

CHAPTER - I

Performance Reviews (Civil Departments)



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PERFORMANCE REVIEWS (CIVIL DEPARTMENTS)

DEVELOPMENT PLANNING, ECONOMIC REFORMS AND NORTH EASTERN COUNCIL AFFAIRS DEPARTMENT

1.1 Projects Funded Under North Eastern Council

With the objective of balanced socio-economic development, extension of North Eastern Council (NEC) funded projects in Sikkim came into effect from December 2002 with the release of funds for implementation starting from the year 2003-04. The programme being project specific in the context of Sikkim, implementation was to be strictly according to the stipulated conditions imposed by the NEC relating to time, cost and objective as approved in the detailed project reports of individual schemes.

The performance audit on the projects funded under NEC indicated that the very objective and the intended benefit of funding projects under NEC towards attaining balanced socio-economic development of the State remained largely unachieved due to improper survey and planning leading to preparation of defective project reports, non-completion of projects, delay in execution, cost overrun, unfruitful expenditure in implementation of projects, non-utilisation of assets created, etc. This was further compounded by irregular award of work, unrealistic budgeting, non-utilisation of fund, inadequate monitoring and absence of impact assessment. Some of the important observations are highlighted hereunder:

Only 62 per cent of works could be completed within the stipulated time frame of completion. The objectives were not achieved in 11 out of 25 schemes test-checked.
(Paragraph 1.1.9)

There was an unfruitful expenditure of ₹ 60.88 lakh in the Establishment of Bio-fertiliser Unit in the State.
(Paragraph 1.1.9.1)

Non-utilisation of Polyclinic State Veterinary Hospital resulted in idle investment of ₹ 1.71 crore.
(Paragraph 1.1.9.2)

Unutilised Accident and Trauma Centre in Namchi resulted in unfruitful expenditure of ₹ 80.23 lakh.
(Paragraph 1.1.9.4 – (i))

Improper management of Stores resulted in non-accountal of stock material valuing ₹ 18.09 lakh, which seems to have been pilfered.
(Paragraph 1.1.9.7)

Monitoring mechanism was inadequate and impact of the schemes were never evaluated.

(Paragraph 1.1.10)

1.1.1 Introduction

In order to act as an advisory body for socio-economic and balanced development of the North Eastern Areas consisting of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura, the North Eastern Council (NEC) came into existence in the year 1971 through the enactment of North Eastern Council Act in the Parliament. While the NEC started functioning in the year 1972, the NEC (Amendment) Act 2002 entrusted NEC with the role of a regional planning body.

Sikkim joined the NEC during December 2002 and implementation of projects funded under North Eastern Council started from 2003-04. Though the NEC accords priority to projects of regional nature which benefits two or more adjoining states but since Sikkim does not share a border with any other North Eastern State, exemption has been granted to Sikkim for its geographical location. Therefore, the schemes that are sanctioned for Sikkim are State specific.

1.1.2 Organisational structure

The Development Planning, Economic Reforms and North Eastern Council Affairs Department (DPERNECAD) is the nodal department, headed by the Development Commissioner and assisted by Special Secretary, Joint Secretary and Deputy Secretary. At the implementing stage, the heads of respective line departments (HoDs) nominate respective nodal officers who are responsible for execution of the scheme within their departments.

1.1.3 Scope of Audit

The Performance Audit was conducted by scrutiny of records of the DPERNECAD and line departments implementing the various schemes under NEC for the entire period of its operation since 2003-04. Out of a total of 97 schemes sanctioned during the period from 2003-04 to 2009-10 for implementation by 18 departments, two schemes were not implemented by two departments and five schemes implemented by four departments were costing less than ₹ 20 lakh. Therefore, 90 schemes implemented by 12 departments were considered for scrutiny in audit. Stratification on the basis of money value of schemes was adopted, which indicated 21 schemes involved money value upto ₹ 100 lakh, 20 schemes involved money value between ₹ 100 lakh and ₹ 290 lakh and 49 schemes involved money value beyond ₹ 290 lakh. 25 schemes were selected on the basis of Simple Random Sampling Method Without Replacement applied on the stratified data.

1.1.4 Audit Objectives

The performance audit was conducted to assess:

- the adequacy and effectiveness of the planning process for different programmes;
- the adequacy and effectiveness of procedures for receipt, utilisation and accounting of funds;
- the efficiency and economy of implementation of programmes/projects and effectiveness of these programmes in terms of achievement of targeted outputs and outcomes; and
- the adequacy and effectiveness of the processes for monitoring, inspection, reporting and evaluation in implementation of the schemes.

1.1.5 Audit Criteria

The audit objectives were benchmarked against the following criteria:

- Sanction orders issued by NEC;
- Instructions and circulars issued by GOI and State Government from time to time; and
- Sikkim Public Works Code/ Manual and Sikkim Financial Rules.

1.1.6 Audit Methodology

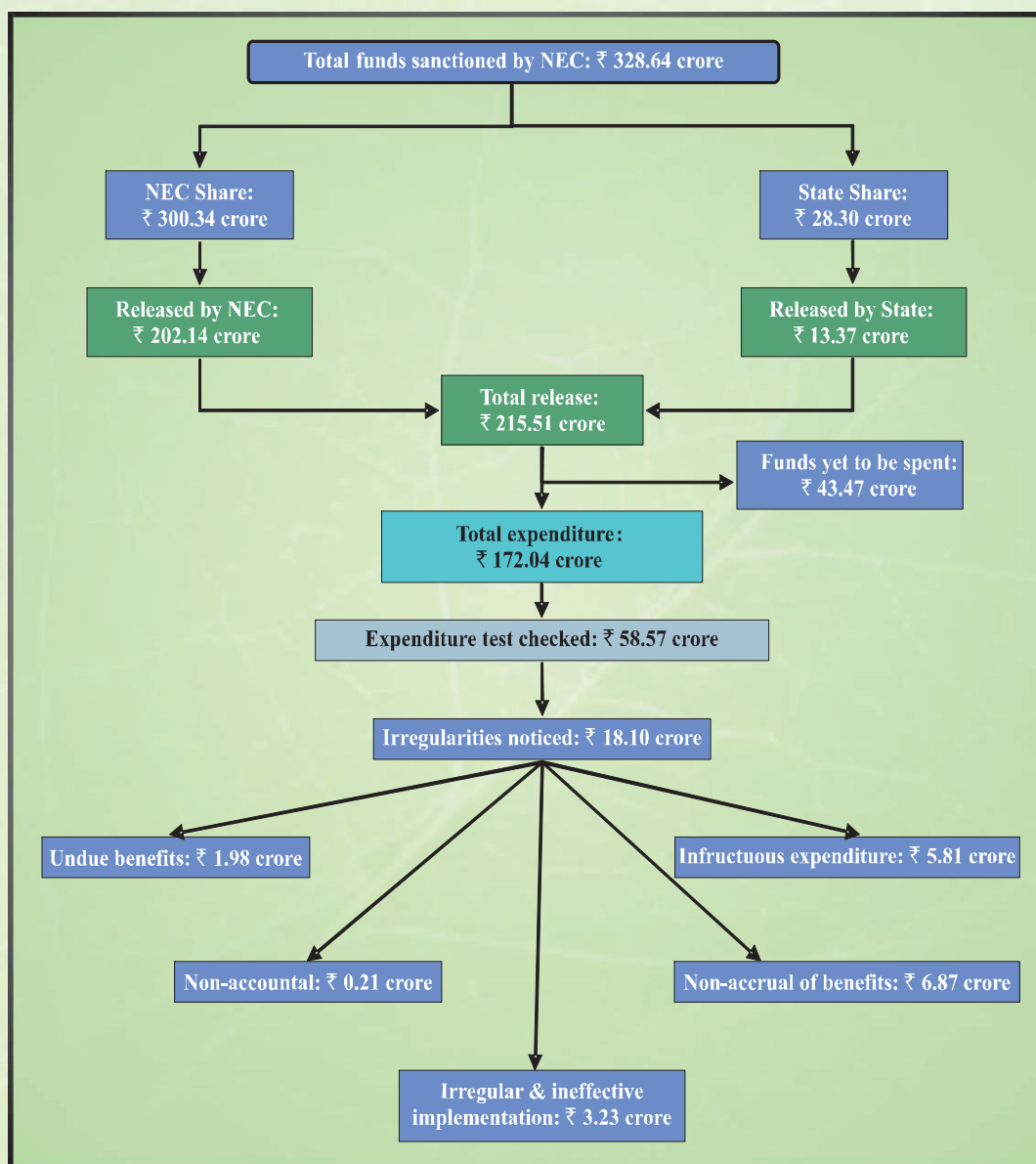
The performance audit commenced with an entry conference in March 2010 with the representatives from project implementing departments, DPERNECAD and Finance, Revenue & Expenditure Department wherein the audit objectives, scope, criteria and methodology were discussed and feedback of the departments obtained. This was followed by issue of requisition for records/data and questionnaire. Records/documents were examined in the line departments and data analysed. To corroborate observations arrived at from the examination of records and data, physical verification of assets created and survey of beneficiaries were conducted jointly with departmental officers. On the basis of audit scrutiny, physical verification and beneficiaries' survey, observations were issued to the concerned line departments as well as the DPERNECAD for their response. For generating executable recommendations, the exit conference was held on 6 October 2010 wherein the findings were discussed and report finalised after taking into account the views of the departments, duly incorporating the same at appropriate places.

Audit findings

For successful implementation of the programme in the State, the objective of socio-economic and balanced development was to be ensured through the achievement of the scheme specific objectives enshrined in the detailed project reports (DPRs) of the

respective schemes. While the deviations from achieving the scheme specific objectives have been enumerated in the succeeding paragraphs, the total fund sanctioned, released and expenditure incurred there against along with the expenditure test checked and irregularities noticed in audit are given in the finance inverse tree portrayed below:

Finance Inverse Tree



1.1.7 Planning

1.1.7.1 Defective DPRs

The Detailed Project Reports as prepared by the respective implementing departments are being forwarded to the NEC by the DPERNECAD without obtaining necessary inputs regarding feasibility and ascertaining whether proper surveys have been

conducted before finalising the DPRs. Again, on receipt of the approval from the NEC, the DPRs are transmitted to the implementing departments for execution. Out of 25 projects selected for test check in audit, there was time overrun ranging from two years to more than three years in seven cases and cost overrun of ₹ 1.09 crore in four¹ cases.

It is thus, evident that the implementing departments prepared the DPRs without proper survey and investigation and the Nodal Department also forwarded the same to the NEC without proper scrutiny, the consequences of which was corroborated by the fact that there were a number of cases of non-utilisation of infrastructure, non-accrual of intended benefit, avoidable expenditure, time and cost overrun, etc. as mentioned in the subsequent paragraphs.

1.1.7.2 Lack of transparency

In contravention of Sikkim Financial Rules read with SPWD code/manual, the requirement of wide publication through advertisement in local and national newspapers, at least one month before the date for submission of bids, was vitiated in three out of 25 cases test checked, wherein only five to 15 days were allowed. Inadequate time limit deprived the Government from availing the benefit of fair and competitive bids.

In the work site, no display board indicating funding agency, date of commencement/completion, cost involved, etc. for identification of the project was found.

Thus, there was lack of transparency in the implementation of NEC funded projects in the State of Sikkim.

1.1.8 Financial management

Funds under NEC were being released to the State Governments in the form of 90 *per cent* grant and 10 *per cent* loan till 2004-05. From 2005-06, as per the recommendation of the 12th Finance Commission, only grants were being released to the State Governments. The balance 10 *per cent* were to be raised/ provided by the State Governments. Scrutiny of financial management in the implementation revealed the following:

1.1.8.1 Overestimation of cost

The year-wise number of schemes approved, sanctioned cost indicating the share of NEC as well as the State is shown below:

¹ (i) Establishment of Bio-fertiliser (organic farming) Unit, (ii) Establishment of Polyclinic and Veterinary Hospital, (iii) Procurement of Ophthalmic Microscope, and (iv) Augmentation of Kaluk-Rinchenpong Water Supply Scheme

Table-1.1.1

(*₹ in crore*)

Year	No. of approved project	Sanctioned Cost	NEC Share	State Share
2003-04	13	32.24	30.71	1.53
2004-05	21	53.70	50.44	3.26
2005-06	10	14.29	12.89	1.40
2006-07	22	92.62	83.39	9.23
2007-08	7	11.95	10.78	1.17
2008-09	7	28.58	26.19	2.39
2009-10	17	95.26	85.94	9.32
Total	97	328.64	300.34	28.30

Source: Information furnished by departments

NB: The loan component for the year 2003-04 and 2004-05 have been shown as state share.

It can be seen from the above table that the total share of the State, for the years 2003-04 to 2009-10, was ₹ 28.30 crore. Audit observed that the State Government did not release its entire share of ₹ 14.76 lakh in two² completed works and the works were completed within the available funds, implying that the estimates were overstated to accommodate the liability of the State towards its share.

1.1.8.2 Unrealistic budgeting

The budget estimates, total availability of funds and expenditure incurred there against for the years 2003-04 to 2009-10 are given below:

Table-1.1.2

(*₹ in crore*)

Year	Opening balance	Funds released by NEC	Funds released by State	Funds available	Budget estimate	Expenditure incurred
2003-04	0.00	12.59	0.00	12.59	00.00	00.00 (00)
2004-05	12.59	22.72	0.15	35.46	35.60	18.71 (53)
2005-06	16.75	17.34	1.55	35.64	41.97	29.54 (83)
2006-07	6.10	26.94	3.09	36.13	47.84	26.75 (74)
2007-08	9.38	35.16	3.76	48.30	86.53	40.18 (83)
2008-09	8.12	45.31	4.16	57.59	78.53	30.18 (52)
2009-10	27.41	42.08	0.66	70.07	79.07	26.68 (38)
Total		202.14	13.37			172.04

Source: Information furnished by departments, Finance Accounts and Appropriation Accounts

Figures in parenthesis indicate percentage of expenditure to the availability of fund.

Above table shows that the budget provisions were neither commensurate with the availability of funds nor with the expenditure incurred during the respective years, which was indicative of unrealistic budgeting. Besides, the expenditure always fell short of the funds available indicating inability of the executing departments to execute the works planned for execution.

²(i) Eco Tourism Development in Barsey Rhododendron Sanctuary (₹ 3.60 lakh) (ii) Construction of additional class room and allied infrastructural facilities to primary schools in South and West (₹ 11.16 lakh)

1.1.9 Implementation

Shortfall in achieving target

Out of 97 schemes implemented by 18 departments, during the years 2003-04 to 2009-10, at a total cost of ₹ 328.64 crore, 49 schemes were completed by 10 departments at a total cost of ₹ 89.32 crore till the end of March 2010. The department-wise details of schemes sanctioned and completed are detailed in the table below:

Table-1.1.3

Sectors	Total projects Sanctioned	Sanctioned cost (₹ in crore)	Projects due for completion by March 2010	Projects completed by March 2010	Expenditure on completed projects (₹ in crore)
Agriculture	2	0.90	2	1	0.40
Animal Husbandry & Veterinary Services	2	4.59	1	1	1.07
Co-operation	1	2.01	1	0	-
Human Resource Development	14	29.60	12	8	7.89
Health Care, Human Services & FW	8	18.42	8	5	14.17
Energy and Power	14	57.87	9	6	17.03
Forest, Environment and Wildlife Management	4	3.88	3	2	0.69
Irrigation & FC	3	11.55	1	0	-
Roads and Bridges	27	151.15	23	9	23.67
Social Justice, Empowerment and Welfare	1	0.27	1	1	0.27
Water Security & PHE	12	40.02	11	9	22.77
Others (7 departments)	9	8.36	7	7	1.36
Total	97	328.64	79	49	89.32

Source: Departmental records

It can be seen from the above table that out of a total 79 schemes due for completion by March 2010, only 49 schemes (62 *per cent*) could be completed within the scheduled date of completion.

The implementation of 25 schemes scheduled to be completed by March 2010 (16 completed and nine ongoing) by 12 departments were scrutinised in audit to assess the impact of the implementation of the schemes under NEC. It was noticed that out of 25 Schemes, the objectives were not achieved in 11 Schemes. Besides, objectives were only partially achieved in another four Schemes. The deficiencies noticed in implementation of these 15 Schemes (60 *per cent*) are detailed below:

1.1.9.1 Food Security and Agriculture Development Department

Unfruitful expenditure on defunct unit

In order to cope with the increasing demand of fertiliser and to discourage procurement from outside the State, the Department proposed to establish a bio-fertiliser unit capable of producing 150 MT bio-fertiliser per year under organic farming in Sikkim at a cost of ₹ 40.41 lakh (NEC grant ₹ 39.37 lakh and ₹ 1.04 lakh loan). Audit scrutiny revealed that the Department received ₹ 30 lakh in March 2004 and ₹ 10.41 lakh in May 2006 from the

NEC for establishment of the unit at Mazitar (East Sikkim). The unit was installed in January 2005 but remained non-functional due to lack of electrification which, though essential, was not included in the original estimate. However, the work of electrification was completed in September 2007 with the funds allocated by the State Government after more than two years. The trial run of the unit was conducted, after a long delay, for reasons not on record during May 2008 and August 2009 to September 2009 and 210 Kg of bio-fertiliser was produced. A physical verification (June 2010) was undertaken to assess the present position of the unit and it was noticed that the machineries were damaged due to electrical short circuit and most of the bio-fertilisers produced during trial run were still in the unit as shown in the picture.

Image – 1.1.1



Damaged machine

Image – 1.1.2



Date expired bio-fertiliser

Thus, lack of foresight and improper implementation of the scheme, on the part of the Department, resulted in a bio-fertiliser unit installed at a cost of ₹ 60.88 lakh remaining non-functional over a period of five years thereby rendering the investment unfruitful besides non-achievement of the objective of reducing procurement from other States.

While accepting the observations of audit, the Department stated (November 2010) that the unit was defunct due to electric short circuit (August 2009) leading to major damages of machinery and equipment, falling of huge tree on the bio-fertiliser unit (April 2010) causing serious damage to the plant, damage of electric transformer (May 2010) due to heavy lightening and the delay was due to taking up of additional works from the State Plan Budget towards fencing, external electrification, water supply, approach road, etc.

