock materials and revision of design and scope of works. It was noticed that 17 works, valuing Rs. 11.18 crore, were completed after delays ranging between seven months and four years as detailed below.

Table – 3.9

(Rupees in lakh)

Particulars	Periodicity of delay in months			
	7 to12	13 to 24	25 to 48	49 and more
No. of works	**4**	**7**	**4**	**2**
Amount blocked	**245.81**	**151.90**	**355.37**	**365.36**

Source: Progress Report

Out of the above completed works, six works valuing Rs. 1.59 crore pertained to construction of residential buildings. The delayed completion of the works resulted in avoidable payment of house rent allowance and loss of license fees aggregating Rs. 6.36 lakh. Inordinate delay in completion of works also resulted in escalation of cost from Rs. 2.85 lakh to Rs. 24.60 lakh.

While acknowledging the shortcomings pointed out by Audit the Department informed (September 2004) that delay in most cases had arisen due to non-finalisation of schemes in time by the user departments coupled with their failure to make available required funds. The reply indicated a certain lack of coordination between user departments and Building and Housing Department.

Inordinate delay in completion of Community Health Centre, Gyalsing

3.2.10 Construction of a four storey 100 bed Community Health Centre at Gyalsing at an estimated cost of Rs. 3.95 crore was taken up (June 1994) by the State Government based on approval from the Planning Commission, Government of India. Due to financial constraints the scope of work was reduced to a three storey building at an estimated cost of Rs. 3.20 crore. The work was awarded (June 1996) to the contractor for execution of civil works, valuing Rs. 1.96 crore at 35 *per cent* above the estimated cost, to be completed by February 1999.

It was seen that the contractor stopped (March 1999) the work after executing 85 *per cent* of work on the plea of non-supply of stock materials by the Department. Cabinet approved (January 2001) the revised estimate of Rs. 4.64 crore (inclusive of 24.60 lakh as escalation charges) to bring it to four storey, as envisaged in the original plan, on the request of Health and Family Welfare Department. The

work was awarded (June 2001) to the same contractor at the existing rate of 35 *per cent* above the estimated cost, with extension of time to complete the work by March 2002. When the work was not completed in stipulated time (March 2002), the BHD proposed (August 2002) a revised estimate of Rs. 4.90 crore to user department and incurred an expenditure of Rs. 4.70 crore till October 2004.
Audit observed following lapses in planning and execution of the above work.

- Absence of firm planning led to extra expenditure of Rs. 24.60 lakh towards escalation charges.
- Planning at the initial stage, both by user department and BHD was far from satisfactory leading to frequent revision of scope, design, estimate etc.
- BHD failed to ensure availability of required quantity of stock materials leading to non execution of work from March 1999 to June 2001 and therefore, the rural populace was deprived of the intended heath care facility.
- The revision in scope and design of the building in January 2001 further delayed the completion of work besides extra expenditure being incurred.

Similarly, another work relating to construction of food godown cum class III and IV quarter at Ravangla taken up (June 1996) for construction at an estimated cost of Rs. 24.11 lakh was inordinately delayed by 49 months. This was primarily due to defective planning, inadequate survey, hastily drawn estimate and the inability of the Department to compel the contractor to complete the work in time.
The Department stated (September 2004) that while the construction of Community Health Centre was delayed due to delay in finalisation of tender and inadequate release of resources from time to time, construction of food godown cum quarters at Ravangla was delayed due to change of site.

Execution of work without sanction and budgetary provision

3.2.11 During the visit of Prime Minister in May 2003, a special package of Rs. 350 crore for the developmental works to be taken up in Sikkim was announced. The package included Rs. 20 crore for developmental works at Raj Bhavan. Although no formal sanction by Government of India was issued till date (November 2004) an estimate for Rs. 53.65 crore for construction of Annexe including staff quarters was approved by the State Cabinet (September 2003) and tenders were called for. The offer of a Kolkata based firm which was 22.41 *per cent* lower than the estimate was accepted (December 2003) and work orders issued (January 2004). However, the work was taken up departmentally in October 2003 itself as could be verified from the issue of 4.5 MT of steel and 1,150 bags of cement from the store between October 2003 and February 2004 and an expenditure of Rs. 99.85 lakh was incurred up to March 2004 against the allotment of Rs. 1.00 crore provided by State Government. The departmental execution of work without obtaining funds from Government of India and also simultaneously awarding the work to a contractor were irregular.
It was also seen that Department took up another nine works valuing Rs. 12.58 crore for execution during March 2003 to March 2004 without ensuring the availability of funds, resulting in non-payment of bills and creation of liability to

the tune of Rs. 2.59 crore as at the end of 2003-04. It was further seen that in seven out of nine works, the revision of initial estimates from Rs. 6.23 crore to Rs. 8.03 crore (29 *per cent* increase) was done, without obtaining sanction of the competent authority. Creation of liability despite persistent savings over the years was indicative of lack of financial management besides improper implementation.
The Department, while emphasizing the urgency to undertake renovate/alteration of 116 years old Raj Bhavan and staff quarters, accepted (September 2004) that work order was given in anticipation of formal sanction from Government of India. They further added that approval of the State Government was obtained to take up the connected works departmentally and Rs. one crore was sanctioned during 2003-04.

Non-realisation of establishment, tools and plant charges

3.2.12 According to Public Works Department Code (Rule 336 and ***Appendix*** II) when works are executed on behalf of other departments recovery for the cost of establishment and tools and plants should be effected in all cases on percentage basis unless there are special orders of the Government to the contrary.
It was noticed that the Department had executed works valuing Rs. 38.14 lakh during the period under review on behalf of Defence organisations but establishment and tools and plant charges amounting to Rs. 5.34 lakh (13.75 *per cent*) were not realised from the beneficiary departments, resulting in loss to the Government. Reasons for non-realisation of establishment and tools and plants charges, in contravention of codal provision were not on record. Similarly, establishment and tools and plant charges (@ 11.75 *per cent*) amounting to Rs. 8.05 crore on 103 works, valuing Rs. 68.53 crore, executed on behalf of other departments of the State Government were also not realised by the Department.
Instances of non-realisation of establishment and tools and plants charges were reported in earlier Audit Report (vide para 4.7) of 2000-01 on which Public Accounts Committee recommended (March 2004) that the necessary charges should, invariably, be recovered from user departments/agencies in future. Inspite of this, the Department failed to levy and realise such charges.
The Department informed (September 2004) that levy of such charges has been started by the Department.

Non-recovery of lease rent

3.2.13 An agreement was entered (February 2001) between BHD and Sikkim Tourism Development Corporation (STDC) for running the Sikkim Guest House at Kolkata for 10 years for which STDC shall pay lease rent of Rs. 1 lakh for 1st year, Rs. 2 lakh for 2nd year, Rs. 3 lakh for 3rd year and so on within 30 days of signing of agreement for the 1st year and within 30 days in advance in each of the subsequent years.
Even after lapse of four years (since February 2001) STDC had not paid the lease amount aggregating to Rs. 6 lakh, in spite of repeated reminders from BHD. In March 2003, the STDC represented for condoning the lease rent upto July 2002 on the plea that the Corporation (STDC) had invested huge amount on

refurbishing of the building. The proposal was not accepted by the Government (June 2003). Despite this, STDC had not paid the lease rent due nor had the BHD initiated effective steps for recovery of the lease rent.

