सत्यमेव जयते

Annual Technical Inspection Report
on
Panchayat Raj Institutions
for the year ended 31 March 2011

GOVERNMENT OF SIKKIM

Office of the Principal Accountant General (Audit), Sikkim

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PREFACE

This Report for the year 2010-11 deals with the results of audit of the accounts of Panchayat Raj Institutions in the State of Sikkim.

This report has been prepared for submission to the Government of Sikkim in accordance with the terms and conditions of the Technical Guidance and Support (TGS) on audit of the accounts of Panchayat Raj Institutions as entrusted by the State Government to the Comptroller and Auditor General of India under Section 20(1) of CAG's DPC Act 1971.

The cases mentioned in the report are among those which came to notice mainly in course of audit of accounts of Zilla Panchayats and Gram Panchayats for the year 2010-11.

The purpose of this report is to give overviews of the functioning of PRIs in the State of Sikkim and to draw the attention of the executive Department and PRIs for remedial actions and improvement wherever necessary.

This is the fourth Technical Inspection Report for the PRIs of the State of Sikkim, suggestions for improvement of the same is welcome from the Government of Sikkim and PRIs.

OVERVIEW

This report contains three Chapters. Chapter I has two sections, Section 'A' gives an overview of the Panchayat Raj Institution in the State and Section 'B' contains audit comments on Financial Reporting. Chapter II contains Performance Audit on Integrated Wasteland Development Programme and Chapter III contains Audit Paragraphs.

1. An overview of Panchayat Raj Institutions

Despite the provision for collection of taxes, the GPs had neither initiated any steps to identify the areas for levying taxes nor collected any revenue except for two GPs (Melli-dara and Lunchok Kamrang).

(Paragraph 1.6.1)

Absence of sound basis for transfer of funds to the PRIs by the departments constrained the PRIs to formulate any plan with certainty. Thus, the planning at the PRI level was on ad-hoc basis.

(Paragraph 1.8)

Although the State Government delineate the role and responsibilities of the each tier of PRIs by transferring 29 subjects for devolution of all the functions listed in the 11th schedule of the Constitution to the PRIs, the same was not implemented completely and only 13 subjects were transferred to PRIs.

(Paragraph 1.9)

Scrutiny of records in 46 GPs revealed that basic records and registers were not maintained properly as required under Sikkim Panchayat Rules, 2004.

(Paragraph 1.13)

Despite provision under Sikkim Panchayat Act, 1993, none of the PRIs had maintained assets registers to indicate the assets possessed by the GPs/ZPs, cost of assets, maintenance cost, etc. Annual Physical Verification of assets as required under the Financial Rules were also not carried out in any of the GPs/ZPs.

(Paragraph 1.14.4)

2. Integrated Waste Land Development Programme

The ZPs released programme fund of ₹10.66 crore belatedly to Programme Implementing Agency and Watershed Committees. The delay ranged between one and 44 months.

(Paragraph 2.2.2)

The Project Implementing Agencies (PIAs) and Watershed Committees (WCs) incurred an excess expenditure of ₹46.75 lakh towards administrative, training and on community organization. PIAs incurred an expenditure of ₹5.07 crore on treatment of 21,123 hectare land in excess of prescribed cost norms.

(Paragraph 2.2.3 & 2.2.4)

Selection of projects with preponderance to private land led to faulty selection of projects and irregular expenditure of ₹1.50 crore on its execution in excess of prescribed limit.

(Paragraph 2.3.2)

Against the target of 32,244 hectare only 21,123 hectare area (65.5 per cent) could be treated up to March 2011, despite incurring an expenditure of ₹17.74 crore.

(Paragraph 2.4.1)

SHGs were ineffective and non functional. Monthly meetings and transaction of business was never ensured by the SHGs. Loan of ₹6.40 lakh released to 64 SHGs was not recovered.

(Paragraph 2.4.3)

People's contribution as envisaged in the guidelines was not realised.

(Paragraph 2.4.5)

The size of eight (out of 10) watershed projects was inflated leading to inflated project cost by ₹9.34 crore.

(Paragraph 2.4.8)

3. Audit Paras

Unscientific approach of Rural Management & Development Department in survey and investigation and non-preparation of design as per site condition resulted in washing away of newly constructed bridge leading to loss of Government property to the tune of ₹22.50 lakh.

(Paragraph 3.1)

Improper selection of beneficiaries and inclusion of cows of low lactation resulted in non attainment of targeted production of milk and loss of public money of ₹34.56 lakh in execution of project by two ZPs (North and East).

(Paragraph 3.2)

Approach road to Horticulture Centre by diverting BRG Fund of ₹52.06 lakh was taken up on emergency basis for International florishow. The approach road was completed belatedly. As a result, the entire cost of construction was of no use during the festival.