1.1.9.2 Animal Husbandry, Fisheries and Veterinary Services Department

Non-utilisation of assets created

NEC approved (January 2004) establishment of a Polyclinic State Veterinary Hospital at

Deorali at a total cost of ₹ 1.17 crore with stipulated date of completion as March 2006 and released its share of ₹ 1.07 crore in four instalments. The construction work was entrusted to the Building and Housing Department (BHD) who in turn revised the estimate to ₹ 1.71 crore and obtained the approval of the Cabinet in March 2005. The work was completed at a total cost of ₹ 1.55 crore and handed over to the AHVS (January 2008) by the BHD. The AHVS procured (August 2008) material and equipment (ECG Machine, X-ray Machine, OT table, etc.) worth ₹ 16 lakh for the hospital.

The hospital could not be opened due to absence of external electrification which was not included in the DPR and the Department did not take any further action for completing the electrification.

Physical verification (August 2010) revealed that the equipment purchased were not installed in the hospital and the Engineering Cell of AHVS was utilising a part of the top floor of the building as an office. Consumable articles procured were being utilised in the existing old hospital being run in a small house. A few photographs showing the unused hospital building and unutilised equipment and material are given below:

Image – 1.1.3



Image – 1.1.4



Unutilised hospital building

Image – 1.1.5



Image – 1.1.6



Unutilised material and equipment

Thus, non-utilisation of the building and equipment not only resulted in unfruitful expenditure of ₹ 1.71 crore but also deprived the needy farmers in the State of veterinary services for their cattle.

While accepting the audit observation, the Department stated (November 2010) that the equipment could not be installed due to non-availability of budget provision for transformer. It was further stated that the Department would take action for full utilisation of the structure.

1.1.9.3 Human Resource Development Department (HRDD)

(i) *Non-accountal and procurement of substandard furniture*

The NEC sanctioned (February 2005) the proposal, for supply of furniture to 426 schools located in rural areas of Sikkim, at a cost of ₹ 3.40 crore. Out of the sanctioned cost, the Department decided to procure 6,870 sets of school furniture from Sikkim State Co-operative Supply and Marketing Federation (SIMFED), Gangtok. Subsequent to the Cabinet's approval (May 2005), one local registered firm (M/s National Equipment Trading Company, Gangtok) requested the Department for the supply of furniture at the rates approved by the SIMFED. The proposal was approved by the Department and supply order for furniture was placed (May 2005) to the said firm.

A Physical verification (August and September 2010) of 41 schools was conducted to ascertain whether the furniture was received in the schools and were in good condition. The following defects were noticed:

The Department was procuring furniture from different sources of funding (i.e., regular State budget, NEC, RIDF, award of Finance Commission, etc.) and issuing the same to the schools. No system was devised to link the procurement of furniture at head office with corresponding scheme-wise receipt of the same in the schools. Hence, it could not be vouchsafed in Audit whether all the furniture despatched from head office were actually received in all the schools. However, an attempt was made during physical verification to enquire from the Head of the schools whether they have received the furniture sent by the Headquarters' from NEC fund. While the Heads of 38 schools stated that they had received the furniture in good condition, 30 sets issued to Singtam Sr. Secondary School had not been received by them and 30 sets out of 52 sets had not been received by Samdong Sr. Secondary School. Also, in Dalapchand Government Primary School, 22 sets received were stated to be of very poor and unusable quality.

This had resulted in non-receipt of 60 sets of furniture valuing ₹ 2.97 lakh by two schools, besides receipt of 20 sets of substandard and unusable furniture valuing ₹ 0.99 lakh by one school.

While accepting the observation, the Department stated (November 2010) that it has taken action for proper maintenance of records and would follow financial norms for procurements in future.

(ii) Financial imprudence and substandard workmanship

The proposal of HRDD for 'Infrastructural Upgradation of Sikkim Government College, Tadong at a cost of ₹ 2.65 crore was approved (October 2004) by the NEC. The project consisted of civil and allied works estimated at ₹ 1.23 crore and ₹ 1.42 crore respectively.

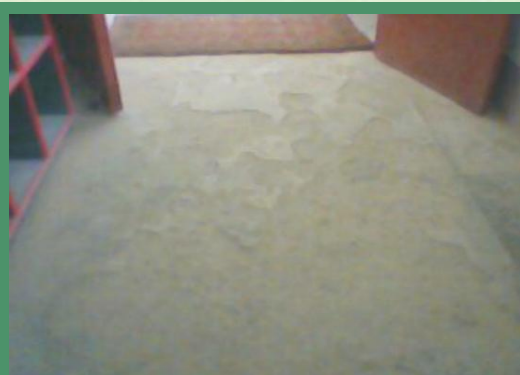
With the approval of the Finance, Revenue and Expenditure Department (February 2005), the civil works (₹ 1.07 crore) was put to tender, and the lowest bidder (quoting 42.22 *per cent* above) agreed to execute the work at the negotiated rate of 38.66 *per cent* above the SOR 2002, on the condition that other allied works like providing furniture, laboratory equipment, computers, etc. would also be awarded to him. It was agreed that the supplies would be made at the manufacturers' rate. With the approval (March 2005) of the Cabinet, the work was awarded (May 2005) to the contractor, with the stipulation for immediate commencement of work. Scrutiny of records, alongwith physical verification (July 2010), revealed the following:

- During execution of the work, the Department had to revise the estimate to ₹ 3.15 crore for various items of works (architectural consultancy fee for change in design, change in roof style, change in construction site, electrification, sanitation, underground water diversion, etc.) not included in the original estimate. The revision of estimate for change in scope of work was indicative of defective planning, survey and investigation.
- The revised estimate was forwarded (September 2005) to NEC which sanctioned only ₹ 26.51 lakh against the required additional fund of ₹ 50.23 lakh. Due to non-availability of requisite fund, the Department curtailed the quantum of allied work valuing ₹ 23.72 lakh on account of furniture/equipment/computers, etc. and completed the same in November 2005. The curtailment in the revised estimate of allied works like furniture, equipment, computers, etc. restricted the creation of requisite infrastructure for improvement in institutional delivery system.
- In order to avail the offered reduction in rates of 3.56 *per cent* on civil works costing ₹ 3.80 lakh, the Department failed to ascertain reasonability of rates through open and competitive tendering process in the case of allied works relating to supply of material (completed in February 2008) valued at ₹ 89.02 lakh.
- A discount of 10 *per cent* on the value of books was, usually being availed of by the college during direct procurement from the market. However, books procured at ₹ 3.66 lakh from the supplier were without any discount. Instead of any discount, 15 *per cent* extra on transportation above the printed cost price of the books was also paid to the supplier. This resulted in undue financial benefit to the supplier and an extra financial burden on the project amounting to ₹ 0.91

lakh.

- While there was visible seepage of water from the ceiling of the library, the floor was rough and dusty due to inferior quality of work as shown in **Image 1.1.7**.
- Three class rooms had been built in such a defective way that the students do not get a clear view of the black board and the teacher in the front as shown in **Image 1.1.8**.

Image – 1.1.7



Damaged floor

Image – 1.1.8



Defective class room

- Despite provision of water supply in the estimate, the students' toilet had to be closed for want of water supply.
- The stairs towards class rooms and library had been worn out due to inferior quality of work.
- The laboratory equipment was hardly utilised. The set of “incubator digital” had not been utilised even once.
- The book-shelf supplied to the library was of inferior quality and hardly supported the weight of the books and consequently got bent and damaged.

It was thus, evident that the scheme 'Infrastructural upgradation of Sikkim Government College, Tadong' was implemented with financial imprudence and substandard workmanship.

While accepting the observation, the Department stated (November 2010) that it would initiate corrective measures.

1.1.9.4 Health Care, Human Services and Family Welfare Department

(i) Treatment of accident victims

The NEC sanctioned (October 2006) ₹ 1.35 crore for 'Establishment of Accident and Trauma Centre at Namchi'. The construction work was completed in March 2009 at a total cost of ₹ 47.82 lakh after a delay of three months. Equipment and material worth

₹ 32.41 lakh were also purchased between November 2008 and March 2009. However, the trauma centre has not yet been put into operation for reasons not on record.

It was seen during physical verification of the centre in July 2010 that the same along with equipment and material were lying unused as can be seen from the photographs below. Besides, material worth ₹ 17.31 lakh could not be shown to Audit indicating that they were either not supplied by the supplier or have been pilfered from the site.

Image – 1.1.9

*Trauma Centre without any equipment*

Image – 1.1.10

*Non- functional Trauma centre*

Image – 1.1.11

*Unutilised equipment*

Image – 1.1.12



Thus, lack of effective action and proper monitoring has not only resulted in a completed trauma centre lying unutilised but also material worth ₹ 17.31 lakh not traceable at the centre. Besides, the objective of treating accident victims remains unachieved even after a lapse of more than one and a half year after completion of the centre.

The Department stated (November 2010) that the centre has been made functional from November 2010. However, the reply was silent regarding materials remaining non-traceable.

(ii) Wasteful expenditure

Telemedicine is a rapidly developing application of clinical medicine where medical

information is transferred through interactive audiovisual media for the purpose of consulting and also for remote medical procedures or examination. Sikkim being a State with predominantly rural populace (89 *per cent*) with hilly and mountainous area, a sizable number of habitations fall in remote and inaccessible areas. Further, transportation facilities from districts to the State capital (where Central Referral Hospital is situated) and from Sikkim to other states is inadequate and frequently disturbed by natural calamities like landslides, etc. With this objective in view, the NEC sanctioned (March 2005) ₹ 3 lakh for renovation and preparatory works of four approved Telemedicine Sites. The Department prepared (June 2006) estimate for ₹ 1.99 lakh only and incurred (March 2007) expenditure of ₹ 1.97 lakh for South and East districts. Physical verification revealed that the centres were not functioning in South and East district hospitals as would be evident from the images shown below.

Image – 1.1.13



Image – 1.1.14



Non-functional Tele Medicine room at Singtam District Hospital

Thus, despite having received the fund from NEC, lackadaisical approach of the Department towards implementation of telemedicine scheme resulted not only in deprival of benefit expected of this modern system of healthcare but also in wasteful expenditure of ₹ 1.97 lakh.

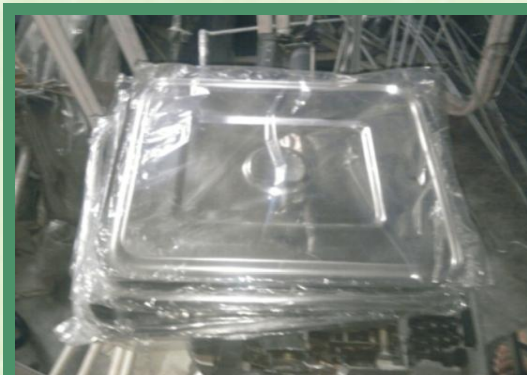
While accepting the observation, the Department stated (November 2010) that it is in the process of utilising the balance fund. It was further stated that the centres were non-functional as equipment has not been provided by the NEC for which action has been initiated by the Department.

(iii) Injudicious procurement

The scheme 'Upgradation of Hospital and Health centres – basic equipment for labour rooms in PHCs and PHSCs' was sanctioned by NEC in 2005-06 at a cost of ₹ 4.93 crore. Funds were released during March 2006 (₹ 1.99 crore), February 2007 (₹ 1.86 crore) and November 2007 (₹ 1.08 crore). The equipments were purchased without assessment and issued to various health centres during February 2007. Test check of records of six PHCs (out of 24) revealed that large quantity of material were lying unused either because it was not required or because it was already available in the centre. Some of

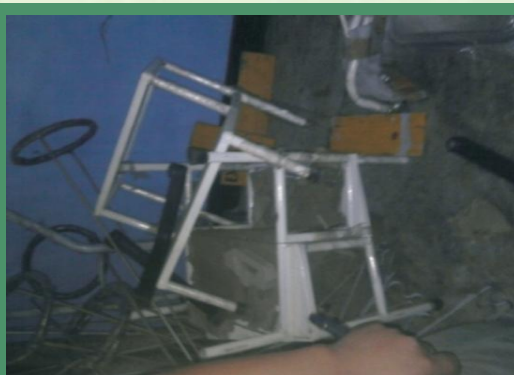
these materials have already been damaged. Photographs depicting the same are given below:

Image – 1.1.15



Unused square tray retained in store

Image – 1.1.16



Unused materials retained in store

Thus, due to imprudent procurement without assessment, materials valuing ₹ 13.08 lakh remained unutilised which was 27 *per cent* of total cost of materials of ₹ 48.90 lakh issued to these six centres. Further, there was little chance of future utilisation as some of the materials have already been damaged and the remaining materials run the risk of damage due to prolonged storage.

The Department stated (November 2010) that some of the equipment needing repair are in the process of being repaired so that they can be put to further use.

1.1.9.5 Energy and Power Department

Non-completion of project and undue financial benefit to contractor

The Scheme 'Design, supply, erection, testing, commissioning of 2X2.5 MVA 3.3/66KV switchyard-cum-substation at Rongli Hydel Project together with construction of one 66KV line bay at Rongli', was approved (February 2007) by the NEC at a total cost of ₹ 4.26 crore, to evacuate the power generated from the 2 X 2.5 MW Rongli Hydro Electric Project with the stipulation to complete the works within 10 months from the date of receipt of 1st instalment of fund. While the 1st instalment of ₹ 90 lakh was telegraphically transferred (February 2007), the work was awarded (February 2007) on turnkey basis to the lowest bidder at 27 *per cent* above the estimated cost of ₹ 5.44 crore with the stipulation to complete the work within six months from the release of first advance payment (May 2007). Work order which formed a part of agreement stipulated release of 25 *per cent* of total value of works after successful commissioning of the project and five *per cent* after six months of completion and handing over of the project. Scrutiny revealed the following:

- The Department released the entire amount of ₹ 4.34 crore without deducting 30 *per cent* as envisaged in the agreement leading to undue benefit of ₹ 1.08 crore to the contractor;

- An amount of ₹ 54.36 lakh was paid to the contractor as mobilisation advance, though neither mentioned in the notice inviting tender nor requested for by the contractor, against the provision of Sikkim Financial Rules resulting in undue benefit to the contractor.
- The work, though scheduled to be completed by January 2008, had not yet been completed as the Department could not provide the drawings to the contractor, resulting in non-achievement of the objectives for which the funds were received.

Thus, lack of effective action on the part of the Department resulted in non-achievement of the objectives for which the funds were released by NEC. Besides, undue benefit of ₹ 1.62 crore was extended to the contractor.

1.1.9.6 Forest, Environment and Wildlife Management Department

Inordinate delay in execution with forgone central assistance

The Department, in order to cover an area of 4,250 hectares with bamboo plantations costing ₹ 4.01 crore to be implemented during 10th Plan period (2003-04 to 2006-07) for conservation, improvement, increase in the production of bamboos and providing additional income to the tribal and rural people in Sikkim, prepared a project (January 2002) under Bamboo Plantation scheme. The initial project proposal sent to NEC for funding was revised (September 2003) to ₹ 7.31 crore on the ground of increase in labour rates and subsequently revised again (August 2004) to ₹ 4.99 crore with reduced area coverage of 3,530 hectares at the instance of NEC, since projects costing more than ₹ 5 crore would require the approval of the Planning Commission and the NEC anticipated delay in obtaining the required approval.

NEC in principle approved the proposal of the Department for ₹ 4.99 crore after a visit to Sikkim and sanctioned (March 2004) ₹ 63.40 lakh for coverage of 530 hectares during 2003-04 in the first phase.

A scrutiny of relevant records revealed that the Department delayed the implementation of the project right from the planning stage and further delayed it inordinately at the implementing stage for reasons not on record. The fund of ₹ 63.40 lakh could be utilised by it only by February 2007 i.e. at the end of the 10th Plan period.

This has resulted in foregoing the principally approved amount of ₹ 4.36 crore during the 10th Plan period. Besides, the objective of covering 3,000 hectares during the said plan period has also not been achieved thereby depriving the beneficiaries to that extent.

1.1.9.7 Irrigation and Flood Control Department

Delay in execution with non-accountal of stores

With a view to avoid natural disaster due to heavy and torrential rain, the Department got

the project “Storm Water Drainage System for Gangtok”, comprising of 10 Jhora Training Works, approved (August 2004) by NEC with an estimated cost of ₹ 4.68 crore to be completed within August 2006.

Scrutiny of records revealed (May-June 2010) that the works were awarded to different contractors at 15 *per cent* above the estimated cost between August and December 2005, after a delay of more than one year from the date of administrative approval, with stipulation to complete the works between January and June 2007. Only six works have been completed till the date of audit (June 2010). In respect of remaining four works, no extension of time has been requested by the contractors. Out of the total share of ₹ 4.26 crore, NEC released only ₹ 3.34 crore and the State released ₹ 44.88 lakh till date for which utilisation certificate had already been furnished by the Department. The reasons cited by the Department for delay in completion of works were non-release/delay in release of balance fund by the NEC despite several written requests for release of balance fund. Out of six physically verified works, one work (Lumsey) completed in February 2010, was damaged during monsoon (June 2010) as illustrated in the picture below reportedly due to heavy flow of muddy water.

Image – 1.1.17

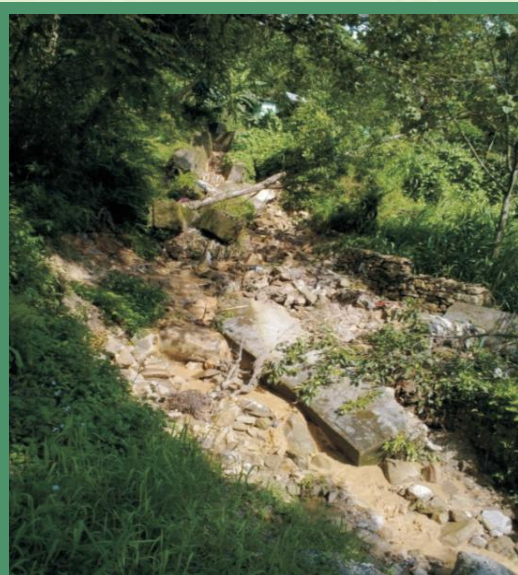


Image – 1.1.18



Damaged Jhora

It was also noticed during scrutiny (July 2010) of store records that a total of 15,334 bags of cement was received by the Store under NEC fund, out of which only 7,780 bags of cement was issued to various works under NEC. However, the Store records depicted “Nil” balance during the period. Remaining 7,554 bags of cement costing ₹ 18.09 lakh was therefore, not accounted for in the records hinting at pilferage of the materials.