The Department informed (September 2004) that the matter had been taken up with the State Finance Department and a final reminder to STDC had also been issued.

However, as of November 2004, lease rent was not paid by STDC.

Material Management

3.2.14 The procurement of materials by BHD is made in two ways *i.e*. (i) charged to the works directly and (ii) through stock suspense. Year-wise budget provision, expenditure, savings and excesses under stock suspense during the year 1999-2004 were as under:

Table – 3.10

(Rupees in lakh)

Year	Budget provision	Expenditure	Savings(-) Excess(+)
1999-2000	125.00	35.39	(-) 89.61 (71.69)
2000-01	50.00	50.03	(+) 0.03 (0.06)
2001-02	40.00	38.09	(-) 1.91 (4.77)
2002-03	50.00	49.99	(-) 0.01 (0.02)
2003-04	50.00	46.99	(-) 3.01 (6.02)

Source: Appropriation and Finance Accounts.
Figure in brackets denote percentages.

Material management was characterised by non-adjustment of profit and loss on stock and absence of physical verification, as detailed below:

- Adjustment of profit and loss on stock arising out of difference between the issue rate and the cost of acquisition, as contemplated in SPWD Code (Para 142) was not carried out in any of the years under review.
- Inspite of stipulation in SFR and SPWD code, physical verification of stores were not carried out.
- Critical areas of material management such as assessment of requirement, acquisition of stores, reserve stock limit, timely issue of materials and recovery of cost thereof could not be verified as records pertaining to above were not produced to Audit even after repeated reminders.

The Department informed (September 2004) that adjustment of profit/loss on stock was being examined and physical verification was carried out during July 2004.

Asset Management

3.2.15 The Department was neither maintaining any building/asset register for the assets/buildings created by the Department nor had it fixed any norm for expenditure on maintenance of assets. However, as intimated (March 1998) to the Finance Commission by the Department, it was adopting an expenditure norm of 3 *per cent* on non-residential and 5 *per cent* on residential building. The actual expenditure on maintenance hovered between 1.76 and 2.37 *per cent*, which was far below the norms adopted by the Department for ensuring proper upkeep of the assets created.

The Department informed (September 2004) that required registers were being printed and would be maintained henceforth.

Allotment of Government residential accommodation

3.2.16 Allotment of Government residential accommodation and its proper upkeep is one of the prime responsibilities of BHD. It was observed that BHD did not have consolidated record of total number of residential accommodations under its possession, the quantum of fitting and furnishings provided to various quarters, periodical repairs carried out etc. While 60 Government quarters were found to be unoccupied in West (21) and South (39) districts as there were no takers, the Department went ahead and purchased 48 readymade flats during 1995-96 in South (18) and West (30) districts from Sikkim Housing Development Board at a cost of Rs. 1.29 crore, of which only 38 units were occupied as of March 2004.

These cases indicated that the BHD's quarter allotment and its new acquisition were not based on scientific assessment.

In reply, the Department intimated (September 2004) that class I and II quarters (7) are post specific earmarked quarters, of which one had been occupied, two were under repair and the rest would be allotted as and when incumbents were posted to the place. Of the class III and IV quarters (53), four needed major repairs and the balance were in the process of allotment.

Quality Testing Facilities

3.2.17 One Material Testing Laboratory for testing cement and iron rods was set up (1995-96) at Nirman Bhavan, Gangtok with a view to assuring use of quality material for the construction. While the iron rod testing machine remained defunct during the entire period under review, the cement-testing machine tested cement for three♣ works. Despite spending Rs. 7.85 lakh towards running the laboratory, the objective of ensuring utilisation of quality materials for execution of works remained largely unfulfilled as one machine remained defunct and the other was not utilised to carry out the tests.

The Department intimated (September 2004) that action was being initiated to utilise the testing machines for all major schemes.

Manpower Management

3.2.18 Manpower management in the Department was found to be inadequate as the Department continued to engage work charged (11 appointed during December 2000 to September 2003) and muster roll employees (35 appointed during September 1995 to September 2003) in violation of Government ban

♣ *Construction of (i) VIP qtr; (ii) Banquet hall and (iii) Paljor stadium.*

(August 1995) and incurred expenditure of Rs. 60.92 lakh towards payment of wages to these irregular appointees during September 1995 to March 2004. Further, the Department had on its rolls 141 employees against the norm of 103 in non-technical grades and 68 employees against the sanctioned strength of 88 in technical grade recording an excess of 56 *per cent* in non-technical grade and shortfall of 23 *per cent* in technical grade.

Monitoring and evaluation

3.2.19 The programme of construction and maintenance of residential and non-residential buildings, being implemented by the Department was never evaluated by any independent body, to assess the status of fulfilment of targeted objective from time to time. Progress reports of works through which the monitoring of execution was done suffered from infirmities as the critical inputs like date of commencement, scheduled date of completion, name of works etc., were not found recorded in some cases. There was no standardised form of progress report in use.

The Department while informing (September 2004) that all Centrally sponsored schemes were being monitored by the concerned department, intimated that schemes would be implemented as per Programme Evaluation and Review Technique/ Critical Path Method in future.

Conclusion

3.2.20 Financial management and control system were deficient leading to time overrun in completion of works and lack of adequate control over expenditure. System of periodical monitoring and evaluation by senior officers were also not in place.

Recommendations

3.2.21 Efforts may be initiated to:

- Strengthen financial management and control system.
- Complete the works within the stipulated period and avoid time and cost over-run.
- Carry out physical verification of stores on annual basis.

FOREST DEPARTMENT

3.3 Social and Farm Forestry Schemes

Highlights

The basic objectives of the schemes under Social and Farm Forestry (SFF) were, inter alia, to take up conservation and afforestation works with a view to augmenting production of fuelwood and fodder through regeneration of degraded forest, conserve, improve and increase production of non-timber forest produce including medicinal plants, and provide gainful employment and additional income to the tribals and rural poor living in the vicinity of forests. Several deficiencies were noticed in the implementation of the schemes viz. non-achievement of targets, excess and wasteful expenditure and diversion of funds. Important points noticed in Audit were as under:

Unauthorised diversion of funds provided for various specific components under Area Oriented Fuelwood and Fodder Project towards other regular items of expenditure of the Department which were beyond the ambit of the project: Rs. 2.83 crore.

(Paragraph 3.3.5)

Production of seedlings was far below the norms in Non Timber Forest Produce scheme, value of which worked out to Rs. 54.28 lakh.

(Paragraph 3.3.8)

Doubtful collection of seedlings from the wild in violation of sound forestry practices: Rs. 50.58 lakh.

(Paragraph 3.3.9)

Discrepancy between number of seedlings issued from nursery and shown as planted: Rs. 49.69 lakh.

(Paragraph 3.3.10)

Engagement of labourers on casual roll for Rs. 41.43 lakh was not justified as all other schemes were implemented by engaging existing labourers of the Department.