Thus, implementation of Storm Water Drainage project at Gangtok was characterised by delay in implementation, non-achievement of the objective of the scheme even after

more than three years of scheduled date of completion and non-accountal of stock materials.

The Department stated (November 2010) that the physical progress has been held up due to some practical problems without specifying the problems.

1.1.9.8 Roads and Bridges Department

(i) Avoidable expenditure

NEC approved the project 'Replacement of Suspension Bridge with 102 mtr. Span Steel Bridge over Rabi Kholā on Melli – Phong Road' at an estimated cost of ₹ 4.97 crore in December 2005 and the Department floated the tender (July 2006) for civil work valuing ₹ 2.08 crore.

The contractor was awarded the work (January 2007) to execute civil work portion only on negotiated rate of 17.5 *per cent* above estimated cost and the bridge portion at actual cost to be completed in 18 months. The contractor, after eight months of the receipt of work order, gave a representation for allowing him the 17.5 *per cent* above rate for the supply of bridge parts also on the ground of increase in cost of steel. The Department moved the proposal which was approved by the Finance, Revenue and Expenditure Department and DPERNECAD in contravention of contractual agreement. The work though scheduled to be completed by June 2008 remained incomplete till date for reasons not on record.

Even though the Department undertook an extra avoidable expenditure of ₹ 36.11 lakh (on cost of bridge ₹ 2.41 crore), the overall objective of completion of the bridge has not been achieved till date.

(ii) Inordinate delay due to preparation of defective estimate

The work 'Construction of steel bridge over river Takcham Chu along Chandmari Rongnect Bhusuk - Assam Road' was approved by NEC during July 2004, at a total cost of ₹ 4.77 crore which included consultancy fee of ₹ 19.61 lakh. The scope of consultancy work was, *inter alia*, planning and designing of the bridge structure and preparation of tender documents. The work order for civil portion only at a cost of ₹ 94.88 lakh was issued (December 2005) to the contractor with stipulation to complete the work within nine months (September 2006).

The civil work had to be revised by more than 98 *per cent* by curtailing river training work due to change in scope of work and non-inclusion of launching of bridge portion in NIT and subsequent work order. Revised agreement (December 2008) for completion of work within March 2009 at ₹ 1.99 crore (work value ₹ 1.55 crore plus 29 *per cent* above ₹ 44.82 lakh) was entered into with the contractor along with separate agreement for launching of the steel bridge at a total cost of ₹ 16.18 lakh (at par) within April 2009. Time extension up to December 2009 was granted on the request of the contractor (July

2009). However, despite several revisions of estimate and extensions of time, the work remained incomplete till date.

Thus, improper preparation of the estimate and non-inclusion of the main component of launching the bridge in the tender documents not only delayed the execution by more than six years from the date of approval of the NEC but also indicated that the estimate and tender documents were not prepared scrupulously by the consultant, even after charging ₹ 19.61 lakh towards consultancy fee, and the departmental officers also failed to exercise due diligence in vetting the documents. The objective therefore, remained unachieved.

(iii) Unfruitful expenditure

With the objective of facilitating the people of Khedum village for transportation of agricultural produce to the market centre of Chungthang and Mangan for sale and carriage of essential commodities from the market, construction of steel bridge on approach road to Khedum village was approved by NEC during March 2005 at a total cost of ₹ 1.91 crore. The work was allotted at 25 *per cent* above the estimated cost during February 2006 with the stipulation for completion within 12 months.

While 99 *per cent* of the work was completed at an expenditure of ₹ 1.66 crore till August 2010, physical verification (August 2010) revealed that there was no road on one side of the bridge for which the connectivity on both the sides of the bridge was not established as evident from the photographs below:

Image – 1.1.19

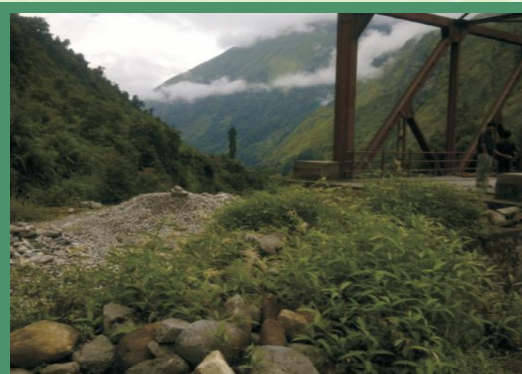
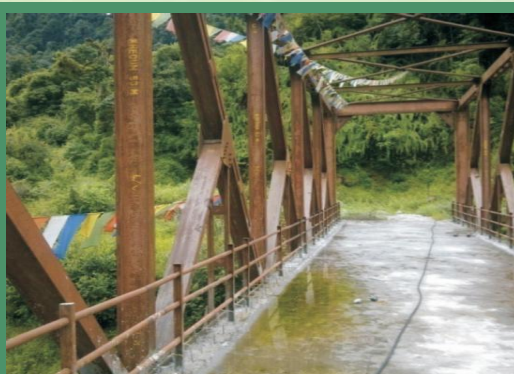


Image – 1.1.20



Bridge without connectivity on the other end

It was further seen that the Department had not initiated any action for establishing connectivity of the road. Resultantly, people had to carry agricultural and other essential products by headload through the available small log bridge. Thus, defective planning on the part of the Department resulted in unfruitful expenditure of ₹ 1.66 crore apart from failing to mitigate the hardships faced by the local people.

1.1.9.9 Social Justice, Empowerment and Welfare Department (Women and Child Development Division)

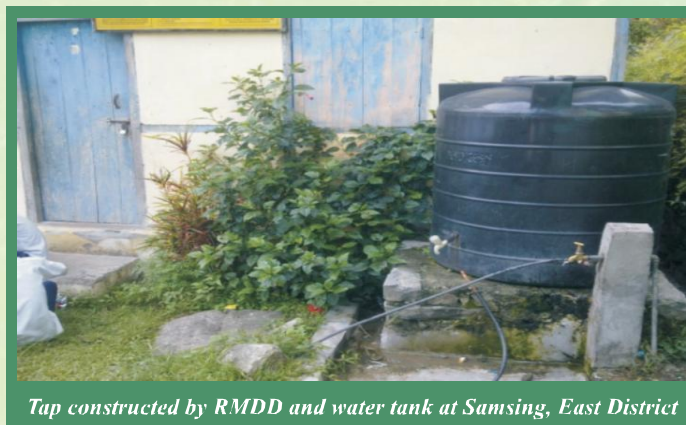
Injudicious utilisation of fund

The Department prepared a project for child development keeping in view the basic needs of ICDS centres in Sikkim viz., sanitation, hygiene and water supply comprising of one water storage tank of 1,000 litre and two coils of poly pipe to every ICDS centres. Total cost for water storage tank, two coils of poly pipe and transportation charges worked out to ₹ 1.35 crore. NEC sanctioned ₹ 27.40 lakh (including transportation charges at the rate of ₹ 198 for each centre) towards supply of water storage tank of 1,000 litres and two coil poly pipes to each of the 315 centres.

While no record in support of any survey and investigation before preparation of DPR could be produced to Audit, physical verification of 16 centres revealed the following:

- In seven centres, the scheme was implemented despite the existence of functional regular water supply tap constructed by RMDD;

Image – 1.1.21



Tap constructed by RMDD and water tank at Samsing, East District

- In two centres, tanks were non-functional;
- In three centres, the tanks were used for private purpose (i.e., by the Anganwadi Workers);
- In three centres, water was used only for sanitation purpose;
- In seven centres, only 274 mtrs of pipes were used out of 1,400 mtrs supplied;
- Irrespective of the availability of water in the centre and the distance of various ICDS centres from water source, tanks of same capacity and pipes of same length were provided.

The above was indicative of the fact that the scheme was implemented without a well thought out plan for judicious utilisation of the fund received from NEC and therefore

the objectives of the scheme have not been achieved in its totality.

The Department accepted (November 2010) the audit observation.

1.1.9.10 Water Security and Public Health Engineering Department

Infructuous expenditure and non-availing of concession

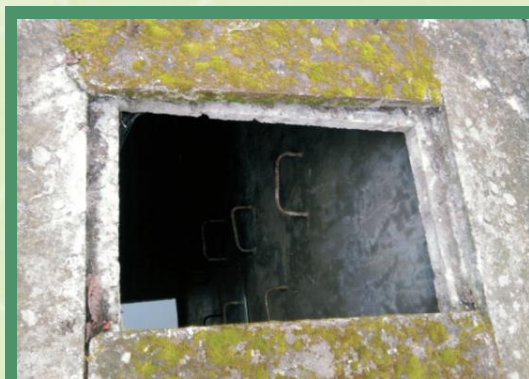
NEC sanctioned the project 'Augmentation of Kaluk-Rinchenpong Water Supply Scheme, West Sikkim' in February 2004 at an estimated cost of ₹ 3.50 crore with the objective to supply water to the projected population for a designed period of 25 years by drawing water from Hee Khola, which is about 17 Kms from the town. Cabinet approved the project in September 2004 and the work was awarded to three contractors with the stipulation to complete the work by March 2007.

Scrutiny of records revealed that there was a cost overrun of ₹ 47.37 lakh on DI pipes and fittings due to delay in execution of the scheme, reasons for which were attributed to illness of contractors. Despite the completion (June 2007) of project at an expenditure of ₹ 3.71 crore, supply of untreated raw water could be made only for a few weeks due to damage in the supply pipes.

Besides, the Union Ministry of Finance (Department of Revenue) exempted (September 2002) pipes needed for delivery of water from its source to a water treatment plant from payment of excise duty. The Department made no attempt to avail the exemption in respect of GI/DI pipes and associated fittings worth ₹ 2.14 crore purchased for delivery of water from source to treatment plants. Non-availing the concession led to a loss of ₹ 29.45 lakh to the Department. A physical verification was undertaken to assess the present status of the scheme, which revealed the following:

- No filter media (Baraka Stone and Rapid Sand Filter) has been installed till date for treating the water;
- Water supply is totally stopped due to damages of pipes at various stretches of joints.

Image – 1.1.22



Empty main reservoir

Image – 1.1.23



Rapid sand filter chamber without filter media

Thus, while the Department has not taken any action to make the project functional, defective planning, design and workmanship resulted in an infructuous expenditure of ₹ 3.71 crore. Further, the beneficiaries were deprived of the intended benefit of potable water supply.

The Department stated (November 2010) that corrective measures have been initiated for making the project functional.

1.1.10 Monitoring and evaluation

The Nodal Department had not initiated suitable measures to streamline the monitoring system as would be evident from the following:

- **Release of fund:** Despite the DPERNECAD, being the nodal authority, for implementation of the programme, it has no information about the release of funds by NEC through FRED to the project implementing departments and expenditure incurred thereagainst;
- **Submission of returns:** Effective monitoring of any programme depends mainly on timely submission of reports and returns to the monitoring authorities. However, while the executing line departments failed to submit the progress reports, utilisation certificates, etc. in time to the nodal department of DPERNECAD, the nodal department also consequentially failed to submit the same to NEC in time;
- **Field inspection:** No field inspection was carried out by the DPERNECAD due to shortage of staff; and
- **Impact Studies:** No impact study about the status of implementation has been carried out by any agency.

1.1.11 Conclusion

DPERNECAD, the nodal Department for implementation of schemes funded under the NEC with the objective to attain balanced socio-economic development of the State, confined its function merely towards forwarding the proposals of schemes to the NEC and obtaining approval therefrom. As a result, schemes were taken up without proper survey and investigation and therefore, out of 25 schemes test-checked in audit, the objectives were not achieved in 11 schemes. Besides another four schemes were implemented without proper planning and monitoring resulting in achievement of objectives only partially. The monitoring on the part of both the DPERNECAD as well as the implementing departments was inadequate for gainful utilisation of the NEC funding. Evaluation was also never undertaken to assess the impact of implementation of the schemes in the State.

1.1.12 Recommendation

- The nodal Department should insist for Survey and investigation while scrutinising the proposals received from implementing departments;
- The nodal Department should actively involve itself in the planning of the schemes instead of merely being a transmitting agency;
- The nodal Department should ensure achievement of the objectives for which NEC funding is obtained;
- Monitoring mechanism should be strengthened to achieve the desired objectives; and
- Impact of implementation of the schemes should be assessed at regular intervals.

FOOD AND CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

1.2 Public Distribution System in Sikkim

Public Distribution System (PDS) is a major component of the overall food management strategy of the Central Government for ensuring availability of foodgrain at affordable price and enhancing food security for the poor. The Food and Civil Supplies and Consumer Affairs Department (FCS&CAD) is the nodal Department for management of the PDS in the State. The Department did a commendable job in catering to 70,851 below poverty line beneficiaries and 4,30,547 above poverty line beneficiaries as of March 2010. Performance Audit of PDS however, revealed that the areas of concerns as pointed out in Comptroller and Auditor General's Audit Report 2005 and PAC's recommendation thereon was not acted upon especially in respect of identification mechanism for selection of BPL families and periodical review of BPL list; ensuring that the PDS commodities primarily wheat, reached the intended beneficiaries; reimbursement of Hill Transport Subsidy and differential cost of levy sugar, etc. Besides, non-lifting of allotted quantity of levy sugar; defects in issue and renewal of ration cards; defective price structure of food grains and lack of adequate monitoring mechanism to ensure flawless PDS in the state as highlighted below were noticed:

The Department neither reviewed nor updated the list of beneficiaries under BPL categories despite repeated reminders from GOI and State Government's claim of reduction of BPL from 41.43 per cent to 19.33 per cent leading to extra financial burden of ₹ 3.47 crore to the State exchequer.

(Paragraphs 1.2.8 and 9)

Issue of ration cards which is one of the most important documents under PDS for issue of essential commodities was stopped since August 2009. 45,928 BPL beneficiaries possessed both APL and BPL cards in defiance of norms.

(Paragraphs 1.2.11 and 12)

Erroneous inclusion of higher handling and storage charges led to extra financial burden of ₹ 40.10 lakh to the PDS beneficiaries.

(Paragraph 1.2.15)

The Department had not kept adequate vigil over lifting and distribution of iodised salt and *atta* by the agents. This restricted salt and *atta* to urban areas only. Short supply of 13,458.50 quintal (valuing ₹ 2.15 crore) of *atta* due to excess refraction availed by Mill owner led to undue benefit to the flour mill owner.

(Paragraph 1.2.19 and 20)

Distribution of sugar under PDS was characterised by low off take, overcharging of price by ₹ 125 per quintal and excess burden to the consumer on account of higher retail issue price.

(Paragraph 1.2.21 to 24)

Monitoring was deficient and needed strengthening as returns were not submitted by FPSs, quality control was not effective, meeting of Vigilance Committees not convened, absence of surprise check, etc.

(Paragraph 1.2.26 to 30)

1.2.1 Introduction

Implementation of a well targeted and properly functioning Public Distribution System (PDS) is a major component of the Central Government's overall food management strategy for ensuring availability of food-grain at affordable prices and enhancing food security for the poor. The Planning Commission of India projected (August 2000) 43,428 (41.43 *per cent*) households living Below the Poverty Line (BPL) in the State.

The Food and Civil Supplies and Consumer Affairs Department (FCS&CAD) is responsible for the control and distribution of essential commodities like foodgrain, superior kerosene oil, salt, sugar, etc. to the public through the Public Distribution System (PDS). The Department was catering to 70,851 families under BPL category and 4,30,547 card holders under Above Poverty Line (APL) category as of March 2010.

The FCS&CAD had been implementing a number of schemes under Targetted Public Distribution System (TPDS) *viz.*, Below Poverty Line (26,914), Mukhya Mantri Antyodaya Annadaan Yojana (9,914), Expanded Antyodaya Annadaan Yojana (6,600), Mukhya Mantri Khadya Suraksha Abhiyan (24,923) and Annapurna Scheme (2,500). Besides, free rice was being provided to 2,064 Welfare Institutions/ Nariniketan by the State Government.

The Department operates a revolving fund for purchase and distribution of rice and levy sugar under PDS. The Department deposits the required amount with the Food Corporation of India (FCI) for release of monthly allocation of essential commodities to the State and lifts the commodities from FCI godowns located at Rangpo (for North and

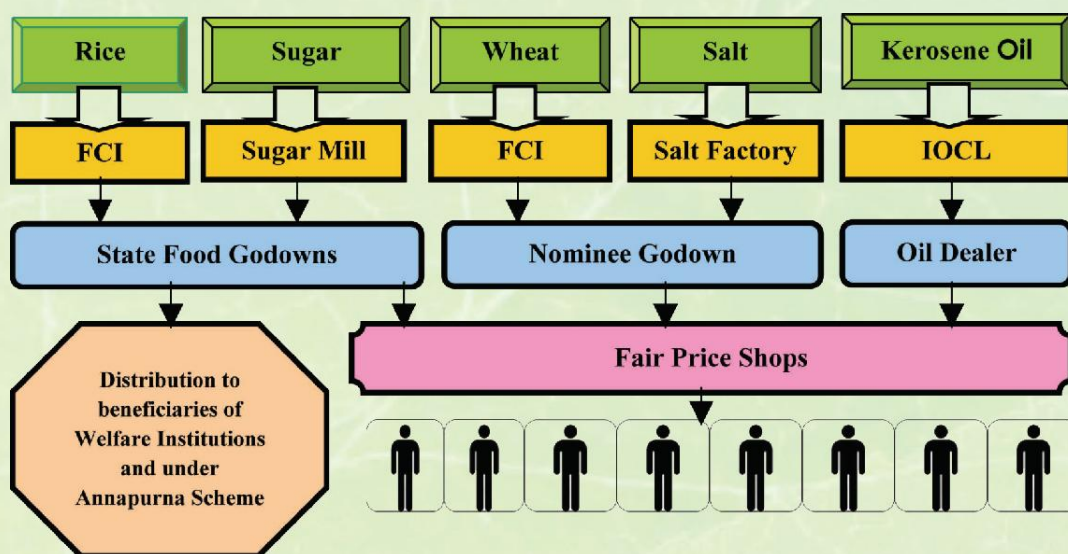
East districts) and Jorethang (for South and West districts) in the State for onward distribution to beneficiaries through food godowns and a chain of fair price shops (FPS) located all over the State.