(Paragraph 3.3.17)

Introduction

3.3.1 The Forest Department is the custodian of over 81 *per cent* of the total geographical area of the State. Social and Farm Forestry is an important activity of the Department, under which several schemes were undertaken with a view to conserving forest resources and checking excessive exploitation of forests due to increasing demand for fuelwood, fodder and non-timber forest produce including medicinal plants.

Organisational Set-up

3.3.2 Principal Chief Conservator–cum-Secretary is in-charge of the Forest Department, and is assisted by Additional Principal Chief Conservator of Forest (1), Chief Conservator of Forest (3), Additional Chief Conservator of Forest (2) and Conservator of Forest (3) in head office and Divisional Forest Officers (11) in district offices.

Audit coverage

3.3.3 The performance of the Department in fulfilling the objective with reference to the operational guidelines of the Central and the State Governments during the period 1997-2004 was taken up for review in February and March 2004. Out of the total expenditure of Rs. 21.64 crore, an expenditure of Rs. 8.66 crore (40 *per cent*) was covered in Audit.

Budget Provision and expenditure

3.3.4 Social and Farm Forestry sector implemented nine schemes of which two were fully funded by Central Government while one was funded with 50 *per cent* Central grant. One scheme was funded by the user agency on whose behalf forest lands were diverted for non-forest uses. The expenditure on the remaining five schemes was borne by the State Government. Out of nine schemes under the Social Forestry Sector, seven schemes were selected for this review.
The budget provision and expenditure, scheme-wise, of the seven schemes covered by this review during the period 1997-2004 are given below:

Table 3.11

(Rupees in crore)

Sl No	Name of Scheme	Period	Budget provision	Expenditure	Excess (+)/ Savings (-)
1	Area oriented fuel-wood and fodder project (50:50 CSS)	1997-98 to 2003-04	7.12	7.05	(-) 0.07
2	Non-Timber Forest Produce including medicinal plants (100 % CSS)	1998-99 to 2003-04	6.39	6.40	(+) 0.01
3	Association of ST and Rural poor in Regeneration of Forest Resources in usufruct sharing basis	2001-02 to 2003-04	0.71	0.40	(-) 0.31
4	Compensatory Afforestation scheme	1998-99 to 2003-04	5.65	4.54	(-) 1.11
5	Greening of eco-fragile areas	1997-98 to 2003-04	2.00	1.89	(-) 0.11
6	Rehabilitation of fire damaged forest	1997-98 to 2002-03	1.44	1.28	(-) 0.16
7	Regeneration of conifer area	1997-98 & 2003-04	0.11	0.08	(-) 0.03
	Total		**23.42**	**21.64**	**(-) 1.78**

Source: Furnished by Department.

Scheme-wise Audit findings are given in the succeeding paragraphs:

Area Oriented Fuelwood and Fodder Project (AOFFP)

Diversion of earmarked funds- Rs. 2.83 crore

3.3.5 According to the scheme guidelines specific allocation of funds was made for different activities. It was noticed that a sum of Rs. 2.83 crore was diverted towards payment of salary of regular establishment (Rs. 196.05 lakh), watch and ward (Rs. 26.38 lakh), muster roll staff (Rs. 24.60 lakh), maintenance of Indira Gandhi Arboretum (Rs. 19.55 lakh), and travelling allowances, office expenditure etc. (Rs. 16.86 lakh) which were outside the ambit of the project. This unauthorised diversion of funds adversely affected the achievement of prescribed target also. Against the approved target of 5,834 hectares under the project only 4,348.29 hectares were achieved, the shortfall being 1,485.71 hectares corresponding to 25 *per cent*.

The Department replied (October 2004) that some of the components of the scheme *viz*., extension/entry point activities etc., were not considered necessary by the Department and, hence, the earmarked provision for these activities was spent on salary, travelling allowance etc. of regular employees. It was also contended that the Government of India did not release the balance of Rs. 37.91 lakh and, hence, there was shortfall in the achievement. The reply is not tenable as the Government of India released Rs. 3.29 crore towards its share against the approved project cost of Rs. 6.93 crore; the shortfall being only Rs. 17 lakh.

Non-execution of weeding works

3.3.6 No weeding was carried out in West Division in 107.50 hectares of plantations created at a cost of Rs. 6.75 lakh under the AOFFP scheme during 1997-98. Similarly, out of 171 hectares of plantations created at a cost of Rs. 5.56 lakh during 2000-01 weeding works were carried out in 98 hectares only. Weeding works in respect of the East, South and North Divisions could not be verified due to improper maintenance of records.

In reply the Department stated (October 2004) that weeding works were not carried out due to meeting of committed liability, mainly for payment of salaries.

Non -Timber Forest Produce including medicinal plants (NTFP)

Regeneration of perennial herbs and shrubs of medicinal value

Non-adherence to plantation norms of seedlings resulting in excess expenditure of Rs. 32.45 lakh

3.3.7 Under this model, the Department took up 1,000 hectares and 200 hectares of plantation in Project II and Project IV (Pilot Project) respectively, in the high altitude areas during the period 1999-2002. As against the norm of 2,000 plants per hectare laid down by Government of India, the Department worked out the cost norms for 2,500 plants per hectare. In actual execution, plantation was done at the rate of 1,600 plants per hectare, resulting in less plantation of seedlings to the extent of 4,80,000 seedlings in 1,200 hectares of plantation. The plantation cost, however, was not reduced proportionately with regard to the number of seedlings actually planted. Thus, besides deviating from the norms laid down by Government of India, there was excess expenditure of Rs. 32.45[♣] lakh. The Department stated (October 2004) that it is making efforts to reconcile and update the records so as to avoid recurrence of such discrepancies in future.

Production of seedlings below the norms resulting in infructuous expenditure: Rs. 54.28 lakh

3.3.8 A test check of 14 nursery journals revealed that the total production of seedlings during the period 1998-2002 was 29.26 lakh against the norm of 56.40 lakh at 1.20 lakh seedlings per annum per hectare vide details in ***Appendix-XV.*** Thus, there was lesser production of 27.14 lakh seedlings (48 *per cent*) valuing Rs. 54.28 lakh at the rate of Rs. 2 per seedling.

The Department (October 2004) admitted that the nurseries were not properly maintained and the seedlings were kept in the nursery for one to three years due to which there was variation in the production of seedlings. The reply was not tenable as the seedlings attaining height/age within permissible limit should have been periodically removed for plantation making way for raising new seedlings.

Collection of seedlings from the wild for plantation works.

3.3.9 A test check of the plantation journals revealed that the Department, in addition to using seedlings produced in the nurseries, also collected seedlings from the wild for plantation works. During 1998-2002, a total of 7,85,352 seedlings were collected from the wild for plantation in various locations under the different models of plantation. In terms of the Department's norms (July 2001), uprooting naturally grown wild seedlings for taking up plantations in other areas was detrimental to the natural propagation of forests, as wildly grown seedlings uprooted from forest area had less chance of survival in plantation areas. Such collection and replantation of naturally grown seedlings from the wild by the Department involved an expenditure of Rs. 50.58 lakh.

The Department attributed (October 2004) the reason for collection of seedlings from the wild to late approval of some of the schemes and delay in release of funds due to which the number of plantable seedlings in the nurseries was limited and of certain species only. However, the collection of wild seedlings, in violation of sound forestry practices advocated by the Government, could not be verified and there was less chance of survival of such plants.

Discrepancy between number of seedlings issued and shown as planted: Rs. 49.69 lakh

[♣] 4,80,000 x Rs. 6.76 per plant

3.3.10 A cross verification of the plantation journals (PJs) with the nursery journals (NJs) revealed discrepancies between the figures of seedlings shown as issued from the nurseries in the NJs and the corresponding number of seedlings shown as planted in the PJs. Although only 1,29,000 seedlings were shown as issued from the Kyongnosla Nursery during 2000-01, 2,72,000 seedlings were shown as sourced from the Kyongnosla Nursery for plantation in eight locations of East Range during the year resulting in a discrepancy of 1,43,000 seedlings. Similarly, there was a discrepancy of 2,69,500 seedlings during 2001-02 from the same Nursery. There were similar discrepancies of 1,02,450 seedlings during 2000-01 in the North Range and 74,000 seedlings during 2001-02 in the West Range. Thus, Audit could not verify the plantation of the extra 5,88,950 seedlings at an expenditure of Rs.49.69 lakh[1], beyond what were issued from the nurseries. Details are shown in ***Appendix-XVI.***

The Department while attributing (October 2004) the discrepancy to absence of skilled persons in the nursery to keep proper records, stated that the irregularities pointed by Audit have been noted and proper system will be devised to avoid such lapses in future.

Association of Scheduled Tribes and Rural Poor in Regeneration of Degraded Forests on Usufruct Sharing Basis

3.3.11 The Scheme "Association of Scheduled Tribes and Rural Poor in Regeneration of Degraded Forests on Usufruct Sharing Basis (100 *per cent* CSS)" was sanctioned for implementation in North and East Divisions of Sikkim during 2001-02 at a total cost of Rs. 64 lakh which included Model I for nursery raising, soil working and plantation in 350 hectare at a cost of Rs. 35 lakh.

Although advance works were taken up on 223 acres prior to actual plantation of seedlings at a cost of Rs. 9.47 lakh, no plantation was taken up during 2001-02 under Model I. However, while reporting to Government of India, 'planting' was also mentioned in the Progress Report. Government of India, accordingly, released Rs. 5.90 lakh during March 2003 towards cost of maintenance of the plantations carried out during 2001-02. Out of the above amount, Rs. 3.80 lakh was shown as spent during 2003-04 on maintenance of the plantations under Model I. Since no plantation under Model I was carried out during 2001-02, the expenditure of Rs. 9.47 lakh on advance works during 2001-02 was infructuous besides doubtful expenditure of Rs. 3.80 lakh shown as incurred on maintenance of plantation under Model I during 2003-04. The Department stated (October 2004) that the plantation process against the advance works of 223 hectare was completed by using labourers from all divisions including nursery maintained under the scheme. However, no documentary evidence was furnished with the reply, neither were any records produced to Audit to substantiate the claim.

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[1] *Calculated on the basis of cost of plantation of 1,600 seedlings @ Rs. 13,500.00 per hectare (Rs. 6,000.00 on advance works + Rs.7,500.00 on creation)*

Compensatory Afforestation Schemes

3.3.12 Compensatory Afforestation Schemes (CAS) relate to afforestation works undertaken in lieu of forest lands diverted for non-forest purposes such as construction of roads, power transmission lines, hydel projects, mining, irrigation works etc., in accordance with the provisions of the Forest (Conservation) Act 1980. Funds for compensatory afforestation were provided by the user agencies on whose behalf forest lands were allotted for non-forest purposes.

Fund stipulation vis-à-vis deposit by user agency

3.3.13 Against the stipulated amount of Rs. 5.59 crore payable by the user agencies during the period 1998-2004 they deposited Rs. 4 crore only. Outstanding balance of Rs. 1.59 crore was due mainly from the 17 Mountain Division (Army) (Rs. 1.58 crore). Reasons for non-deposit of the amount were not furnished to Audit.
The Department stated (October 2004) that it is regularly pursuing the case with the user agency for early settlement of the outstanding dues.

Delay in taking up of afforestation works

3.3.14 A test check of the records relating to CAS undertaken during 1998-2004 revealed that there was delay ranging from one to three years in taking up of afforestation works even after deposit of funds of Rs. 2.37 crore by the user agencies and the clearance from Government of India. Details are shown in the table below:

Table – 3.12

(Rupees in lakh)

	Delay in years		
Number of cases	**1 year**	**2 years**	**3 years**
	9 cases	4 cases	2 cases
Amount blocked	83.30	122.32	31.46

The Department attributed (October 2004) the delay in taking up of afforestation works mainly to late receipt of funds from user agencies, delay in obtaining administrative approval for the works, time taken in procedural mutation of non-forest lands and in selection of plantation sites.

Greening of ecologically fragile areas
Rehabilitation of fire damaged and highly degraded areas
Restocking of conifer forests

3.3.15 The schemes (i) Greening of ecologically fragile areas, (ii) Rehabilitation of fire damaged and highly degraded areas, and, (iii) Restocking of conifer forests are ongoing plantation schemes implemented by the Territorial Circle of the Department with a view to providing fodder, fuelwood and small timber to the people, restoration of green cover, providing effective protection from biotic interference, and improvement of regeneration of forest by soil preparation and removing debris.

Abnormal casualty of seedlings

3.3.16 According to the norms for these State schemes, 5,10,000 seedlings were required for 204 hectares of plantations created in South division during 1997-98 to 2003-04. Against this, 10,30,180 seedlings, including two years' casualty filling, were utilised. Thus, there was an abnormal casualty of 5,20,180 seedlings. In respect of 12 plantation journals♣ verified in Audit there was a casualty of 3,755 plants corresponding to 4.28 *per cent*♥. Even after allowing casualty at the maximum of 30 *per cent* noticed in some other plantations, the abnormal excess casualty was 3,67,180 seedlings, the cost of which worked out to Rs. 7.34 lakh♦. The abnormal casualty of seedlings resulted in wasteful expenditure on seedlings, planting and maintenance. The Department did not give any reason for the abnormal casualty.

Non-engagement of existing labourers for plantation

3.3.17 Creation of 500 hectares new plantations during 1996-97, 1997-98 and 2000-01 were carried out by engaging existing labourers of nurseries. It was, however, observed that the Department carried out 518 hectares of new plantations during 1998-99, 1999-2000, 2001-02 and 2002-03 at a cost of Rs. 41.43 lakh by engaging new labourers. When large scale plantations in other years could be carried out by engaging existing labourers, reasons for using new labourers during 1998-99, 1999-2000 and 2001-02 could not be justified. In reply the Department stated (October 2004) that engaging the existing labourers from the nurseries badly affected the basic work of maintenance of nurseries. The contention of the Department was not tenable considering the fact that 518 hectares of plantation could have been easily managed with existing labourers when 500 hectares of plantations were done with existing labourers in earlier years.

Common irregularities

Improper maintenance of Plantation and Nursery Journals and records.