1.2.2 Organisational setup

Commissioner-cum-Secretary, FCS&CAD is responsible for implementation of the PDS in the State. Special Secretary is in-charge of planning, administration and monitoring assisted by Joint Secretary (1), Deputy Secretary (1), Under Secretary (1), Deputy Director (1), Assistant Director (1). At District level, the implementation is entrusted to the Collectors with the assistance of District Civil Supply Officers (DCSOs) to ensure proper distribution of the essential commodities through a network of 1,414 FPSs manned by the rationing agents. These FPSs in turn sell the commodities to the beneficiaries at the prices fixed by the State Government.

Resource flow chart of PDS commodities to the beneficiaries in the State is shown below:

Chart – 1.2.1



1.2.3 Scope of Audit

Implementation of PDS in the State for the five year period (2001-02 to 2004-05) was reviewed (February-May 2005) by Audit and the findings were incorporated in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2005 which *inter alia* recommended (i) appropriate fixation of rates for issue of foodgrain to avoid excessive dependence on subsidy; (ii) strengthening of management of revolving fund to avoid its depletion; (iii) initiation of effective steps for obtaining reimbursement of expenditure on distribution of levy sugar from Food Corporation of India (FCI); and (iv) introduction of effective physical verification system.

While discussing the Audit Report, the Public Accounts Committee (PAC) recommended (March 2008) the following:

- Improvement of identification mechanism for selection of BPL families and periodical review of BPL list;
- Initiate effective steps to ensure that the PDS commodities especially wheat reached the intended beneficiaries;
- Pursue vigorously with the FCI for expeditious reimbursement of Hill Transport Subsidy and differential cost of levy sugar.

The records relating to implementation of the PDS in the office of the Commissioner-cum-Secretary, FCS&CAD, all the four DCSOs (including 27 food godowns) covering the period from 2005-06 to 2009-10 were test checked during June-July 2010. Physical verification of 219 (16 *per cent*) FPSs (out of 1,414) were also conducted based on simple random sampling without replacement method.

1.2.4 Audit Objectives

The Performance Audit attempted to assess the efficacy of PDS in the State and also to examine the status of corrective measures initiated by the Department on the Public Accounts Committee recommendations. Besides, audit also assessed whether:

- Utilisation of revolving fund was proper;
- Selection of beneficiaries under PDS was scientific;
- Benefit of PDS were extended to eligible families;
- Distribution arrangements were well managed; and
- Monitoring mechanism for effective control and implementation of PDS existed.

1.2.5 Audit Criteria

Audit findings were benchmarked against the following criteria:

- Guidelines for selection of beneficiaries under various schemes issued by Government of India;
- PDS (Control) Order, 2001;
- Issue rate of PDS items;
- Socio-Economic Survey Report 2006, Government of Sikkim;
- Instructions and circulars issued by GOI and State Government from time to time;
- Sikkim Financial Rules; and
- Prescribed monitoring and control mechanism.

1.2.6 Audit Methodology

The Performance Audit commenced with an entry conference (June 2010) wherein audit objective, methodology and criteria were explained to the Department. Records were checked and questionnaires issued to the Department for furnishing of data which was analysed in Audit with reference to original records to arrive at audit conclusions. At the conclusion of audit an exit conference was held (September 2010) and report finalised duly taking into account the points put forward by the Department.

Audit findings

Sikkim is a deficit State in terms of foodgrain production. The State Government therefore, does not procure foodgrain from the farmers in the State under the decentralised procurement scheme. No buffer stock is maintained by the Department. Supply of foodgrain under PDS are obtained from FCI as per allocation made by the GOI for various categories of beneficiaries.

Major audit findings are discussed in the succeeding paragraphs:

1.2.7 Financial management

In order to facilitate the procurement and distribution of food-grain to the consumers in time without any financial difficulty, the Department operates a revolving fund in two Banks viz. State Bank of Sikkim and Sikkim State Co-operative Bank since 1975-76.

All transactions relating to payments to Food Corporation of India for procurement of rice and levy sugar and receipt of sale proceeds in food godowns were operated through these revolving fund accounts. Year-wise receipt and expenditure from the revolving fund is indicated below:

Table – 1.2.1

(₹ in crore)

Year	Opening Balance at the beginning of the year	Recoupment during the year	Expenditure incurred during the year	Closing Balance at the end of year
2005-06	0.76	30.76	30.53	0.99
2006-07	0.99	35.02	34.65	1.36
2007-08	1.36	36.14	35.77	1.73
2008-09	1.73	36.22	35.89	2.06
2009-10	2.06	38.17	38.44	1.79

Source: Departmental figures.

Mechanism for keeping detailed accounts under Revolving Fund was neither spelt out by the Department nor were the head-wise details of expenditure kept to ascertain the component-wise expenditure and assess their reasonability. Despite this being reported in the Comptroller and Auditor General's Audit Report for the year ended 31 March 2005 and the PAC recommendation thereon, the Department had not finalised (August 2010) the operating manual for revolving fund even after a lapse of more than nine

months of its preparation (January 2010) through a Chartered Accountant.

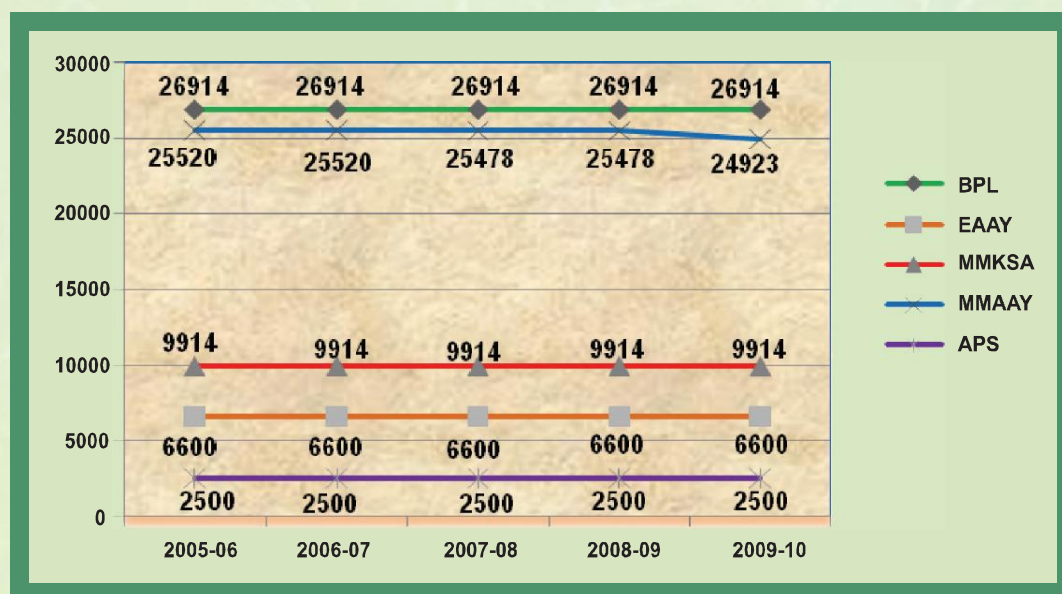
While accepting the fact, the Department stated (November 2010) that operating manual for Revolving Fund was under active consideration of the Government for approval.

Identification of target groups

1.2.8 Non-updation of BPL families and extension of benefit to ineligible families

PDS Control Order 2001 [Rule 1(1&2)] envisaged review of list of BPL families every year by the State Government for the purpose of deletion of ineligible families. This, however, was not done and the list of BPL families remained constant except in MMKSA where 555 families have been deleted as can be seen from the chart below:

Chart – 1.2.2



It was noticed that 70,851 families were receiving PDS benefits under different BPL schemes and the Department had never reviewed the beneficiary lists for deletion of ineligible beneficiaries despite assurances (March 2008) to the PAC for revision and updating of BPL families from time to time and repeated reminders by the GOI for finalisation of BPL lists based on inputs from Gram Sabhas. Even though the Department of Economics, Statistics, Monitoring and Evaluation (DESME), Government of Sikkim had prepared approved list of BPL families (21,618) in 2006, the Department did not pay any cognizance to it in restricting the number of BPL.

While accepting that there were deficiencies in identification of BPL beneficiaries, the Department stated (November 2010) that the identification process had been initiated by Rural Management and Development Department on a pilot basis for drawing up an authentic list as per the new guideline of GOI.

1.2.9 *Excess projection of BPL families and consequent financial burden on State exchequer*

The State Government projected 43,428 BPL families for the purpose of obtaining food-grain from the Government of India at subsidised rate. The GOI accordingly allocated rice at subsidised Central Issue Price (CIP) of ₹ 565 per quintal at the scale of 35 kg per family per month to the State for BPL (43,428) families.

Audit noticed that the State Government further subsidised the cost of rice from ₹ 565 to ₹ 365 per quintal for issue to the beneficiaries at a retail sale price of ₹ 4 per kg (inclusive of overhead expenditure) to 43,428 families. This resulted in avoidable payment of subsidy of ₹ 3.47 crore per annum during 2005-10. Had the Department restricted the BPL families to 21,618 (instead of 43,428) as per DESME report excess expenditure of ₹ 3.47 crore per annum on subsidy to ineligible beneficiaries could have been avoided.

While accepting that there were deficiencies in identification of BPL beneficiaries, the Department stated (November 2010) that the identification process on pilot basis as per the new guideline of GOI had been initiated by RMDD for preparation of an authentic beneficiaries list.

1.2.10 *Avoidable expenditure on the MMKSA Scheme*

Sikkim had been allocated 1,920 MT of rice per annum by the GOI for the APL beneficiaries at the central issue price (CIP) of ₹ 830 per quintal.

The State Government introduced a scheme, Mukhya Mantri Khadya Surakshya Abhiyaan (MMKSA), with the objective of extending the benefit of subsidised rice to an additional 24,923 beneficiaries belonging to the 'economically weaker families', over and above 43,428 families (26,914 BPL plus 6,600 EAAY plus 9,914 MMAAY). Since there was no provision in the GOI quota of BPL rice to accommodate this additional 24,923 beneficiaries, the State Government decided to divert APL rice allocated to the State, after bearing the cost difference of ₹ 520 per quintal. Since the Department was already extending undue favour to 21,810 excess families (total BPL- 43,428 *minus* DESME BPL figure - 21,618) who did not come under the ambit of BPL in terms of DESME survey, introduction of the MMKSA scheme for an additional 24,923 families entailed an avoidable expenditure of ₹ 2.31 crore on subsidising APL rice for the period 2005-10.

The Department stated (August 2010 and November 2010) that the implementation of the MMKSA, being a state sponsored scheme, was continued by the Department as per the policy decision of the Government. However, the fact remained that in view of extensive coverage of BPL families under various schemes under PDS, introduction of MMKSA led to an avoidable extra burden of ₹ 2.31 crore in extension of facilities to ineligible families.

1.2.11 Abandonment of issue of ration cards

PDS Control Order 2001 envisaged that the State Government ensure that eligible applicants were not denied a ration card under the PDS. The Department, however, had stopped issuing new ration cards from 04 August 2009 as the agency (M/s Shreya Traders) responsible for issuing ration cards abused the position by issuing ration cards to ineligible beneficiaries.

Audit scrutiny revealed that the work order for preparation of digitalised ration card (2nd Phase) was awarded (September 2006) to M/s Shreya Traders (agent) with the stipulation that the laminated ration cards in complete shape with digitised signature of the issuing authority should be provided to the beneficiaries by the agent. Taking advantage of this clause, the Agency issued fake/unauthorised ration cards which subsequently led to lodging of a criminal case against the firm by some private individuals. Besides, a number of errors such as typographical error in name and address, non-matching of photographs, etc were noticed in the APL ration cards issued by the agency. Thus, lackadaisical approach of the Department in not maintaining a strict vigil over the Agent led to printing and selling of fake/unauthenticated ration cards to ineligible beneficiaries and deprival of ration cards to *bona fide* citizens owing to suspension of issue of ration cards by the Department.

The Department while accepting the suspension of issue of ration cards informed (November 2010) that the ration cards with bio-metric technology having linkages with new unique identification project (UID) was under consideration to check against duplication and issue of bogus ration cards.

1.2.12 Possession of dual ration cards (both BPL and APL)

Sikkim Food Stuffs (Distribution) Control Order 1978 (amended Rule 18) stipulated issue of only one ration card to members of a household or establishment at any given point of time.

The provision was however not complied with, as 45,928 families possessed dual ration cards – both under BPL and APL category. As mentioned in preceding paragraph (1.2.8) as many as 70,851 families received benefits under different BPL schemes as against GOI's stipulation of 43,428 families, let alone the DESME's list of 21,618 families. The 70,851 families were again issued ration cards under APL category to enable them draw *atta*, sugar and kerosene oil and additional two kg rice.

The Department accepted the fact and informed (November 2010) that they would review the position.

1.2.13 Non-deposit of ₹ 8.22 lakh towards Consumer Welfare Fund

The State Government established (September 2000) the Consumer Welfare Fund (CWF) for providing financial assistance to the Voluntary Consumer Organisations

(VCO) to promote and protect the welfare of the consumers and strengthen the voluntary consumer movement, particularly in rural areas, as per the directions of the GOI. Accordingly, the Commissioner-cum-Secretary, FCS&CAD directed (August 2002) to credit ₹ 5 per card to CWF, out of ₹ 25 collected for preparation of APL ration cards.

Audit noticed that as against the mandatory collection of ₹ 21,52,735 on issue of 4,30,547 ration cards, only ₹ 13,30,250 was credited to CWF leaving a balance of ₹ 8,22,485 as of March 2010. The balance fund ₹ 8,22,485 was neither pursued by the Departmental authorities nor deposited by the Weights & Measures cell of the Department which impeded the strengthening of consumer movement in the State.

The Department, while accepting the fact informed (November 2010) that the amount would be deposited into CWF.

Allotment, lifting and distribution of foodgrains

To enable the State Government to plan timely lifting of the allotted quantities of foodgrain and to make distribution cost effective, monthly allocation of foodgrain is made to the State for a complete financial year. Under the revised procedure, the State and the Food Corporation of India (FCI) were allowed a validity period of 60 days to arrange for lifting of the allotted foodgrain.

Year-wise allocation and lifting of foodgrain by the Department was quite satisfactory under PDS/TPDS for the period 2005-06 to 2009-10 as indicated below:

Table – 1.2.2

(In '000 MT)

Year	Allotment				Off-take				% of off-take		
	BPL	APL	AAY	Total	BPL	APL	AAY	Total	BPL	APL	AAY
2005-06	11.73	15.51	0.35	27.59	11.73	15.51	0.35	27.59	100	100	100
2006-07	11.77	21.10	0.35	33.22	11.77	20.57	0.35	32.69	100	97	100
2007-08	11.30	23.04	0.35	34.69	11.30	23.62	0.35	35.27	100	100	100
2008-09	11.30	22.11	0.35	33.76	11.30	22.11	0.35	33.76	100	100	100
2009-10	11.30	13.24	0.35	24.89	11.30	13.24	0.35	24.89	100	100	100

Source: Departmental figure

1.2.14 Avoidable burden to GOI due to inclusion of extraneous component in pricing structure

The Union Ministry of Rural Development provided financial assistance till 2001-02 to State/UTs for implementation of the centrally sponsored “Aannapurna Scheme”. The scheme was transferred to the State Plan from 2002-03 onwards and funds were thereafter released as Additional Central Assistance by the Ministry of Finance. The scheme envisaged supply of 10 kg of foodgrains per month free of cost to senior citizens who were eligible for old age pension under the National Old Age Pension Scheme but were not receiving the same. The GOI, based on State Government proposal and pricing

structure released ₹ 22 lakh per annum for free distribution of rice to 2,500 beneficiaries during 2005-10.

Audit scrutiny revealed that the Department had included extraneous components in the pricing structure in order to obtain higher central assistance. This led not only to fixation of higher rate of rice but also an avoidable burden of ₹ 20.73 lakh to GOI on distribution of 1,500 MT of rice during 2005-10 on account of hire charges which were unwarranted. The extraneous items are indicated below:

Table – 1.2.3

(₹/per quintal)

Sl. No.	Description	Rate fixed in respect of APL/BPL	Rate fixed in respect of APS	Remarks
1	Bank interest on borrowed funds as per requirement.	5.00	7.09	Unwarranted since no capital investment of the Department.
2	Average transportation charges from FCI Depots to different food godowns.	16.00	46.36	Higher by ₹ 30.36 w.r.t charges approved by the Department in the APL, BPL and other schemes.
3	Average charges from different food godowns to Fair price shops	20.00	34.00	Unwarranted since rice distributed from food godown itself without routing to FPSs.
4	Loading and unloading charges per quintal	4.00	8.00	Higher by ₹ 4 w.r.t charges approved by the Department in respect of APL, BPL and other schemes.
5	Storage, handling, weighment, etc.	15.00	17.86	Unwarranted since transportation charges at sl. 4 above include loading/ unloading, etc.
6	Other operational expenses	5.00	25.00	Higher by ₹ 20 w.r.t charges approved by the Department in the APL, BPL and other schemes.
7	Transportation charges	20.00	25.00	Unwarranted since rice distributed at Food godown itself and transportation charges stands included at sl. 2 above.

The Department accepted the fact and stated (November 2010) that corrective measures would be initiated.

1.2.15 Extra burden on PDS beneficiaries due to insertion of higher storage charges

As against the applicable rate of 0.5 per cent of CIP towards storage, handling, weighment, shortage (godown shortage), etc the Department erroneously incorporated higher rate by ₹ 3.52 per quintal (ranging between 0.10 and 0.38 per cent of CIP) leading to extra financial burden of ₹ 40.10 lakh on issue of 11,391 MT of rice during 2005-10.

The Department stated (August 2010) that the discrepancies pointed out by Audit was noted for rectification.

1.2.16 Inadequacy of quantity of APL rice

According to the Indian Council of Medical Research, a person requires about 11 kg of cereals per month (or 330 gm per day). A family of five members would therefore, require 55 kg per month. Considering the monthly needs, the GOI raised monthly

allocation of APL rice to 35 kg per family from April 2002. The scale of quantity of rice admissible to the APL beneficiaries of Sikkim compared poorly with other States as shown below:

Table – 1.2.4

Sl. No.	Name of States	Scale of APL rice
1	Arunachal Pradesh	35 kg. per family per month
2	Karnataka	13 kg. per card holder
3	Jammu and Kashmir	11 kg. per head per month
4	Himachal Pradesh	12 kg. per head per month
5	Kerala	35 kg. per family per month
6	Delhi	25 kg. per card per month
7	Sikkim	2 kg. per card per month

As would be seen, while other States distributed APL rice ranging between 7 and 25 kg per card per month, the distribution in Sikkim was alarmingly low at two kg per card per month thus, depriving the consumers of the standard requirement.

Audit analysis of available quota of APL rice and its distribution revealed that the low distribution to APL beneficiaries was owing to (i) Department's failure to weed out the ineligible BPL beneficiaries; (ii) projection of higher number of BPL beneficiaries; and (iii) diversion of 8,818 quintals of APL rice per month to MMKSA scheme.

The Department stated (November 2010) that the emphasis was towards providing food security to the poor and rural population of the state as the APL category people can afford to get their requirement from the open market. The reply is not tenable as the distribution of 10 kg rice per family (considering five members in a family) to APL category was much less than the prescribed scale of 35 kg per family by GOI.

1.2.17 Improper distribution of APL rice

As of March 2010, the Department issued 4,30,547 APL ration cards all over the State and, therefore, the monthly requirement of APL rice, as per the scale fixed by the State Government, was only 1,03,332 quintals per annum. As against this, the Department procured 1,23,484 quintals of rice during 2009-10 which was in excess of requirement by 20,153 quintals. Reasons for procurement of excess APL rice and details regarding its subsequent distribution were not on record.

Audit scrutiny further revealed that management of allocation and distribution of APL rice was improper as it was not based on the number of card holders catered by the Food godowns as seen from the following table.

Table – 1.2.5

(In quintals)

Sl. No.	Name of Godown	No. of APL card holders	Requirement of qty. of rice (As per GOS's scale)	Quantity allocated	(+) Excess/ (-) Short supply	Closing Balance as on 03/10
1	Gangtok	67,642	16,234	14,364	(-) 1,870	Nil
2	Pakyong	20,207	4,850	6,130	(+) 1,280	Nil
3	Dikchu	8,888	2,133	3,351	(+) 1,218	53.24
4	Rhenock	11,176	2,682	4,060	(+) 1,378	Nil
5	Melli	12,909	3,098	4,590	(+) 1,492	92.99
6	Namchi	26,879	6,451	10,354	(+) 3,903	66.58
7	Sombaria	13,411	3,219	4,710	(+) 1,491	69.51
					(+) 8,892	282.32

Analysis revealed that against the requirement of 16,234 quintals of rice in case of Gangtok food godown, only 14,364 quintals of rice was allocated by the Department for onward distribution to 185 FPSs leading to short allocation and consequent non-distribution of rice to 64 FPSs during 2009-10. Conversely, in case of remaining six food godowns against the requirement of 38,667 quintals, the allocation during the year was 47,559 quintals resulting in excess allocation of 8,892 quintals. This was against the stipulation of Essential Commodity Act of equitable distribution of foodgrain to *bona fide* citizens.

The Department stated (November 2010) that the distribution of APL rice at Gangtok was low as APL card holders did not avail of PDS facilities regularly. The contention of the Department is not acceptable as it could not substantiate its claim through documentary evidence. Further, the Department did not furnish reasons for higher allocations in remaining six godowns in absence of which the misuse of 8,610 quintal of APL rice valuing ₹ 77.49 lakh could not be ruled out in Audit.

1.2.18 *Unreasonable burden of transportation cost to the beneficiaries*

While fixing the price structure of BPL rice, average charges from different food godowns to FPS was estimated at ₹ 20 and retail sale commission, handling, shortage including toll tax was fixed at ₹ 15. However, in 15 FPSs it was seen that the dealers of FPSs are charging transportation cost ranging from ₹ 10 to ₹ 40 per family per month from the beneficiaries under MMAAY where free rice is to be distributed. This resulted in taxing the BPL beneficiaries and, therefore, the Department need to take effective steps to curb this practice.

While accepting the audit observation, the Department stated (November 2010) that revision of price structure as pointed out by auditors was under consideration by the Department.

1.2.19 *Milling and distribution of APL wheat*

The GOI allotted whole wheat to the State Government at APL rate (₹ 610 per quintal)

under TPDS and permitted (December 2005) the North Eastern States including Sikkim for distribution of whole meal *atta* after converting it in Roller Flour Mills at the conversion ratio of 95 to 98 *per cent* from whole wheat into *atta*. The State Government nominated M/s Rangeet Associates Pvt. Ltd. for lifting, grinding and distribution of finished products to various FPSs across the State under PDS.

Audit noticed that the nominated flour Mill lifted 1,25,390 quintals of whole wheat from FCI godowns at Sikkim during 2005-10 for conversion into whole meal *atta*. As against the quantity of 1,19,120.50 quintal (after allowing maximum refraction upto 5 kg per quintal), the mill supplied 1,05,662 quintals of *atta* resulting in short supply of 13,458.50 quintal worth ₹ 2.15 crore (as per the prevailing open market price of ₹1,600 per quintal). The Department did not take any action for this short supply. The action of the Department to allow higher refraction ratio (16 *per cent*) was not only against the PAC's recommendation to ensure that mill owners should not extract any undue advantages out of the system but also resulted in undue benefit to the flour mill owner.

The Department contended (August 2010 & November 2010) that refraction upto 16 *per cent* was allowed in consideration of increased demand for finer quality of *atta* among the PDS consumers. The reply is not acceptable as even after allowing 16 *per cent* refraction ratio, the demand for PDS *atta* was very low as disclosed during physical verification of 83 FPSs (out of 216 checked). So much so that the FPS dealers were reluctant to lift PDS *atta* as there was no demand from the consumers owing to inferior quality (even after allowing 16 *per cent* refraction ratio) as compared to the open market *atta* supplied by the same Agency as shown in the photographs below.

Image – 1.2.1

PDS *atta* supplied by the Agency.

Image – 1.2.2

Open market *atta* supplied by the same Agency.

1.2.20 Irregular distribution of Iodised Salt under PDS

To increase nutritive value, especially for adolescent girls and pregnant women, Government of Sikkim introduced iodised salt as one of the essential commodities under Public Distribution System. The responsibility of lifting, transportation and distribution of iodised salt was assigned to M/s Hanuman Nolkha.

Scrutiny revealed that the Agency lifted 36,000 MT (7,200 MT per annum) of salt during 2005-10 and sold it in urban areas without even routing through Food Godowns and FPSs. The Department neither kept any vigil over the distribution of salt by the agency nor informed the intended beneficiaries about the availability of iodised salt under PDS through ration cards. Moreover, it never scrutinised the returns submitted by the Agent to ensure its uniform distribution to all parts of the State. Hence, the commodity which was to reach the remote FPSs at the rate prescribed by the Department remained restricted to urban areas only depriving the targeted beneficiaries particularly in the rural areas.

The Department while contending (November 2010) that they were keeping vigil over the lifting and distribution of iodised salt by the Agent, stated that the actual consumption of iodised salt was more in the rural areas. The reply is not tenable as the monthly statement submitted by the agent disclosed that the distribution of salt was restricted to urban centres, thus depriving the rural beneficiaries.

1.2.21 Non-supply and irregular distribution of levy sugar

As against GOI's allotment of 15,116.80 MT of levy sugar to the State during the period 2005-10 for distribution under PDS to targeted beneficiaries, the Department could lift only 10,525 MT (70 per cent). Lifting of lower quantity of levy sugar as compared to allotment and consequent low distribution under PDS deprived a large number of beneficiaries of the availability of sugar at affordable prices. Audit examination also revealed that a large quantity of levy sugar was allocated to individuals and others for ceremonies and festivals. Least priority was accorded to the targeted beneficiaries under PDS thereby violating the norms for distribution of levy sugar.

The Department accepted (November 2010) the observation.

1.2.22 Overcharging for levy sugar

The Department fixed the end retail price of levy sugar at ₹ 19.50 per kg after providing ₹ 4.32 per kg as transportation charges. Audit examination however, revealed that the Department paid only ₹ 3.07 per kg towards transportation charges but did not pass on the benefit of reduced transportation charge to the beneficiaries by correspondingly reducing the price of levy sugar. Thus, fixing of excess transportation and handling charges by ₹ 125 per quintal on levy sugar during 2005-10 resulted in extra financial burden to the beneficiaries to the tune of ₹ 65.53 lakh on consumption of 524.22 MT levy sugar. The overcharging of levy sugar defeated the very purpose of providing levy sugar to the beneficiaries at affordable price.

The contention (November 2010) of the Department that the higher transportation charges were provisioned to meet the exigency of lifting of sugar from the mill located at far flung places involving additional cost on transportation is not tenable as additional cost on transportation due to lifting of levy sugar from the sugar mill located at a distant

place occurred only once in the last five years.

1.2.23 *Extra burden to consumers due to higher retail issue price of levy sugar*

The Essential Commodity Act 1955 *inter alia* provides for regulating or prohibiting the supply and distribution of essential commodities for securing equitable distribution and availability at fair prices. GOI from time to time fixed uniform retail price applicable throughout the country and sale of essential commodities under PDS above the Retail Index Price (RIP), tantamounts to a punishable offence.

The FCI was, therefore, required to deliver the essential commodities to State Government at RIP minus the margin fixed for distribution of essential commodities. Losses, if any, in the distribution of levy sugar at RIP fixed by the GOI would be reimbursed to State Government by GOI through FCI on receipt of claims from respective State Governments.

Scrutiny of records revealed that the Department issued levy sugar to the consumers at rates ranging between ₹ 14.25 and ₹ 19.50 per kg against the RIP ranging between ₹ 13.50 and ₹ 14.45 per kg fixed by GOI for sale of levy sugar under PDS for the period April 2005 to March 2010. This led to an excess burden to consumers ranging between ₹ 0.75 and ₹ 5.25 per kg aggregating to ₹ 2.05 crore towards sale of 1,30,360 quintal of levy sugar during the period 2005-10 besides an additional subsidy burden of ₹ 28.70 lakh to the State Government as detailed in **Appendix- 1.1**.

The overburdening of consumers owing to non-adoption of uniform RIP was reflected in Comptroller and Auditor General's Audit Report, Government of Sikkim for the year ended 31 March 2005 on which the Public Accounts Committee (PAC) recommended (71st Report) for expeditious reimbursement of differential cost from FCI through vigorous persuasion to avoid overburdening of intended beneficiaries. The position however, remained unaltered and the Department continued to charge higher rate to the consumers.

The Department stated (August 2010) that it would be in a position to implement uniform price fixed by the GOI once the GOI agrees to bear the actual cost of transportation under Sugar Equalisation Price Fund. The reply is not tenable as the Department had not been able to work out and submit the price structure of Levy Sugar duly indicating the retailers' margin, actual transportation costs, etc. till date (November 2010) despite repeated reminders from GOI.

1.2.24 *Pending Hill Transport Subsidy*

The Union Ministry of Consumer Affairs, Food and Public Distribution introduced (August 1975) the Hill Transport Subsidy Scheme meant for predominantly hilly States with little or no railway connectivity and poor road communications. It was observed that reimbursement claims amounting to ₹ 1.67 crore were either pending recovery or were disallowed by the FCI, resulting in blocking up of funds. The pending hill subsidy claims with GOI was incorporated in Comptroller and Auditor General's Audit Report

for the year ended March 2005. In response to PAC, the Department had assured that the claims would be vigorously followed up for expeditious reimbursement. There was however, little improvement despite assurance to the PAC indicating inadequate follow up by the Department.

The Department stated (November 2010) that action had been initiated to obtain the reimbursement.

Functioning of the Fair Price Shops

1.2.25 *Deficiencies in functioning of Fair Price Shops*

As per PDS Control Order 2001, FPS agents are required to maintain records of ration card holders, stock registers of the foodgrain sold, display information on notice boards about entitlement of essential commodities, scale of issue, retail issue price, timings of opening and closing of the shops, stock of commodities, etc.

Audit verification revealed that (i) FPSs were not aware of exact number of APL cards under their control; (ii) samples of foodgrain were not displayed in any of the FPSs; (iii) FPSs did not have uniform rate board indicating all necessary details; (iv) FPSs did not display any information about timing for opening and closing of the shops, availability of stock, number of beneficiaries, etc. The Department had not kept any vigil to ensure display of the above by the FPSs and thus, discrepancy of price, quality and quantity of the foodgrain could not be ruled out.

The Department while accepting that the FPSs in small villages might not have kept the details of card holders as they personally know each one of them stated (November 2010) that the FPSs were opened everyday except for weekly off day.

Monitoring and Evaluation

To ensure proper functioning of the scheme, the PDS control order emphasis the need for adequate monitoring through different mechanisms such as inspection of FPSs, formation of Vigilance Committees and prescription of periodical returns, use of computerised system to monitor the functioning of PDS at FPS level, etc.

1.2.26 *Preparation and submission of returns*

The PDS Control Order, 2001 provided for a system of periodical (monthly) reporting from fair price shop to district authorities, from district authorities to State Government and from State Government to Central Government. These returns relate to vital data such as number of ration cards attached to FPS, opening stock with FPS, allocation for the month and quantity actually received and distributed, etc.

Audit examination however, revealed that no such reports were furnished at any level. In the absence of returns from FPSs, the correctness of information furnished by the district authorities to the State Government and from State Government to the Central

Government was doubtful. Further, the Department had submitted the Utilisation Certificates (UCs) to GOI for the years 2005-06 to 2007-08 during July 2008 only after being reminded. The Department had also delayed submission of the UCs for the year 2008-09 by two months.

Such lackadaisical approach by the Department towards 'returns', which is a manifestation of quantum of services rendered, also reflects the absence of seriousness towards effective evaluation of the service delivery.

1.2.27 *Quality Control*

One of the primary objectives of PDS is that the foodgrain distributed to consumers are of good nutrient quality and are fit for human consumption. As per PDS (Control) Order 2001, the representative of the State Government or their nominees and the FCI shall conduct joint inspection of the stock of foodgrain intended for issue to ensure that the stock conforms to the prescribed quality specifications. PDS Control Order also provided that FCI shall issue to the State Government sealed samples of the stock of foodgrain supplied to them for distribution. However, Department could not furnish any evidence regarding collection and analysis of samples.

The Department stated (June 2010) that the Deputy Director posted at Siliguri was responsible for verification of the quality of foodgrain before dispatch to various godowns of the State. The reply was not tenable since the Commissioner-cum-Secretary had expressed dissatisfaction over the quality of rice during inspection of Jorethang godown during October-November 2009. Further, during physical verification of Jorethang Food godown, audit noticed that the FCI had supplied outdated rice (crop year 2006-07) during July 2010.

Absence of quality control mechanism not only violated the provision but also denied the beneficiaries of quality foodgrain.

1.2.28 *Vigilance*

According to PDS (Control) Order 2001, meeting of the Vigilance Committees on the PDS at the State level chaired by the Minister, FCS&CAD, District level by Zilla Adhakhya, Block level by Concerned Zilla Sadhashya and Panchayat level by Panchayat President are required to be held on a regular basis for monitoring the PDS including the functioning of FPSs.

Audit examination disclosed that the monitoring mechanism envisaged in the PDS (Control) Order was not established. Though the Vigilance Committees were belatedly (September 2008) constituted at all levels, no meeting of Vigilance Committees were held at any level during review period.

Thus, deficient monitoring system not only resulted in absence of controls at various levels but also left ample scope for diversion of foodgrain as reflected in paragraph 1.2.10 above.

1.2.29 Delay in computerisation of PDS operation

The PDS Control Order 2001 (annexure to rule 6(6)), envisaged upon the State Government to ensure monitoring of the functioning of the PDS at the fair price shop level through the computer network installed in the District NIC centre. For this purpose computerised codes was to be issued to each FPS in the district. Accordingly the Government of Sikkim through M/s Wipro Limited had prepared (September 2006) a Detailed Project Report (DPR) on entire³ food sector at an estimated cost of ₹ 7.8 crore on the assumption that the entire cost of the project would be borne by the GOI. The Government of India, however, stated that the funding commitment under the project would be in the ratio of 75:25. Having no means to mobilise the State share of ₹ 1.95 crore, the project prepared by M/s Wipro Limited was abandoned. The State Government again prepared (October 2008) another DPR through M/s Amtron for partial⁴ implementation costing ₹ 4.91 crore and submitted (November 2009) to the North Eastern Council (NEC) for funding. However, no commitment has yet been given by NEC.

Thus, due to the lackadaisical approach of the Department and failure to commit 25 *per cent* of State share, the project implementation of the computerisation of PDS operation remained unachieved till date. So much so, that the Department had not launched even its official website as of November 2010 to make available general information to the public.

1.2.30 Absence of surprise checks and monitoring over the functioning of FPS

Enforcement Cell of FCS&CAD was responsible for surprise checks and monitoring of function of FPSs. The Department however had not formulated any manual/guidelines for carrying out surprise check of quantum of card holders in each FPS, penalty for malpractice of PDS commodities and training for maintenance of records by the dealers of FPSs.

Audit scrutiny further revealed that out of four districts, the Cell conducted test checks in the East District and once in North District leaving other two districts (West and South District) unattended completely during the last five years. Even where surprise checks were conducted, no follow up action was initiated for corrective measures.

The Department stated (June 2010) that due to shortage of manpower and non-availability of conveyance, surprise checks could not be carried out.

1.2.31 Internal Audit

Internal audit being an independent entity within the Department, examines and evaluates the level of compliance to the departmental rules and procedures so as to provide an independent and reasonable assurance to senior management on the adequacy of the risk management and internal control framework in the Department. In

³FCI => Food Godown => Fair Price Shops.