3.3.18 Plantation journals in 203 out of 334 cases in respect of the AOFFP scheme were not produced to Audit. In 131 cases produced to Audit the same were not maintained properly as the names of the nurseries from where seedlings were transplanted, expenditure incurred for plantation and weedings, number of

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♣ *Shown to Audit*

♥ *No. of seedlings planted = 87, 643*
No. of seedlings used for casualty filling 3,755
Therefore 3,755 x 100 / 87,643 = 4.28 per cent

♦ *30% of 5,10,000 = 1,53,000*
5,20,180 – 1,53,000 = 3,67,180 x Rs. 2.00 = 7,34,360

weedings carried out, details of survival of plants, remarks of inspecting officer, etc. were not recorded. Nursery journals of only 5 hectare (consisting of 3 nurseries) pertaining to Dzongu range in the North Division were produced to Audit. In the absence of the journals of the remaining 37 nurseries, the correctness of the number of seedlings produced, seedlings transplanted etc. could not be verified.

Improper maintenance of the plantation and nursery journals was also observed in case of Aided Natural Regeneration (Model-II) under the scheme of Association of Scheduled Tribes and Rural poor in regeneration of degraded forest, Compensatory Afforestation scheme and Greening of eco-logically fragile areas scheme. Only in respect of the NTFP scheme, the same were maintained satisfactorily.

The improper maintenance of plantation journals defeated the very purpose of having a control record to assess progress of plantation and remedial action taken from time to time. While agreeing to the Audit observations, the Department stated (October 2004) that fresh guidelines shall be issued for proper maintenance of records and the finalisation of the Department's own manual will address the deficiency.

Monitoring and Evaluation

3.3.19 Barring in the case of the Non Timber Forest Product scheme, the Department could not provide any records relating to the periodical monitoring and evaluation of the plantations created. No periodical returns/reports from the executing divisions to the nodal office indicating the progress of growth of plants and their survival percentage were prescribed in order to watch and assess the progress of the schemes. This indicated that the schemes were not implemented in a properly organised manner. In reply, the Principal Chief-Conservator of Forest stated (February 2004) that monitoring and evaluation of the plantations are proposed to be carried out shortly and reports in this respect will be made available on its completion. In a further reply the Department stated (October 2004) that Regional office, Government of India periodically monitors all Centrally sponsored schemes including schemes under Compensatory Afforestation Schemes. Further, Senior Supervisory Officers of the Department also carry out frequent inspections. However, Department could not furnish documentary evidence in support of the above claim.

Recommendations

3.3.20 Efforts may be initiated to:

- Maintain Nurseries as per actual requirement to avoid both excess expenditure on maintenance and collection of seedlings from the wild for plantation.
- Maintain vital records such as plantation and nursery journals in complete shape.
- Carry out monitoring and evaluation of the schemes at regular intervals.

PLANNING AND DEVELOPMENT DEPARTMENT

3.4 Management of Non-Lapsable Central Pool Grants

Highlights

The Government of India constituted 'Non Lapsable Central Pool of Resources' (NLCPR) Scheme for North East and Sikkim in December 1997. Review of the scheme indicated defective financial management as there were delays in release of funds, unauthorised expenditure on unapproved works etc. Programme management was characterised by delayed execution of works, execution of unauthorised works, large scale cost escalation, execution of minor works which did not translate into infrastructure creation, undue benefit and excess payments to contractors etc.

Inspite of specific stipulation in the guidelines to the contrary, the departments unauthorisedly incurred expenditure amounting to Rs. 1.59 crore on staff component.

(Paragraph 3.4.7)

Funds amounting to Rs. 14.76 crore were irregularly utilised towards supplementing normal State Plan Programme.

(Paragraph 3.4.9)

There was cost escalation amounting to Rs. 55.40 crore ranging between 10 and 226 *per cent* in 13 projects.

(Paragraph 3.4.10)

Unapproved minor works valuing Rs. 4.10 crore were executed by three departments.

(Paragraph 3.4.11)

Delay in execution and completion of the projects valuing Rs. 103.19 crore resulted in non-accrual of intended benefits from the scheme.

(Paragraph 3.4.12)

Introduction

3.4.1 The Government of India constituted 'Non Lapsable Central Pool of Resources' (NLCPR) Scheme for North East and Sikkim in December 1997. The Central pool became operational from the financial year 1998-99. The broad objective of the scheme is to ensure the speedy development of infrastructure in the region by increasing the flow of budgetary financing for specific viable infrastructure projects/schemes in various sectors and to reduce the critical gaps in the basic minimum services such as irrigation, power, roads and bridges, education, health, water supply and sanitation etc.

Organisational Set-up

3.4.2 The responsibility for implementation of NLCPR scheme in the State is primarily vested with Planning and Development Department (PDD) headed by the Development Commissioner who is assisted by a Special Secretary and Deputy Secretary. The head of the department (HOD) of sectoral departments assisted by the nodal officer nominated for the purpose are responsible for execution of the scheme at departmental level. List of the departments implementing the scheme, name of HODs, nodal officers, number of projects sanctioned and taken up in each department, funds released, expenditure incurred etc. are given in ***Appendix -XVII.***

Audit Coverage

3.4.3 Implementation of the scheme in the State for the first five years of its operation (1999-2004) was reviewed during November-December 2003 and April-May 2004 through test check of records in PDD. Records relating to implementation of the scheme in various departments *viz.* Irrigation, Education, Power, Sikkim Public Works (R&B), Sports & Youth Affairs, Rural Development (RDD), Public Health Engineering (PHE) and Culture were test checked to the extent of 40 *per cent* of the total expenditure (Rs. 82.71 crore out of Rs. 206.78 crore) during the course of review.

Financial outlay and expenditure

3.4.4 NLCPR is funded by Ministry of Development of North Eastern Region (DoNER), Government of India 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 covered under review are as under.

Table 3.13

(Rupees in crore)

Year	Opening Balance	Receipt	Total	Expenditure	Closing Balance
1998-1999	Nil	10.00	10.00	3.14 (31)	6.86
1999-2000	6.86	32.01	38.87	5.92 (15)	32.95
2000-2001	32.95	23.78	56.73	46.48 (82)	10.25
2001-2002	10.25	48.21	58.46	44.03 (75)	14.43
2002-2003	14.43	44.18	58.61	72.77 (-)	(-) 14.16
2003-2004	(-) 14.16	53.26	39.10	34.44 (88)	4.66
Total	-	**211.44**		**206.78**	

Source: Information furnished by Department
Figure in bracket represent percentage

Details of department wise release of funds and expenditure thereon are shown in ***Appendix – XVIII.***

Actual expenditure ranged between 15 and 88 *per cent* of the available fund during these years except in 2002-03 where it exceeded available funds. This was mainly due to the departments of Rural Development, Roads & Bridges, Education and Irrigation & Flood Control not being ready to execute various schemes/ works despite availability of funds. This resulted in accumulation of balances at the year-end of 1999-2000 (Rs. 32.95 crore) and 2003-04 (Rs. 4.66 crore) corresponding to 85 and 12 *per cent* of available funds during the respective year.

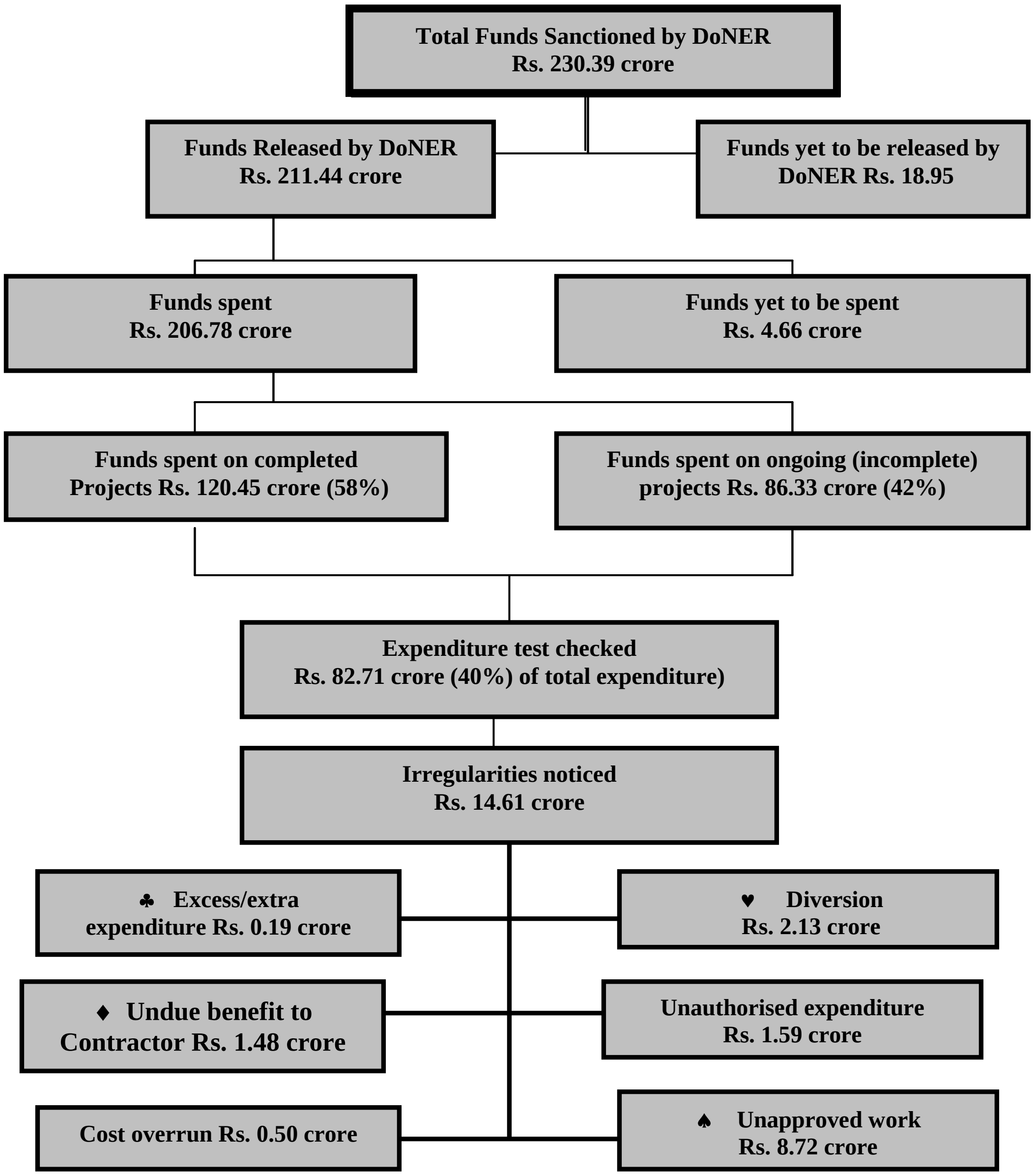
Financial Management

3.4.5 Against the total available fund of Rs. 211.44 crore under the scheme, the reported expenditure by the PDD, based on information furnished by various sectoral departments, was Rs. 206.78 (98 *per cent*). Deficiencies noticed during the course of test check have been dealt with in the succeeding paragraphs.

3.4.6 Finance Inverse tree

Finance Inverse Tree is a diagrammatic representation of the analysis of utilisation of the resources made available for a programme. It facilitates a comparison of the budgeted resources with the actual utilisation and discloses among other things, diversion of resources, use of resources for unapproved proposes etc.

Finance Inverse tree in respect of the scheme for the period under review is given below:



♣ *Rs. 0.19 crore = Rs. 10.65 lakh + Rs. 8.52 lakh.* ♦ *Rs. 1.48 crore = Rs. 26.24 lakh + Rs. 7.61 lakh + Rs. 20.40 lakh + Rs. 74.20 lakh + Rs. 19.29 lakh.* ♥ *Rs. 2.13 crore = Rs. 1.44 crore + Rs. 0.64 crore.* ♠ *Rs. 8.72 crore = Rs. 4.10 crore + Rs. 4.62 crore.*

Unauthorised expenditure on staff component

3.4.7 Guidelines issued by the Ministry of Development of North Eastern Region (DoNER) [(Para 4 (ix)], forbade incurring of expenditure from scheme fund towards staff component both work charged and regular. It was noticed that despite this specific stipulation in the scheme guidelines, departments executing NLCPR schemes incurred an expenditure of Rs. 1.59 crore towards payment on staff component such as payment of muster roll (Rs. 1.35 crore), salary of work charged establishment (Rs. 5.03 lakh) and regular employees (Rs. 19.31 lakh). It was also noticed that these staff were never deployed towards 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 fund towards payment of staff salary particularly in view of the fact that the staff were never deployed towards execution of the scheme was unauthorised as per the guidelines and lacked justification.

Planning

3.4.8 Meaningful and effective implementation of the scheme depends upon proper planning, prioritisation of activities, adequacy of organisational set-up etc. For this, the State Government and PDD in particular was required to ensure that the essential requirements and the criteria listed hereunder were fulfilled prior to forwarding of proposals to DoNER.

- The proposals should be accompanied by a detailed project report and should be cleared from all administrative and regulatory agencies.
- The projects should be in infrastructure sector, which can be implemented within two to three years.
- A shelf of projects should be created for implementation.

It was noticed that the State Government had not prepared any shelf of projects till 2002-03. It is only from 2003-04 that the shelf of projects is being maintained by them. Projects, not fulfilling the criterion of falling under infrastructure sector as indicated in Para 3.4.11, were also forwarded by the PDD for funding under the scheme, which were accepted by DoNER. There were also delays in completion of projects ranging between three and sixty-three months. These cases reveal laxity in planning as well as implementation.

Implementation

Irregular utilisation of funds

3.4.9 Guidelines (Para 2.3) stipulate that funds available under NLCPR are not meant to supplement the normal plan programme of the State Government. NLCPR funds would be an additionality to ongoing programmes. They were not to substitute for a budgeted ongoing scheme.