⁴FCI => Food Godown (1st Phase)

Sikkim, the Directorate of Internal Audit under the overall control of Finance Department is entrusted with the responsibility to examine and evaluate the activities of all departments and PSUs of the State Government. The Directorate, however, had not carried out even a single inspection during 2005-10 of FCS&CAD. In the absence of which, reduction of the risk of committing errors and irregularities and thereby an effective internal control was not ensured.

1.2.32 Evaluation/Impact assessment

The Department had not conducted any evaluation or impact study to assess the extent to which the various schemes intended to ensure availability of subsidised foodgrain to the targeted beneficiaries have been achieved. Due to absence of such evaluation/assessment reports, the Department was unable to bring any improvement on the prevailing system, which was marred by various irregularities as reflected in above paragraphs.

1.2.33 Conclusion

PDS is one of the most important functions of the State Government which helps in providing food security to a large number of consumers. The implementation of PDS in the state however, was characterised by absence of review of list of BPL families, excess projection of BPL families under various schemes over and above GOI's projection, highly subsidised rice to BPL beneficiaries leading to financial burden on State exchequer. While the issue of new ration cards were stopped since August 2008, 45,928 families possessed dual ration cards both under BPL and APL category. The Department had included extraneous components in the pricing structure in order to obtain higher Central Assistance which led to an avoidable burden of ₹ 20.73 lakh on GOI during 2005-10.

The distribution of rice, wheat and sugar was less than the norms. Allocation of rice was much less at two kg per card per month as against the allocation of 7 and 25 kg in other states. Lifting of lower quantity of levy sugar deprived a large number of beneficiaries of the availability of sugar at affordable prices. The distribution of foodgrains (APL rice) by the Department was also flawed as it was not based on number of cards catered by the Food godowns. The Department failed to keep a vigil over the functioning of agents responsible for milling wheat for conversion into atta and lifting and distribution of salt as the agent availed higher refraction ratio of 16 per cent in case of wheat and salt was distributed to urban centres only. Corrective action as per the recommendations of the Public Accounts Committee on the Comptroller and Auditor General's Audit Report was not initiated as the aberration in respect of appropriate selection of BPL families and periodical review of BPL list; ensuring the delivery of PDS commodities especially wheat to the intended beneficiaries; expeditious reimbursement on account of hill transport subsidy and differential cost of levy sugar continued as of March 2010. Monitoring was lax leading to non-documentation by FPSs, absence of mandatory checks by Vigilance Committees, departmental officers and Special Area Officers. Thus, the functioning of TPDS in Sikkim was left much to be desired.

1.2.34 Recommendation

- The Government should conduct survey to identify and categorise households in AAY, BPL and APL families and distribute the ration cards accordingly.
- A unique ration card should be issued to all the APL beneficiaries duly cancelling all the existing ration cards with sufficient space for monthly entry for atleast five years so as to invalidate the existing bogus ration cards.
- The Department should fix the responsibility of all the field Officers/officials with respect to monitoring, quality checking and proper accounting of foodgrain.
- The Government should consider setting up laboratories for testing foodgrain to ensure fair average quality.
- The Government should critically review the functioning of fair price shops in a time bound programme.

FOOD SECURITY AND AGRICULTURE DEVELOPMENT DEPARTMENT

1.3 Macro-Management of Agriculture

Macro-Management of Agriculture was launched in 2000-01 with the objectives of promoting high yielding varieties, encouraging value addition in farm output, increasing farmers' income and assisting employment generation through work plans by the State. A performance review of the implementation of the scheme revealed deficiencies in planning, absence of prescribed strategies required to achieve the growth rate of four per cent per annum, inordinate delay in release of fund to the implementing agencies and non-realisation of beneficiary contribution on distribution of agricultural inputs. Despite substantial financial support and technological intervention by the Government, productivity of two major crops (wheat and maize) declined from 1,602.79 to 1,125.00 and 1,664.85 to 1,500.00 kg per hectare. The area under cultivation remained almost static over the last five years though there was 113 per cent increase in purchase of six principal seeds during 2009-10 as compared to 2005-06. The Department was performing fairly well in the activities of the programme under NWDPRA except non-recovery of loan of ₹ 53.03 lakh given to self help group from revolving fund. Farmers were not provided the requisite training for raising of seedling by the RVP Division. There was lack of monitoring and evaluation of the programme. Consequently, the objectives of the programme remained largely unachieved. Significant points noticed were as under:

The Annual Work Plan (AWP) neither indicated the expected outcomes nor set any benchmarks against which the performance of the scheme could be evaluated.

(Paragraph 1.3.7.2)

Agricultural growth showed a declining trend and declined from 5.50 per cent in 2005-06 to 1.47 per cent in 2006-07, (-) 6.17 per cent in 2007-08, 4.58 per cent in 2008-09 and 1.86 per cent in 2009-10.

(Paragraph 1.3.7.3)

No standard criterion for selection of beneficiaries was adopted to assess the extent of assistance to be rendered to the small and marginal farmers.

(Paragraph 1.3.9.1)

The RVP Division was inconsistent in utilisation of earmarked project fund. Seedlings raised in the nursery were not utilised for plantation in project area.

(Paragraph 1.3.9.5)

There was lack of monitoring and evaluation system in the Department to oversee the performance of the district level officers as well as activities of the beneficiaries in the State.

(Paragraph 1.3.10)

1.3.1 Introduction

The Macro Management of Agriculture (MMA) was launched as a Centrally Sponsored Scheme (CSS)⁵ in 2000-01 by the Government of India (GOI) by integrating 27 components of various schemes for the accelerated growth of Agriculture. However, with the launching of the Technology Mission for Integrated Development of Horticulture in 2005-06, 10 components pertaining to horticulture development were taken out of the purview of this scheme. The major components under the MMA, being implemented in the State fall under the following categories: (i) Integrated Cereal Development Programme in rice based cropping system areas, (ii) Integrated Cereal Development Programme in wheat based cropping system areas, (iii) Integrated Development Programme for Pulses and Oilseeds, (iv) National Watershed Development Project for Rainfed Areas, (v) Soil conservation in catchments of River Valley Projects and flood prone rivers, (vi) Reclamation and Development of Alkali and of acidic soils, (vii) Balanced and Integrated use of fertiliser and pesticides, (viii) Promotion of agricultural mechanism among farmers, and (ix) Intensified Extension and Training.

The MMA aimed at all round development of agriculture through Annual Work Plans (AWPs) prepared by the State. The objectives of the scheme include:

- Reflection of local needs/crop/region specific/priorities, etc.;
- Optimum utilisation of scarce financial resources;

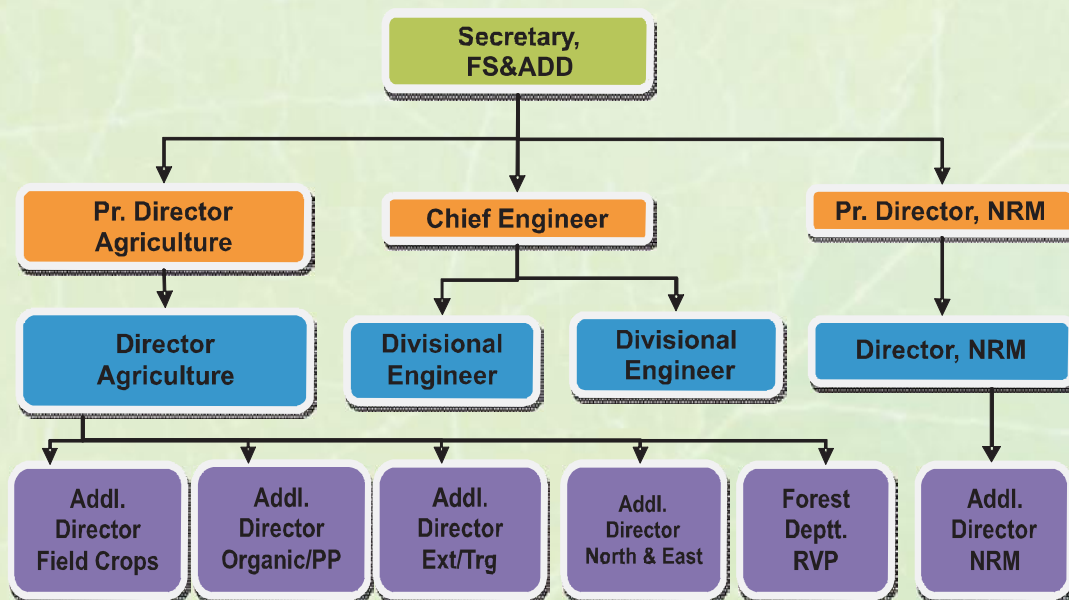
⁵ 100% CSS

- Maximising of returns; and
- Removal of regional imbalances

1.3.2 Organisational setup

The Food Security and Agriculture Development Department (FS&ADD) is the nodal department for implementation of the scheme. The organisational setup of the Department is as under:

Chart – 1.3.1



The Forest Department implements River Valley Project and Flood Prone River (RVP & FPR) component of the scheme. To ensure coordination between the two implementing departments, a Standing Committee was set up on 26 June 2001 comprising of the Additional Chief Secretary, Principal Secretary, Finance Revenue & Expenditure Department, Principal Chief Conservator of Forest and Secretary FS&ADD under the chairmanship of the Chief Secretary, Government of Sikkim.

1.3.3 Scope of Audit

The Performance review of MMA for the period 2005-10 was conducted between April and July 2010 through a test check of records at FS& ADD head office Gangtok, three out of four districts of FS & ADD in the State and at RVP Division of Forest, Environment and Wildlife Management Department (FE&WMD) Gangtok. Stratified statistical sample was used in selection of watershed areas of three districts under the scheme NWDPRA. Physical verification of 12 selected watersheds and 117 vermin compost pits and distribution of dolomite to the farmers were carried out with departmental officers and photographs taken as corroborative evidence to support audit contention. Out of a total expenditure of ₹ 92.80 crore incurred on the scheme during

2005-10, six programmes⁶ involving expenditure of ₹ 64.87 crore (70 per cent) were selected for audit based on materiality and impact on agricultural growth.

1.3.4 Audit Objectives

The main objectives of the performance audit were to examine and evaluate whether the:

- Planning was adequate and effective to ensure achievement of the objectives;
- Targets fixed for maximising the agricultural productivity in the State were realistic and fully achieved;
- Financial management was efficient and effective;
- Programme implementation was economic, efficient and effective;
- Procurement of agriculture equipment and its utilisation was made as per scheme guidelines;
- Monitoring and internal control mechanism was in place and effective.

1.3.5 Audit Criteria

The above objectives were benchmarked against the following criteria:

- Scheme guidelines ;
- Annual work plans;
- Notifications/ Circulars issued by the GOI and the State Government from time to time;
- Sikkim Financial Rules; and
- Prescribed monitoring mechanism and evaluation.

1.3.6 Audit Methodology

The performance review commenced with an entry conference (April 2010) with the Secretary, FS&ADD and departmental officers wherein audit objectives, scope, criteria and methodology were discussed. Audit conclusions were drawn after a scrutiny of records, analysis of available data, joint physical verification of assets and beneficiary survey, etc., which were discussed with the representatives of the Department in an exit conference (30 September 2010).

⁶National Watershed Development Project for Rainfed Areas (₹ 15.96 crore), Soil conservation in catchments of River Valley Project and flood prone rivers (₹ 7.49 crore), Integrated Cereal Development Programme (₹ 12.61 crore), Balanced and Integrated use of fertiliser and pesticides (₹ 24.60 crore), Reclamation and Development of Alkali and of acidic soils (₹ 2.71 crore) and Promotion of agricultural mechanism among farmers (₹ 1.50 crore).

Audit findings

1.3.7 Planning

1.3.7.1 *State policy*

The State Government did not frame the State policy of Agriculture reflecting specific needs and requirement of the State relating to selection of appropriate variety of seeds based on soil testing report, developing superior seed plan, strengthening the irrigation system in the agricultural land before and during crop production period, etc. to enhance the agricultural growth and food security.

The Department stated (September 2010) that the State has decided to convert the whole State into an organic State by 2015 and therefore, road map and approach paper for the same is under process.

1.3.7.2 *Preparation of Annual Work Plans*

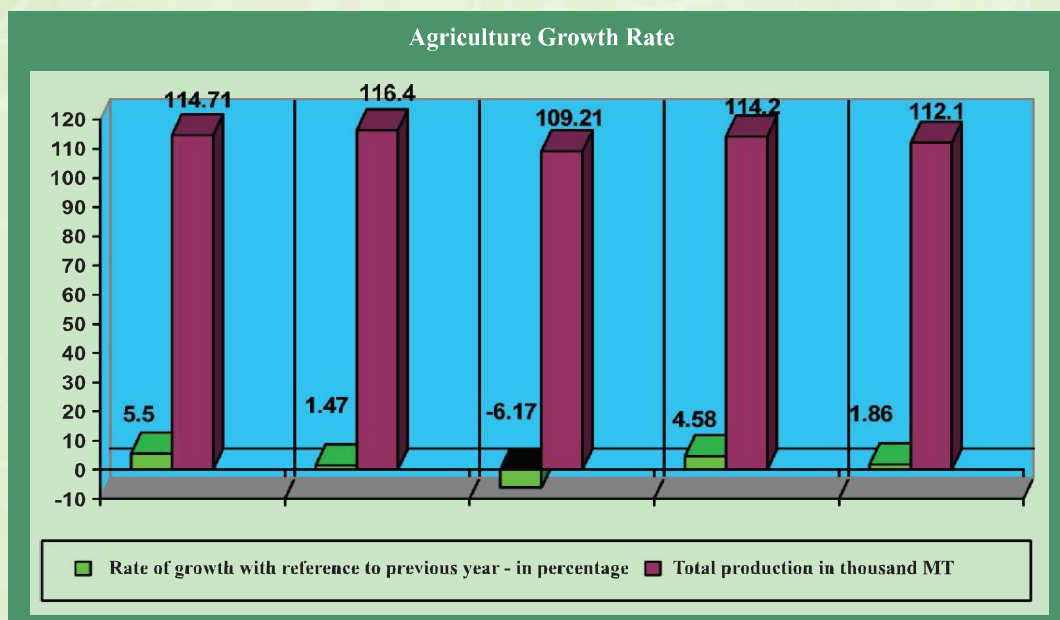
The MMA scheme provides flexibility to the States to develop and pursue programmes on the basis of their regional priorities and to finalise their sectoral allocation accordingly. The MMA envisaged that Annual Works Plans (AWPs) should (i) include the physical and financial targets; (ii) enumerate the expected outcomes, year wise, under each scheme; (iii) contain a concrete action plan to achieve these targets and outcomes; and (iv) comprehensively set benchmarks/parameters against which the performance under the scheme could be evaluated. Audit scrutiny revealed that the Department did not adhere to the provision of the guidelines except incorporating the physical and financial targets.

The Department stated (September 2010) that the work plan of MMA were prepared on the basis of perspective State Agricultural Plan. Reply is not tenable as the expected outcomes, concrete plan to achieve the targets and the benchmark to evaluate the same, stipulated by MMA were not adhered to in preparation of AWP which was meant to be a planning and guidance document outlining priorities and strategies in implementation of the scheme.

1.3.7.3 *Trend of Agriculture Growth Rate*

The Department was required to formulate schemes in line with the National Agriculture Policy, 2000 to attain the growth rate of four *per cent* per annum. As per the annual progress report of the Department, crop production growth with reference to the respective preceding years during the period from 2005-06 to 2009-10 are as given in the Chart below:

Chart - 1.3.2



Source : Annual Progress Reports of the FS&ADD

As would be seen from the above chart, growth rate declined from those attained in 2005-06 and fell below four *per cent* during all the subsequent years except in 2008-09. Though the MMA envisaged accelerated growth by maximising the production both during good and bad crop years, the efforts were insufficient in attaining the requisite growth rate.

The Department stated (September 2010) that late on-set of pre-monsoon considerably delayed the sowing of kharif crop which affected growth rate of productivity and there was prolonged severe drought in the years which also affected the productivity of rabi crops.

1.3.8 Financial management

Sikkim being a part of the North Eastern States, receives 100 *per cent* central assistance for implementation of MMA in the State. The first installment of the funds are released during April and the second installment during October to March each year depending upon 60 *per cent* utilisation of available funds.

The details of budget provision, funds released by the Government of India (GOI) and expenditure incurred during the period from 2005-06 to 2009-10 were as follows:

Table - 1.3.1

(₹ in crore)

Year	Total funds available	Expenditure		Saving(-)/Excess(+) (Per cent with ref. to col. 2)
		During the year	During March of the year (Per cent with ref. to col. 2)	
1	2	3	4	5
2005-06	14.52	13.74	10.68 (74)	(-) 0.78 (5)
2006-07	20.78	18.25	13.95 (67)	(-) 2.53 (12)
2007-08	25.88	23.46	17.38 (67)	(-) 2.42 (9)
2008-09	20.92	17.86	14.22 (68)	(-) 3.06 (15)
2009-10	20.52	19.49	12.95 (63)	(-) 1.03 (5)
Total		92.80	69.18	

Source: Appropriation Accounts and figures collected from the Departments

Above table shows savings of 12 and 15 *per cent* during the years 2006-07 and 2008-09. Besides, funds ranging between 63 and 74 *per cent* were spent by the Department during March of each year for implementation of the programme. This is indicative of rush of expenditure at the end of the year to exhaust scheme funds without proper planning and monitoring.

The Department stated (September 2010) that some of the major activities of the programme such as bench terracing, water harvesting were implemented during January/February and bills for execution of activities were paid in March. Moreover, the purchase bills against supplies are generally raised by State Co-operative Supply and Marketing Federation Limited (SIMFED) during the month of February- March. As such the payments were released in March.

The fact, however, remains that materials are supplied by the SIMFED on receipt of 50 *per cent* advance from the indenting departments. Besides, payments for works⁷ executed during a particular year were paid in the subsequent years.