Test check of records revealed that State Government had utilised NLCPR funds for budgeted ongoing projects to the extent of Rs. 14.76 crore. It was noticed that 22 projects valuing Rs. 14.76 crore pertaining to Education (Rs. 5.41 crore), Roads & Bridges (Rs. 7.85 crore) and Power (Rs. 1.50 crore) departments, which were earlier approved (May 1999) by the State Cabinet for execution under normal plan programme during the period 1999-2000, were later executed during 1999-2004 from the funds available under the NLCPR scheme. Out of 22 projects, four projects relating to Education (2) and Power (2) were ongoing and an amount of Rs. 5.72 crore was already spent from State Plan, prior to submission of proposals to DoNER. Utilisation of NLCPR funds towards financing State Plan schemes was not only irregular as prescribed in the guidelines but also, in effect, resulted in downsizing the overall plan fund to that extent.

Escalation of Projects Costs

3.4.10 According to the guidelines (Para 6), escalation in cost of the sanctioned projects is not acceptable except, in cases where the enhancement of the cost is due to change in scope of the works that was envisaged at 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 DoNER and the State Government.
Test check of 25 projects of nine departments revealed cost escalation of Rs. 55.40 crore ranging from 10 to 226 *per cent* of the estimated cost in 13 projects involving five departments. Failure of the implementing departments to prepare the estimates of the projects duly considering the scope of the works in its entirety and workability, led to unanticipated burden on the State exchequer. Details are shown below:

Table 3.14

(Rupees in crore)

Department		Scheme	Final cost	Approved by DoNER	Escala-tion	Borne by DoNER	% of cost escalation
Power	**1**	Lower Lagyap Hydel Project	21.40	19.51	1.89	Nil	10
	2	132 KV Rangit-Melli Power line	39.79	27.65	12.14	Nil	44
	3	66 KV D/C line –Bulbuley – Sichey	23.61	12.97	10.64	Nil	82
Education	**4**	Constt. of 198 school building	26.82	21.72	5.10	Nil	23
	5	Constt. of 3 college buildings	9.14	5.00	4.14	Nil	83
Urban Development &Housing	**6**	Ropeway Project	13.90	9.68	4.22	0.92	83
Road & Bridges	**7**	Phongla-MamringRoad	7.65	2.35	5.30	Nil	226
	8	Kaluk-Dentam Road	3.10	2.73	0.37	Nil	14
	9	Rabongla-Legship Road	3.54	2.34	1.20	Nil	51
	10	GLVC (Temi-Rabongla Road)	3.30	2.45	0.85	Nil	35
	11	Makha-Lingmoo Road	1.91	1.74	0.17	Nil	10
	12	Sikkip-Vok Road & suspension Bridge	1.79	1.20	0.59	Nil	49
Building & Housing and Sports &Youth Affairs	**13**	Up-gradation of Palzor Stadium	19.75	10.96	8.79	4.40	80
Total			**175.70**	**120.30**	**55.40**	**5.32**	

Execution of unapproved minor works

3.4.11 The broad objective of the NLCPR scheme is to ensure speedy development of infrastructure in the region by increasing the flow of budgetary financing for specific viable infrastructure project/scheme, capital projects or improving utilisation of existing assets.
Test check of records of implementing departments revealed that three departments *viz.* Education, Irrigation and Roads & Bridges executed 151 projects

in five years valuing Rs. 4.10 crore which were neither approved by the DoNER nor led to creation of infrastructure or improvement in utilisation of existing assets and were, thus, not qualified to be taken up under the NLCPR.

Delay in completion of work

3.4.12 Scrutiny of project execution files and Quarterly Progress Report forwarded by the Department to the DoNER revealed that in respect of six implementing departments *viz.* Education, Roads & Bridges, Building & Housing, Power, Urban Development & Housing and Rural Development, the projects were not completed in the scheduled time. The delay in execution and completion of the projects valuing Rs. 103.19 crore (49 *per cent* of the total funds received from the DoNER) ranged between three months and 63 months, as detailed below, and led to considerable delay in accrual of intended benefit from the scheme.

Table 3.15

(Rupees in crore)

Sl	Department	Delay in completion of project (in months)					Expenditure incurred
		3 to 6	7 to 12	13 to 24	25 and more	Total projects	
1	Education	2	4	11	1	18	13.91
2	Roads & Bridges	2	3	4	5	14	3.49
3	Power	2	--	1	2	5	61.33
4	Rural Management & Development	8	7	10	8	33	2..90
5	Urban Development & Housing	--	--	--	1	1	10.60
6	Building & Housing and Sports & Youth Affairs	1	--	--	--	1	10.96
	Total	**15**	**14**	**26**	**17**	**72**	**103.19**

Source: Progress Reports of the departments.

In reply, Education Department intimated (September 2004) that delay was due to non-supply of materials by supplying agencies due to frequent changes in rates, dispute regarding land etc. Sports & Youth Affairs Department informed (September 2004) that the delay was due to additional work.

Irregularities in execution of Non-Lapsable Central Pool of Resources project by implementing departments

3.4.13 Test check of records of various departments implementing NLCPR projects revealed a number of inconsistencies, as indicated in the succeeding paragraphs.

Education Department

Excess expenditure on brick partition

3.4.14 Estimates for execution of NLCPR schemes were framed by the Department on the basis of Schedule of Rate 1997. It was noticed (April 2003) that for "Providing and laying first class brick work in ½ brick partition in 1:5 cement mortar" – a non schedule item, the Department allowed (September 2000) Rs. 234.20 per sqm, rate applicable to 1:3 cement mortar. No rate analysis for 1:5 cement mortar was done by the Department**.** As the requirement of cement in case of 1:3 would be more in the case of 1:5 and accordingly cost per unit of the item comprising 1:5 will be less than in case of 1:3. Since the Department had allowed the contractor the rate of Rs. 234.20/sqm, applicable to 1:3 instead of Rs. 221.98/sqm (worked out by Audit) for 1:5, the contractor was unduly benefited by Rs. 7.61 lakh in execution of 42 numbers of works alone. This amount of undue benefit to contractors would be higher if all works related to construction of 198 school buildings were taken into consideration.

The contention of the Education Department (September 2004) that the work was actually executed in 1:3 cement mortar ratio but was wrongly mentioned as 1:5 was misleading in view of the fact that brick partition work is invariably done at 1:5 ratio.

Roads & Bridges

Excess Payment on carriage of stone

3.4.15 The Public Works Department Code (Sub Rule 10 and 14 of Rule 202) stipulates that where the agreement provides for supply of materials by Government for use on works by the contractors, the agreement should contain a schedule specifying the quantity, rate and place at which materials are to be supplied and rate for carriage of materials in the agreement should be taken to include all leads and lifts, loading and unloading and stacking in the prescribed form. Inspite of this specific stipulation, the Department in the course of execution of four projects implemented in East and South districts paid to the contractors towards carriage of stone amounts higher than that stipulated in the Agreement and the Schedule of Rate, resulting in excess payment of Rs. 74.24 lakh, as detailed in ***Appendix-XIX***.

While no reason for 'Yangang- Makha road' was given by the Department, it stated (September 2004) that the higher rate was paid to the contractors due to following reasons:

- In case of Sikkip-Wok road, material had to be diverted from Namchi to work site in view of ban on quarrying of stone etc from Sikkip river-bed by the Forest Department.
- In case of 'Ravangla-Leship' and 'Phongla – Mamring' roads, estimates were revised due to non-availability of required quality and quantity of stone.

The reply of the Department is not tenable in view of fact that

- In case of 'Sikkip-Wok road, the contractor was paid at different rates for different distances i.e. Rs. 148/cum (10 to 15 kms), Rs. 343/cum (40-50 kms), and Rs. 287/cum (30-40 kms.) and no documentary proof was attached for the ban imposed by Forest Department.
- In case of 'Ravangla-Leship' and 'Phongla – Mamring' roads, the contractors had agreed to execute the work at 37 *per cent* above the estimated cost after taking into account the availability of stones etc.

Building & Housing and Sports & Youth Affairs Department

Extra payment to the Contractor

3.4.16 Buildings & Housing Department (BHD) was assigned the responsibility of execution of 'Construction of Paljor stadium' in Gangtok in East Sikkim on behalf of the Sports & Youth Affairs Department. Estimate for one component of the project i.e. "Providing Reinforced Earth Wall using Geo-Grid Terramesh System" comprising various items[*] was prepared for Rs. 1.16 crore. It was seen that for five items (out of ten), rates were based as per SOR 2002 whereas for other non-scheduled items, the rates worked out by the Department were approved (March 2003) and the contractor was, accordingly, paid Rs. 1.16 crore (March 2003) towards execution of the above work.

Scrutiny of records revealed that estimate for five items, prepared as per SOR 2002, was enhanced by 16.5 *per cent* on account of over head machinery (5 *per cent)*, water tax etc (1.5 *per cent*) and contractor's profit (10 *per cent)* over and above SOR. This enhancement resulted in inflation of rate by 16.5 *per cent* and accounted for an extra expenditure to the tune of Rs. 10.65 lakh on five items of work (value-Rs.64.57 lakh). Enhancement of the rate was not justified since the SOR rates had overhead, water tax and contractor's profit elements built into it.

In reply, the Building and Housing Department informed (September 2004) that the differential amount of Rs. 10.65 lakh would be deducted from next running bill of the contractor. However, as of November 2004, amount had not been realised from the contractor.

Power Department

Undue benefit to contractor

3.4.17 The work of 'Sub Transmission & Distribution – construction of 2 X 10 MVA Sub station at Bulbuley and drawing of 66 Kv D/C line for Lower Lagyap hydel project to Bulbuley-Sichey' of Power Department was split into three sub

[*] *Such as earthwork in excavation in foundation trenches in mixed soil and throwing of spoils; mixed filling in layers with available earth complete; providing and laying hand packed stone filling in boxes; carriage of stone among other items*

works and approved (August 2000) for execution by three contractors at 33, 35 and 47 *per cent* above SOR 1997. The above higher tender rate was justified by the Department on the ground that the estimate was based on SOR 1997. It was, however, noticed that the rate for cement was wrongly taken as Rs. 183 per bag in the estimate plus higher rate of tender as against the rate of Rs. 163.73 per bag in SOR 1997. This had the effect of increasing the work value by Rs. 19.29 lakh and resulted in undue benefit to the contractors.

In reply, the Power department stated (September 2004) that the estimate for the work was prepared as per SOR 1997 except for concreting works of towers, in which prevalent market rate of cement was taken. The reply is not acceptable as rates as per prevailing SOR should be applied invariably on all items of work to arrive at the estimated value.

Rural Management and Development Department (RMDD)

Deviation in execution of approved scheme

3.4.18 35 Steel Foot Bridges (SFB) at a cost of Rs. 8.90 crore were sanctioned (February 2002) by the DoNER and an amount of Rs. 2 crore was released (March 2002) to take up the work on priority basis. The Department, however, took up execution of only 12 works at an estimated cost of Rs. 2.60 crore as late as February 2003 with the stipulation to complete the work by November 2003. 25 more works were taken up by the Department between October 2003 and January 2004. It was noticed that the Department not only took up execution of 37 works against the sanction of 35 works but also largely deviated from the original approved works as no works were taken up in East district against the sanction of 10 works, only five works (Rs. 1.00 crore) were executed in North district against the sanction of 10 works, 11 works (Rs. 2.14 crore) in South district against three works sanctioned and 21 works in West district against sanctioned 12 works. Further, out of 37 works executed, 21 works worth Rs. 4.62 crore in South (nine works for Rs. 1.45 crore) and West districts (12 works for Rs. 3.17 crore) were not approved by the DoNER. Thus, Rs. 4.62 crore were spent on projects, which not only did not have Government of India's approval but were taken up in preference to more important and prioritised projects of the Department.

Reply of the RMDD (September 2004) that the revised list of 37 SFB was prepared on the basis of urgency and actual need is not acceptable as the original 35 SFBs were also approved by the State Government based on actual requirement.

Inconsistent percentage towards wastage/overlapping

3.4.19 Test check of execution 25 SFB schemes revealed that additional quantity of 38mm/25mm dia steel core cable and 15mm dia cable suspender were allowed on account of wastage/overlapping in order to arrive at the estimated value of the work. Based on the estimated quantity, materials were issued to the contractors. It was noticed that the Department was not observing any uniformity in framing estimates on account of wastage/overlapping. Extra allowance on account of this up to 40 *per cent* was allowed by the Department, the value of which worked out to Rs. 8.52 lakh in 22 works alone.

The Department, while accepting the fact (September 2004) that there was no specific norms fixed by the Department, stated that savings, if any, would be accounted for based on actual measurement on completion of work.

Monitoring and evaluation

3.4.20 Guidelines prescribed following measures for monitoring and evaluation of the various projects sanctioned under NLCPR scheme.

- The project wise progress of implementation should be reported in the Quarterly Progress Report prescribed by the DoNER, which should reach Joint Secretary, NLCPR within three weeks after the end of the quarter under report.
- Chief Secretary of the State shall hold quarterly meeting to review the progress of implementation of the ongoing projects under NLCPR and make available summary record of such meeting to the DoNER.
- State Government would also get the projects field inspected periodically.

It was seen that these basic parameters for monitoring and evaluation of the schemes were not in place both at the State level and also at the departmental level as detailed below.

- ➢ There were only two review meetings convened (July 2001 and May 2003) during the last five years at Chief Secretary's level.
- ➢ Only four projects were inspected (January 2002, June 2003, October 2003 and February 2004) during the last financial year.
- ➢ Monitoring at the State level was not taken up at all. Evaluation/impact study of the scheme was also not attempted as yet inspite of DoNER's advise (March 2004).
- ➢ Proposals forwarded to DoNER did not mention mode and source of meeting probable maintenance cost of assets created under NLCPR Schemes.

Recommendations

3.4.21 Efforts need to be initiated to:

- Strengthen financial management with a view to avoid delay in release of funds, unauthorised expenditure etc.
- Avoid large scale cost escalation by preparing the estimates duly considering the scope of works in its entirety and workability.
- Avoid execution of minor works which may not lead to specific viable infrastructure creation.
- Avoid delay in completion of works.