1.3.8.1 Delay in release of funds

As per scheme guidelines, the State Government was required to take timely action for getting the first instalment of fund (50 *per cent* of annual allocation) during April of each year and funds received from GOI were to be released to the implementing authorities within two weeks. But due to delay in submission and approval of AWP for the years 2005-10, funds totalling ₹ 50.89 crore were released late by GOI as first installment. The delays ranged from 7 to 77 days. Similarly, after the receipt of the funds, the Department released funds totalling ₹ 24.60 crore to the implementing authorities after delays ranging from 78 to 330 days as detailed in **Appendix- 1.2**. Delay in obtaining funds from the Centre and further delay in its release to the implementing authorities delayed the overall implementation of programme activities at the field level.

⁷ Like land terracing, construction of drainage lines, water harvesting tank, etc.

The Department stated (September 2010) that funds are released only after completion of the programme. The contention of the Department is not acceptable as implementation of programme activities without funds at the field level was not logical.

1.3.8.2 *Loss of Central assistance*

MMA guidelines stipulate that only 10 *per cent* of the total unspent balance will be allowed to be carried forward to the next financial year and savings above 10 *per cent* would be deducted from the release of first installment during the next fiscal. During the financial year 2008-09, the GOI released ₹ 18.50 crore for implementation of MMA. Out of the fund received, the Department could utilise only ₹ 15.61 crore during the year and ₹ 2.89 crore was surrendered for revalidation from GOI. It was seen that the GOI had revalidated ₹ 1.85 crore after deducting ₹ 1.04 crore. This resulted in loss to the State Government amounting to ₹ 1.04 crore.

1.3.8.3 *Misreporting and overstatement of utilisation of funds*

MMA being a year specific programme, the State Government is required to furnish the utilisation certificates (UCs) to the GOI for that particular year, on the basis of which funds for the subsequent year is released. During the years 2005-10, the utilisation of funds under MMA is given in the table below:

Table - 1.3.2

(₹ in crore)

Year	Total funds available	Funds shown to have been utilised	Yearwise unspent balance reported to GOI	Yearwise transfer on 31 March	Total unspent balance noticed in Audit(4+5)
1	2	3	4	5	6
2005-06	14.52	13.74	0.78	3.59	4.37
2006-07	20.78	18.25	2.55	2.95	5.50
2007-08	25.88	23.46	2.25	5.34	7.59
2008-09	20.92	17.86	2.89	6.37	9.26
2009-10	20.52	19.49	0.86	6.35	7.21

Source: Departmental records

It is evident from the above that the reporting on utilisation of funds was inclusive of the funds transferred to the districts for implementation of the programme on the last day of the respective years. Since the funds transferred on the last day of the financial years, even if received, cannot be utilised on the same date, the UCs furnished by the Department to the GOI were not based on factual position and resulted in misreporting and overstatement of utilisation ranging between ₹ 2.95 crore and ₹ 6.37 crore during the years 2005-06 to 2009-10.

1.3.8.4 *Non-adjustment of Abstract Contingent bills*

According to financial rules, amounts drawn under Abstract Contingent (AC) bills are required to be adjusted by submission of Detailed Countersigned Contingent (DCC) bills within 90 days from the date of drawal to the Controlling Officer (CO) for

countersignature and onward transmission to the Accountant General (Accounts & Entitlement).

However, FS& ADD did not submit DCC bills against the drawal of ₹ 3.71 crore between 2002-03 and 2009-10 under AC bills drawn for the purpose of purchase of seeds and agricultural equipment for distribution to the farmers and Government farms, etc. as detailed in the table below:

Table - 1.3.3

(₹ in crore)

Year	Outstanding AC Bills	Amount outstanding
2002-03	05	0.59
2003-04	04	0.27
2004-05	12	0.37
2005-06	04	0.04
2006-07	05	0.85
2007-08	04	0.23
2008-09	04	0.74
2009-10	05	0.62
Total	43	3.71

Source: Appropriation Accounts and VLC data

This indicated serious deficiency in control over expenditure as the entire amount of ₹ 3.71 crore remained unadjusted for periods ranging from three months to nine years.

The Department stated (September 2010) that advance of ₹ 2.52 crore had already been settled and the balance of ₹ 1.19 crore could not be adjusted for want of detailed contingent bills. The Department needs to take urgent measures to ensure that DCC bills are submitted as per rules as the non-submission of DCC bills could lead to cases of misappropriation.

1.3.8.5 Reconciliation of expenditure figure

It was the responsibility of the Department to reconcile the expenditure figure with those booked by the Accountant General. The departmental figure of expenditure for the year 2007-08 was more than those booked by the Accountant General by ₹ 19.41⁸ lakh which had not been reconciled as of September 2010. Thus, a key control for ensuring accuracy of accounts could not be verified by audit.

The Department stated (September 2010) that reconciliation of expenditure was done and figures of Accountant General has been accepted as correct. However, fact remains that the amount of ₹ 19.41 lakh should either have been surrendered during the year or included in the opening balance of the subsequent year. But the Department has done neither of the above.

⁸Departmental figure : ₹ 2,365.46 lakh – Accountant General's figure : ₹ 2,346.05 lakh = ₹ 19.41 lakh

1.3.9 Programme Implementation

1.3.9.1 Integrated Cereal Development Programme (ICDP)

The aim of ICDP is enhancement of production and productivity of major crops on a sustainable basis. This is to be done through adopting proper selection of beneficiaries for distribution of seeds and developing superior seeds so that the dependence on purchase of seeds from other States is reduced. During 2005-10, expenditure of ₹ 9.52 crore was incurred by the Department on procurement of seeds, ₹ 2.24 crore on demonstration, and ₹ 2.19 crore on miscellaneous expenditure.

Audit scrutiny revealed the following irregularities in implementation of the programme:

➤ *Selection of beneficiaries*

Prospective small and marginal farmers holding required quantity of land were to be selected as beneficiaries of the Scheme.

Scrutiny of records revealed that no standard criteria for selection of beneficiaries was adopted and the programme was being implemented without any survey.

While accepting the audit observation the Department stated (September 2010) that in future a cluster approach would be adopted and beneficiaries would be selected within the cluster prior to implementation of the programme.

➤ *Non-preparation of plan for distribution of certified seeds*

Development of genetically superior seeds passes through a four stage process (nuclear seeds breeder seeds- foundation seeds – certified seeds) for distribution to the farmers. Since, the entire process of multiplication of breeder seeds to certified seeds takes three agricultural seasons, preparation of a long term plan is essential.

During 2005-10, the Department did not prepare any seed plan for the development of superior seeds for ICDP in order to increase the agricultural yield in the State through local seeds.

The Department stated (September 2010) that plan for distribution of certified seeds could not be prepared due to non-availability of breeder and foundation seeds suitable for the State from the Seed Development Agencies. However, based on varietal/adaptive trials conducted in the Government farms, the high yielding varieties of crops suitable to the agro-climatic conditions are being multiplied and distributed to farmers as certified seeds. But the fact remains that these locally certified seeds accounted for only 15 *per cent* and the remaining 85 *per cent* were procured from other states thereby defeating the objective to reduce the dependence on seeds from outside.

➤ **Purchase of seeds**

For sustainable Agriculture Development in Sikkim, emphasis is given for production and certification of seeds within the State as procurement of seeds from outside the State was expensive. During audit, it was noticed that in respect of six⁹ principal seeds, the Department had purchased 466 tonnes seeds from outside the State during 2009-10 which was 113 *per cent*¹⁰ more than the seeds purchased during 2005-06. This shows that the State is still dependent on other states in respect of procurement of seeds. This increase was despite the fact that there was a decrease of 7 *per cent* cultivable area¹¹ under urd, one *per cent* under rice, wheat and maize and marginal increase (one *per cent*) of cultivable area under oilseeds. Furthermore, the production of above crops remained almost static.

While accepting the observation, the Department stated (September 2010) that the matter is being examined.

➤ **Non-realisation of cost of seeds from the beneficiaries**

Under ICDP, for Accelerated Maize Development Programme (AMDP), the farmers were entitled to financial assistance of 50 *per cent* of the cost of seeds or ₹ 1,200 per quintal whichever is less. During 2008-09 and 2009-10, the Department procured 4,580.58 quintal of seeds valuing ₹ 3.53 crore and distributed the same to the farmers without realising cost of seeds as prescribed in the guidelines. This resulted in undue financial benefit of ₹ 1.76 crore¹² to the farmers.

The Department stated (September 2010) that small and marginal farmers of the State are very poor and unable to pay cost of seeds. The seeds were distributed free of cost under demonstration, minikit programme after obtaining approval from the State Government. The reply is not tenable as the action of the Department was contrary to the guidelines.

➤ **Area under crop cultivation and foodgrain production**

Analysis of production and productivity data with reference to area covered revealed that yield per hectare declined in 2009-10 for wheat, maize, and barley by 30, 10, and 11.03 *per cent* respectively compared to 2005-06. Similarly, crop production in absolute terms also fell from 11,471 MT to 10,305 MT, recording a decline of 10.16 *per cent*. Further, although cultivatable area under cereals increased during 2009-10 compared to previous year, production decreased substantially. The cultivatable land under pulses also decreased during 2009-10 compared to 2005-06. No detailed investigation into the

⁹Rice, Wheat, Maize, Rapeseed, Mustard and Soybean

¹⁰Seeds purchased: 218.60 tones during 2005-06 and 466 tones during 2009-10. Percentage of difference $(100 \times (466 - 218.60) / 218.60) = 113 \text{ per cent}$

¹¹In terms of thousand hectares

¹²Lower value of ₹ 1.76 crore (50 *per cent* of ₹ 3.53 crore) and ₹ 2.99 crore (cost @ ₹ 1,200 per qtls - $(₹ 1,200 \times 4,580.58 \text{ qtls})$)

reasons for decrease in production had been conducted by the Department. Besides, overall performance during 2005-10 was not encouraging in agriculture productivity. Details are given in **Appendix-1.3**.

In sum, even after spending ₹ 13.95 crore during 2005-10, the ICD Programme instead of enhancing production and productivity of major crops has in fact reduced both production and productivity due to improper selection of beneficiaries and lack of effective planning and implementation of the programme.

1.3.9.2 Integrated Nutrient Management and Balanced use of Fertilisers

Under this component of MMA, emphasis was laid on popularising the use of micro nutrient and promotion of organic farming amongst farmers to check decrease in organic contents of soil due to high cropping intensity. Since Sikkim was declared as an organic State in 2003, the State Government decided to eliminate the use of chemical fertiliser and switch over completely to rural compost, vermin-compost, bio-fertilisers, soil amendments and other similar sources of nutrition to sustain the crop production.

Irregularities noticed during audit are given below:

➤ Non-maintenance of data

The Department had not maintained any data relating to the area actually brought under organic farming and organic produce of agriculture in the State. In the absence of this data impact of the programme could not be gauged in audit.

➤ Vermin composting

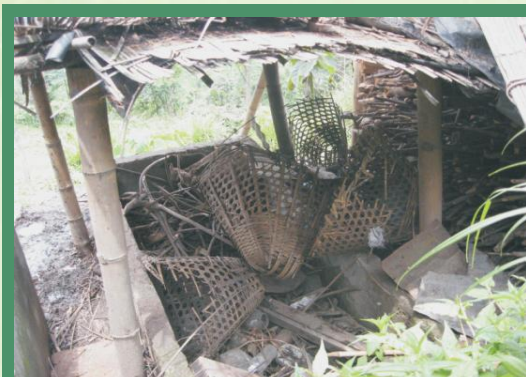
In 2005-06, the Government of India (GOI), introduced Vermin Composting in the farmer's field through Earthworm Eco-Technology with an aim to maintain the fertility of soil, to carry out successful high yielding integrated sustainable organic farming and to reduce the use of chemical fertilisers and pesticides. During 2005-10, ₹ 9.23 crore was spent for construction of 19,376 vermin compost pits¹³.

Audit scrutiny revealed that:

- The 4,700 pits constructed during 2005-09 were not functional due to faulty planning in construction of pits i.e., not making provision of small water barricades along the sidelines of the pits to restrict the entry of harmful insects like ants, etc. Physical verification of 117 vermin compost pits by the audit team alongwith the departmental officers revealed that 50 pits were damaged due to its improper use and lack of knowledge relating to its proper maintenance. Few photographs showing the non-maintenance is given below:

¹³ 1,000 nos. in 2005-06, 6,750 nos. in 2006-07, 7,286 nos. in 2007-08, 4,000 nos. in 2008-09 and 340 nos. in 2009-10.

Image – 1.3.1



*Unused vermin compost pit in Ringhem
Nampathang, North District*

Image – 1.3.2



*Dismantled vermin compost pit in
Dentam, West Sikkim*

- Further, output (production) of vermin compost from the pits was not recorded as the farmers were not instructed to keep the records of production to ensure the success of the programme. Besides, neither any action was taken by the Department to ascertain how far the farmers had been benefited by the programme nor any evaluation had been undertaken to ascertain the impact of the programme in improving soil conditions and crop production.

The Department stated (September 2010) that on completion of the vermin compost pits training to the farmers were given regarding feeding of earthworms and harvesting process. After this the field functionaries like Field Assistants, Village Level Worker and Inspector of the Department frequently visited the compost pits. Moreover, it stated that farmers would be instructed for proper recording of harvested compost. Reply is not tenable as training records and reports of the field functionaries could not be furnished by the Department and the condition of the pits have been highlighted in the photographs above which negated the points put forward by the Department.

➤ ***Doubtful payments of cash incentive to farmers***

The Department drew ₹ 20 lakh during March 2006 for distribution as cash incentive at the rate of ₹ 2,000 to 1,000 farmers for construction of vermin compost pits. However, only 18 cases of acknowledgement receipt of cash incentive given to the farmers could be produced to audit. Moreover, in 11 out of the 18 cases, amount of incentives disbursed to the farmers were not mentioned. In the absence of acknowledgement receipt and proper recording of amount, the authenticity of cash incentive to the farmers could not be vouchsafed in audit.

The Department stated (September 2010) that acknowledgement of receipt of cash incentives were misplaced during scrutiny of the same at head office, Gangtok.

Thus, vision of the State Government for converting the whole State into an organic State by 2015 suffers from the flaw of improper demonstration programme, non-

assessment of area actually brought under organic farming, lack of proper training to farmers for culture of vermin composting.

1.3.9.3 Reclamation of acidic soil programme

Reclamation of acidic soil programme was introduced by GOI with the main objectives of reducing soil acidity and increasing microbial activity which are optimum for crops. The acidic soil was to be reclaimed with dolomite for improving soil fertility.

The year-wise targets and achievement of reclamation of acidic soil during 2005-10 was as under:

Table - 1.3.4

Year	Target(Area in hectare)	Achievement(Area in hectare)	Shortfall (-)/Excess (+)	Expenditure (₹ in lakh)
2005-06	1,600	1,447	(-) 153 (10)	40.00
2006-07	800	538	(-) 262 (33)	39.95
2007-08	1,600	1,250	(-) 350 (22)	50.00
2008-09	1,280	1,250	(-) 30 (2)	79.03
2009-10	2,500	2,500	Nil	62.00
Total	7,780	6,985	(-) 795	270.98

Source: Figures compiled from the Departmental records
Figures in brackets show percentage

It would be seen from the above that the overall shortfall in achievement during the period from 2005-10 ranged between 2 and 33 *per cent*. Reasons for shortfall were not on records.

➤ *Unnecessary expenditure due to excess use of dolomite in the farmers' field and non-realisation of farmers' contribution*

According to the norms prescribed by the GOI (July 2008), the requirement of dolomite for soil amendment was three to four quintals per hectare and cost is to be shared between GOI and the beneficiaries in the ratio of 2:1. Scrutiny of records revealed that to reclaim 3,750 hectares of land in all the four districts of the State the Department procured and distributed 2,520 MT dolomite during 2008-10¹⁴ instead of 1,500 tones (i.e. four quintals x 3,750 ha) as per norms fixed by GOI. This resulted in extra and avoidable expenditure of ₹ 36.24 lakh (i.e. 2,520 – 1,500 x ₹ 3,552.50) incurred by the Department towards excess consumption of 1,020 MT dolomite. The excess consumption of dolomite beyond norms on the land invites the risk of damage to the cultivatable land. Further, the Department did not realise farmers' contribution of ₹ 29.84 lakh¹⁵ from the beneficiaries in the ratio of 2:1 as envisaged in the revised guidelines.

The Department stated (September 2010) that GOI recommended 3-4 quintals of

¹⁴ 940 MT in 2008-09 and 1,580 MT in 2009-10

¹⁵ ₹ 3,552.50 x 2,520 MT/3 = ₹ 29.84 lakh

dolomite per hectare to be applied in furrow method. In Sikkim, 20 quintals per hectare is being applied as recommended by the Indian Council for Agricultural Research (ICAR), Tadong. Contention of the Department is not acceptable as during interview with the beneficiaries it was confirmed that dolomite was supplied by the Department without being demanded by them. Besides, consumption norm of dolomite per hectare was also not explained to the beneficiaries thereby inviting the risk of excess use in the field having adverse impact on the land. Moreover, guidelines of ICAR could not be produced to audit.

Thus, inspite of spending ₹ 2.71 crore the Department could not achieve the target fixed by itself and the scientific assessment of the requirement and the consumption of dolomite could not be vouchsafed by Audit due to the absence of records.

1.3.9.4 Implementation of National Watershed Development Project for rainfed areas

The National Watershed Development Project for Rainfed Areas (NWDPA), a Centrally Sponsored Scheme (CSS) was in operation in Sikkim since 1990-91. From 2000-01 its implementation was subsumed into MMA and GOI also brought out (October 2000) new Guidelines called Watershed Area Rainfed Agriculture System Approach (WARASA). The broad objectives of the NWDPA were:

- Conservation, development and sustainable management of natural resources including their use;
- Enhancement of agricultural productivity and production in a sustainable manner;
- Restoration of ecological balance in the degraded and fragile rainfed ecosystem;
- Reduction in regional disparity between irrigated and rainfed areas; and
- Creation of sustained employment opportunities for the rural community including the landless.

The revised common guidelines of Watershed Development Project (WDP) were applicable from 1 April 2008 to all WDPs under Departments/ Ministries of Government of India concerned.

➤ Programme implementation

The main activities to be undertaken for watershed development were (a) basic survey such as contour survey, soil classification, land capability, etc.; (b) soil and moisture conservation measures like bench terracing in hilly terrain, drainage line treatment with combination of vegetative and engineering structure; (c) construction of water

harvesting tanks, fish ponds; (d) plantation/afforestation works, raising of horticulture species, etc.

During audit it was seen that the Department had drawn up an action plan and progress report for the execution of NWDpra works and had performed fairly well in the areas of activities undertaken. However, the Detailed Project Reports (DPRs) were prepared by Project Implementation Agencies (PIAs) instead of Watershed Committees (WCs), thereby denying peoples participation.

➤ ***Targets and Achievements***

According to the work plan, 32 watershed projects with a target area of 18,302 hectares was to be treated over a period of five years from 2002-03 to 2006-07. But the projects were completed beyond the scheduled date of completion and extended up to 31 March 2008.

Though the Department showed completion of year-wise earmarked physical target within due date, scrutiny of financial achievement revealed that at the end of 2006-07, the financial progress of the 32 projects was only ₹ 7.61 crore¹⁶ (77 per cent) against total sanctioned estimated cost of ₹ 9.84 crore resulting in 23 per cent shortfall and even after the projects were finally completed on 31 March 2008, only an area of 16,000 hectares (87 per cent) was treated against the sanctioned target area of 18,302 hectares.

The Department stated (September 2010) that watershed projects were completed within September 2007 as it could be extended for a period of six months beyond the closing date of the project. Hence, there was no shortfall in achieving target. Reply regarding completion of project was not verifiable as there was no documentation to show the completion of projects within September 2007. Further, reply did not indicate the reasons for restriction of watershed areas to 16,000 hectares.

➤ ***Delay in release of funds***

As per paragraph 9.4 (71) of Common guidelines, funds should be released to PIAs and the WCs within 15 days of the receipt of funds from GOI.

Scrutiny of records, however, revealed that during 2005-10 the entire sum amounting to ₹ 16.28 crore meant for implementation of scheme were released to the PIAs and WCs at the end of each financial year. This considerably affected the implementation of schemes as 32 Micro watersheds under 10th Plan which were to be completed by the end of 2006-07 were actually completed in 2007-08. Similarly, year-wise activities of 32 new watershed projects started from 2007-08 were always taken up in the following year resulting in non-completion of scheme activities within the stipulated time frame as envisaged in the approved work plan.

¹⁶ ₹ 9.60 crore – ₹ 1.99 crore = ₹ 7.61 crore

The Department stated (September 2010) that this has been the regular practice for release of funds at the end of financial year for making payments to the beneficiaries and suppliers but assessed that the present practice would be discontinued henceforth.

➤ **Corpus Fund**

As per Watershed Area Rainfed Agriculture System Approach (WARASA) guidelines a Corpus fund was to be created keeping one *per cent* of approved project cost along with another one *per cent* contribution from State Government and beneficiaries for maintenance of assets created under the project after the project life was over. However, it was seen from the records that contribution towards Corpus fund had never been made by the State Government.

The Department stated (September 2010) that the State Government could not make any contribution due to fund constraint.

➤ **Revolving funds to the self help groups**

According to the guidelines, Self Help Groups (SHGs) may use 7.5 *per cent* of the project fund for livelihood support system towards improving the income from existing livelihood. The funds shall be provided by the WAs/WCs to SHGs. The SHG shall provide the above amount to concerned members (as individual loans) against a specific action plan. The members shall repay this amount to their SHG within 12 months along with the normal rate of interest. Later, the SHGs would retain a part of the interest portion with them and refund the principal amount and the remaining part of interest to the WAs/WCs account. The maximum amount to be given to a SHG at a time should not be more than ₹ 25,000. The following facts were observed in this regard:

- Revolving funds of ₹ 28.84 lakh pertaining to the year 2009-10 was released (May 2010) by the Department to the PIA, East district. It was noticed that the funds were not released (August 2010) to the WC which resulted in delay in implementation of livelihood support system.
- During the tenth five year plan, the Department released a total amount of ₹ 72 lakh to 32 watersheds for creating watershed wise revolving fund in favour of the different SHGs through WAs/WCs. It was, however, noticed that WAs/WCs failed to recover the loan amount of ₹ 53.03 lakh from the members of SHGs as of September 2010 for revolving it to other mature groups under the watershed.

The Department stated (September 2010) that at the beginning of implementation there was no clear guidance for recovery of loan from SHGs. As such, loan was given without precondition for return. After the receipt of guidelines, action has been initiated to recover the loan and the amount of recovery would be handed over to the new committee.

➤ **Maintenance of assets**

As per the WARSA guidelines after the watershed period is over, the communities assets created under the watersheds should be transferred to the WC. It was seen from the records that 10 watersheds in the West district and 4 out of 11 watersheds in the East district pertaining to the period from 2002-03 to 2006-07 and completed during 2007-08 were handed over to WCs in April 2008 and in February 2009 respectively. Three watersheds completed during 2007-08 in the North District had not been transferred to the committees. As a result, objectives of guidelines relating to maintenance of the assets in 10 watersheds¹⁷ were defeated.

The Department stated (September 2009) that assets created along with watershed fund would be handed over to the committees.

Thus, though the activities undertaken were executed fairly well, the implementation of NWDPRA were beset with shortcomings like short achievement of targets, delay in release of programme funds, non-recovery and non-utilisation of revolving funds and non transfer of assets created under saturated watersheds to the committees.

1.3.9.5 Implementation of River Valley Project and Flood Prone River

The Centrally Sponsored Programme of Soil Conservation in Catchment of River Valley Project and Flood Prone River (RVP & FPR) Teesta catchments was in operation in the State through MMA since 2003-04. RVP Division of Forest, Environment and Wildlife Management Department (FE&WMD), Government of Sikkim implements the project as Watershed Projects for which the fund is transferred by FS & ADD as approved in the Annual Work Plan (AWP). The main objectives of the scheme were:

- (a) Prevention of land degradation by adoption of a multi disciplinary integrated approach of soil conservation and watershed management in catchment areas;
- (b) Improvement of land capability and moisture regime in the watersheds;
- (c) Promotion of land use to match land capability;
- (d) Prevention of soil loss from the catchments to reduce siltation of multipurpose reservoirs and enhance the in-situ moisture conservation and surface rain water storages in the catchments to reduce flood peaks and volumes of runoff.

➤ **Implementation of projects**

During the performance audit of MMA, the records relating to implementation of RVP & FPR were test checked in the office of the Divisional Forest Officer (DFO), RVP Division, Gangtok. The RVP division took up one project¹⁸ during 2003-04, one¹⁹ during 2007-08 and two²⁰ during 2008-09 for execution. As per the AWP, the

¹⁷ East district: 7 out of 11 watersheds, North District: 3

¹⁸ Tb3g Reshi Khola watershed.

¹⁹ Tb4c Bhutey Khola watershed,

²⁰ Ta3a Khani Khola watershed and Tb4f Changey Khola watershed

completion period of one project was in 2007-08, one in 2010-11 and other two projects in 2011-12 and 2012-13 respectively. Scrutiny of records and physical verification of two projects revealed that RVP Division has performed well relating to the terracing works in forest areas and beneficiary land, seedling plantation in forest areas and construction of water harvesting tanks and surface water storage. However, the following was noticed:

- The funds transferred by FS&ADD to FE&WMD during 2005-10 for implementation the projects were as below:

Table - 1.3.5

(₹ in lakh)

Year	Fund released by FS & ADD	Amount Revalidated	Total	Expenditure	Saving
2005-06	100.00	Nil	100.00	100.00	Nil
2006-07	200.00	Nil	200.00	78.00	122.00
2007-08	140.00	122.00	262.00	227.88	34.12
2008-09	220.50	34.12	254.62	254.17	0.45
2009-10	245.00	0.45	245.45	245.45	Nil
Total	905.50	156.57		905.50	

Source: Annual Progress Report furnished by Forest and FS & AD Departments

Above table shows that FE&WMD was not consistent in utilization of year-wise earmarked funds affecting the progress of projects (details in **Appendix-1.4**) as enumerated in the succeeding paragraphs.

- The schedule for completion of 'Project Ta3g Reshi Khola watershed of the West district' which started during 2003-04 for completion during 2007-08 was extended till 2009-10. Even at the end of 2009-10, the financial and physical target for the project activities fell short by 13 *per cent* and 16 *per cent* respectively.
- In respect of Tb4c Bhutey Khola watershed project which is scheduled for completion in 2010-11, the physical progress (65 *per cent*) was not commensurate with the financial progress (79 *per cent*) at the end of 2009-10.
- Similarly, while Ta3a Khani Khola watershed and Tb4f Changay Khola watershed are targeted to be completed in 2011-12 and 2012-13 respectively, the financial achievements showed 47 and 57 *per cent* against the physical achievements of only 34 and 36 *per cent* up to 2009-10.

➤ **Non-promotion of Kisan nurseries**

Paragraph 7.5.3 of RVP & FPR guidelines stipulates that Kisan Nurseries should be created near the site of plantation in order to bring down the cost of saplings and to train the farmers in raising plantations. Audit observed that during 2005-08 no efforts were

made by the RVP Division to raise Kisan Nursery and all the seedling valuing ₹ 56.38 lakh were purchased from private nurseries outside the plantation area in contravention to the provision in the guidelines.

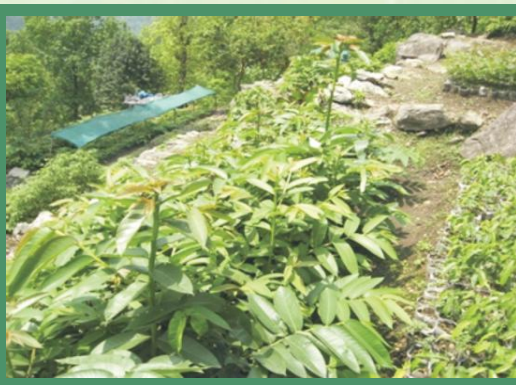
➤ ***Non-utilisation of seedling raised in nursery in plantation area***

Under RVP & FPR, the RVP Division started maintaining two nurseries namely Bhaghay Salaingay Nursery (one hectare) and Gaidhara Nursery (two hectare) since May 2008.

Image – 1.3.3



Image – 1.3.4



As per records 7.96 lakh seedlings were raised in the nurseries as of March 2010. It was noticed that the Division purchased seedling worth ₹ 56.38 lakh from private Nurseries during the period and seedling raised in its own nurseries were distributed to farmers free of cost. Had the seedlings so raised been utilised in the plantation area, the cost of seedlings amounting to ₹ 15.92 lakh²¹ could have been saved.

➤ ***Corpus fund***

As per programme guidelines, corpus fund of two *per cent* consisting of one *per cent* from the programme and balance one *per cent* from the State Government and the beneficiaries on 50:50 basis, was to be created for the purpose of maintenance of assets created in the watersheds for the benefit of the community at large. Audit observed that no contribution was obtained from either the State Government or the beneficiaries. It was further seen that the corpus fund of ₹ 0.60 lakh created out of the project fund during 2004-05 was not carried forward to 2005-06 as the same was expended in the same year towards muster roll payment of agro forestry plantation. As a result, maintenance of the project was not carried out. In the absence of maintenance, long term benefit of the project is questionable.

Thus, though the Department performed well relating to the terracing works in forest areas and beneficiary land, seedling plantation in forest areas and construction of water

²¹ Minimum cost ₹ 2 per seedling. Hence, cost of 7.96 lakh seedlings = ₹ 15.92 lakh

harvesting tanks and surface water storage, the inconsistency in utilisation of funds, non-promotion of Kissan Nurseries and non-utilisation of seedlings raised in the Nurseries impacted achievement of the desired results.

1.3.9.6 Implementation of Agriculture Engineering

Under MMA, Agriculture Engineering is mainly related to farm mechanisation. Farm mechanisation is an important element for enhancing the productivity by providing efficient farm implements and their judicious utilisation. The outlay and expenditure of funds in respect of implementation of farm mechanisation relating to MMA in the State during 2005-10 is enumerated in the table below:-

Table - 1.3.6

(₹ in lakh)

Year	Financial	
	Target	Achievement
2005-06	50.00	49.69
2006-07	49.20	23.28
2007-08	72.84	45.49
2008-09	00	00
2009-10	32.00	32.00
Total	204.04	150.46

Source: Departmental figure

- The above table reveals that against the target amounting to ₹ 2.04 crore, an amount of ₹ 1.50 crore was only spent for its implementation;
- Neither financial nor physical target was fixed for the year 2008-09 which led to non-implementation of programme during 2008-09.

The above fact revealed that the Department had not been attaching importance to the implementation of farm mechanisation in the State. Besides, the following facts were also noticed:

- As per the project proposal of 2005-06, six rice haulers, six oil expellers, six wheat grinders and six seed driers were procured by the Department at a cost of ₹ 29.33 lakh for establishment of Agro Service Centers in the farmers fields. As envisaged in the proposal, two numbers of each machine were installed at Government Farms. The remaining machines were to be provided to farmers at 50 per cent subsidy. Apart from that, 400 seed bins were also procured for distribution to the farmers at 50 per cent subsidy. Scrutiny of records, however, revealed that the Department realised subsidy amounting to ₹ 0.32 lakh only leading to non-realisation ₹ 9.99 lakh which was in contravention to guidelines.
- During 2007-08, the Department purchased (March 2008) 32²² sets of

²²The cost of one set of equipments was ₹ 1,18,035.

Agriculture equipment at a cost of ₹ 38.00 lakh for establishment of Agro service centers. Out of the above 32 equipment, one equipment was installed in the farm and 31 equipment were distributed to the farmers. As per guidelines, the subsidy per equipment was 25 per cent of the cost of equipment. The remaining 75 per cent of the cost of equipment was to be borne by the beneficiaries. Scrutiny of records revealed that the subsidy amount at the rate of ₹ 10,000 was realized from the farmers instead of ₹ 88,528 (75 per cent of the cost of equipment). This resulted in short realisation of Government money amounting to ₹ 24.34 lakh (₹ 27.44- ₹ 3.10 lakh).

The Department stated (September 2010) that the subsidy for rice hauler, oil expeller, wheat grinder and seed drier issued to the farmers were realised at the rate of ₹ 0.08 lakh each in cash and for the other 32 equipment issued to the farmers subsidy was realised at ₹ 0.10 lakh and the remaining amounts for both the cases were adjusted against the expenditure incurred by the beneficiaries for construction of sheds and connection of electricity for keeping the equipment. The reply is not justifiable as there was no mention in the guidelines that establishment of shed and arrangement of electricity was the responsibility of GOI.

- During 2008-09, no provision had been kept for the Agriculture Engineering in the approved work plan. However, it was seen from the records that the Department procured high tech Agro Sprayer and kits amounting to ₹ 16.82 lakh diverting the whole fund earmarked for Farmer's Field School (FFS) under Plant Protection without the approval of GOI. This not only resulted in non-implementation of organising campaign to promote bio-control segment of integrated pest management technology through FFS but also lacked planning in implantation of farm mechanisation.
- GOI sanctioned ₹ 32 lakh for implementation of Agriculture Engineering in 2009-10. Supply order for equipment was issued (March 2010) to the Sikkim State Cooperative Supply and Marketing Federation Limited (SIMFED) and entire amount of ₹ 32 lakh was paid as advance. It was noticed that the Department did not implement the programme as of July 2010 due to non-supply of equipment by the SIMFED.

The Department stated (September 2010) that on receipt of equipment from SIMFED programme would be implemented during 2010-11. The fact remained that programme pertaining to the year 2009-10 had not yet been implemented (September 2010).

Thus, it is evident from the above facts that the Department was lackadaisical in implementation of farm mechanisation which led to non-achievement of financial targets, non-compliance with provision of the guidelines and delay in implementation of programme.

1.3.10 Monitoring

Regular monitoring of the scheme, both at the Central and the State level, is a pre requisite for achieving optimum results. To achieve this objective, it has been decided to strengthen the Management Information System (MIS) at the Central as well as at the State/District levels for online monitoring of the performance under the scheme. It is also mandatory for the States to have concurrent evaluation of the implementation of the Revised MMA Scheme. Audit observed that the Department did not issue any instructions prescribing norms such as periodicity, objectives, type of reports to be issued and follow up action, etc. in connection with field visit of the crops in order to exercise an effective control over the beneficiaries and also to enhance the yield of crops and other activities of the programme as envisaged in the guidelines. Besides, the Department failed to evaluate the impact of the programme.

1.3.11 Internal Audit

Internal audit is an independent appraisal of the control mechanism in the Department. The responsibility of carrying out internal audit of the Department was assigned to Finance, Revenue and Expenditure Department (Director of Internal Audit). It was however, noticed that Director of Internal Audit had not inspected records of the FS&ADD during any of the years under review. Consequently, lacunae in the internal control system were not brought to the notice of the Department to initiate corrective measure.

1.3.12 Conclusion

Despite incurring expenditure of ₹ 64.87 crore in the six programme under MMA test checked, the Department has not been able to achieve the basic objective of increasing crop production and productivity rate. The yield of various crops in the State was less than the norms fixed by the GOI and area under cultivation also remained almost static over the last five years. Improper planning and delay in commencement of various components of the programme resulted in persistent savings between ₹ 0.78 crore and ₹ 3.06 crore at the end of the years. Delay in release of funds led to activities of the programme spilling over to the next year resulting in non-completion of schemes within the stipulated time frame. Attention was not paid for selection of beneficiaries, maintaining data relating to the area actually brought under organic farming and organic produce and production of organic manure through vermin compost pits. Training for raising of seedling under RVP&FPR to the farmers was not achieved. Due to lack of monitoring and evaluation of the programme activities, the extent of benefit derived by the beneficiaries could not be assessed.

1.3.13 Recommendation

The following recommendations are made for streamlining the implementation of the programme:

- Timely release of funds and their proper utilisation should be ensured;
- Government should fix production target of crops and ensure achievement of the same;
- Dependence on purchase of seeds from outside the State should be reduced;
- Criteria should be notified before selection of beneficiaries for carrying out demonstration in the farmers' field;
- Ensure beneficiaries contribution prior to release of Government assistance/subsidy towards implementation of scheme; and
- Programme monitoring and evaluation as prescribed under the guidelines need to be strictly adhered.