(Paragraph 3.3)

An expenditure of ₹12.77 lakh was incurred towards imparting training to 66 beneficiaries in cutting and tailoring and bamboo crafting in three GPs. Due to faulty selection of beneficiaries none of the beneficiary trained had taken up the trade in which they were trained to earn their livelihood, resulting in wasteful expenditure of ₹12.77 lakh.

(Paragraph 3.4)

Fund (₹2.84 crore) meant for developmental works at GP level was utilized for repair and maintenance of water supply work due to non release of O&M funds despite provision in the ARWSP guidelines to utilize 10 per cent of the scheme funds for repair and maintenance of the existing projects.

(Paragraph 3.5)

ZP, East utilized ₹65 lakh from Community Development Fund to meet establishment cost by keeping the community developmental works proposed to be executed through this fund pending, resulting in diversion of fund from intended purposes.

(Paragraph 3.6)

CHAPTER - I

SECTION 'A'

AN OVERVIEW OF PANCHAYAT RAJ INSTITUTIONS

1.1 Introduction

The 73rd Constitutional Amendment gave constitutional status to Panchayat Raj Institutions (PRIs) and established a system of uniform structure, holding of regular elections, regular flow of funds through Finance Commissions, etc. As a follow up, the States are required to entrust these bodies with such powers, functions and responsibilities so as to enable them to function as institutions of self-government. In particular, the PRIs are required to prepare plans and implement schemes for economic development and social justice including those enumerated in the Eleventh Schedule of the Constitution.

The Sikkim Panchayat Act, 1993 was enacted to establish a two tier Panchayat Raj Institutions (PRIs) system at village and district levels in the State following the 73rd Constitutional Amendment. The system envisaged elected bodies at village (Gram Panchayats) and district level (Zilla Panchayats). The Act extended to whole of Sikkim except 12 small towns. As of March 2011, there were 4 ZPs[1] and 163 GPs in the State.

1.2 State profile

The comparative demographic and developmental picture of the State is given in **Table 1.1** below. As per 2011 Census, the total population of the State is 6.08 lakh of which male population is 3.22 lakh (53 *per cent*) and female population is 2.86 (47 *per cent*). The rural population in the State is 4.81 lakh (88.90 *per cent*). Sikkim has a total literacy rate of 82.20 *per cent* compared to 74.04 *per cent* of the nation. The service sectors along with the agricultural sector dominate the State's economy. The vital statistical information of the State is given in Table no.1.1 below:

[1] *North, East, South and West.*

Table - 1.1

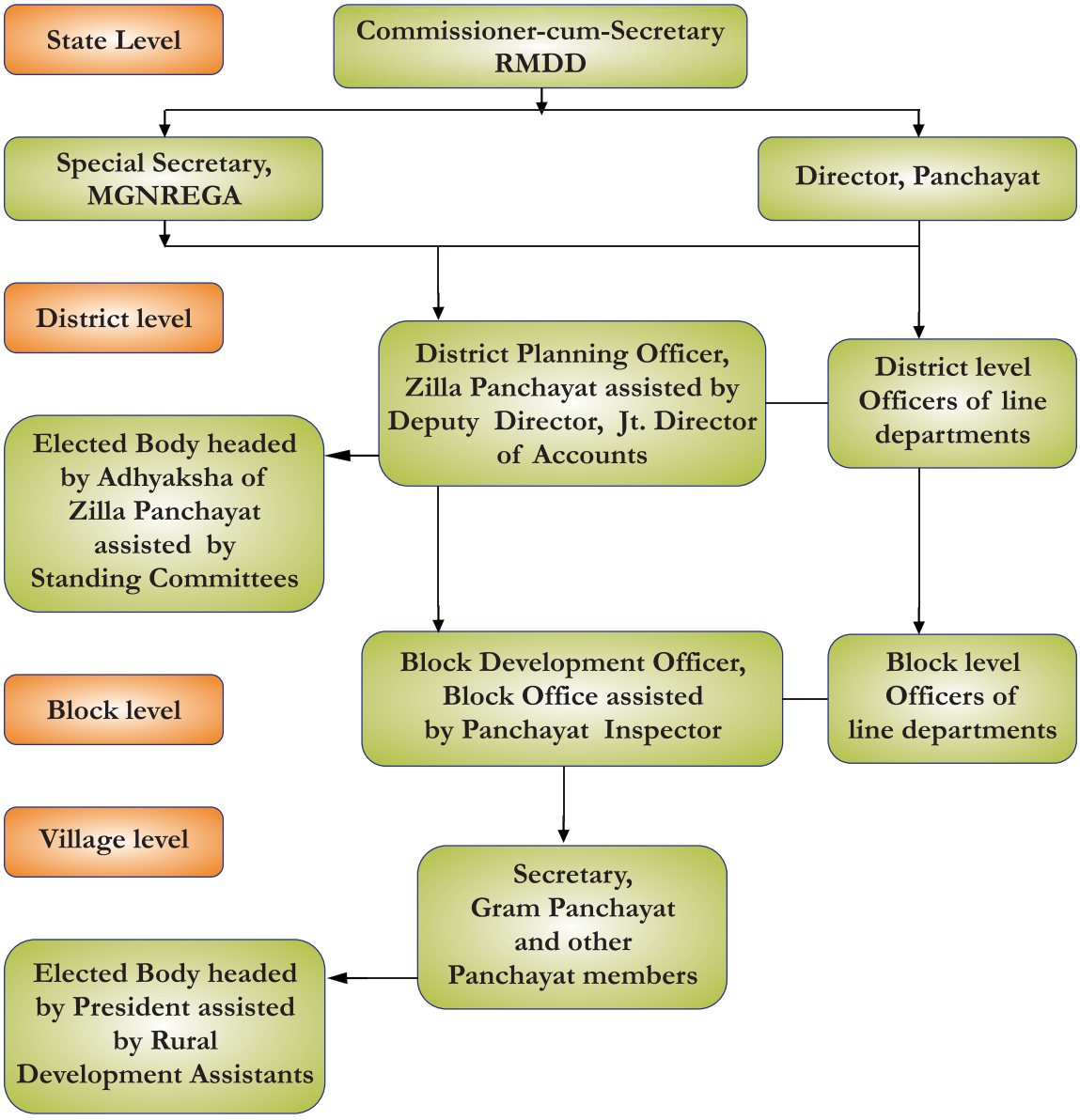
Important statistics of the State

Indicator	Year	Unit	State value	National value
Area	2011	Sq.km.	7,096	32,87,263
Rural area	2011	Per cent	88.90	72.20
District	2001	Numbers	4	593
Village	2001	Numbers	453	6,38,588
Population	2011	In lakh	6.08	12,101.93
PRIs	2011	Numbers	163	2,40,000(approx)
Zilla Panchayats	2011	Numbers	4	593
Villages	2011	Numbers	453	6,38,588
Gender Ratio	2011	1000 male	889	933
Poverty	2011	Per cent	19.33	26.10
Literacy	2011	Per cent	82.20	74.04
Crude Birth Rate	2001	Per 1000	18.4	24.8
Crude Death Rate	2001	Per 1000	5.2	8.0
Infant Mortality Rate (IMR)	2001	Per 1000	33	60
Per capita expenditure on Education	2001	₹	1,288	65
Total Households	2001	Numbers	1,14,223	19,35,79,954
Per capita Outlay on Housing	2001	₹	463	27

Source: Census report for Sikkim 2001 & 2011

1.3 Organisational structure of PRIs

Commissioner-cum-Secretary, Rural Management & Development Department is the overall in-charge for effective functioning of the PRIs in the State. The organogram given below depicts the organisational structure of the Department and the PRIs.



1.3.1 Standing Committees

The State Government constituted a number of committees such as Social Audit cum Vigilance Committee; Disaster Management Committee; Block Development Committee; Village Health & Sanitation Committee; District Technical Support Committee; Water Supply & Sanitation Committee for smooth functioning of the Gram Panchayat, Block, etc. The position of various committees alongwith their assignments in respect of 46 test checked GPs are given below:

Sl. No.	Committee	Assignment	Audit Comment
1	Social Audit cum Vigilance Committee	To ensure that the works are executed at Panchayat level as per estimate and also to monitor the quality of works. The Committee consisted of wide spectrum of stake holders, users, marginalized and vulnerable sections of society including women and senior citizens of the Gram Panchayat.	The Committee certifies the works executed by Gram Panchayat. However, day to day monitoring to ensure the quality of work was not done by the Committee.
2	Disaster Management Committee	To prepare disaster mitigation and preparedness plan, conduct mock drills twice a year, generate awareness amongst the residents on disaster preparedness, management and facilitate training of Disaster Management Team.	Disaster mitigation and preparedness plans were not prepared by GPs. Preparatory exercises such as conducting mock drills twice a year, generating awareness amongst the residents on disaster preparedness, management and facilitate training of Disaster Management Team were not carried out.
3	Block Development Committee	Identifying schemes and scrutinizing them for overall development of the Gram Panchayat and Block, taking up schemes for implementation by ensuring proper monitoring and their maintenance as well as projecting them to the District Planning Committee (DPC) so that the development/ benefits generated at the lowest level (Gram Panchayat) is in overall interest of the Block through participation of the beneficiaries.	Proper monitoring and their maintenance of schemes were not done.
4	Village Health Sanitation Committee (VHSC)	Responsible for the overall sanitation facilities in the village and health condition of the villagers, develop village level health plan, analyse every issue for health, conduct household survey and submit reports.	VHSC was not functional. VHSC neither prepared any plan nor submitted any report. Household survey was also not conducted.
5	District Technical Support Committee	Preparation of district perspective plan for each sector; support and coordinate with the Gram Panchayat functionaries and its working groups to provide technical inputs for preparation of GP plan; assist in formulation of ZP Plan and make projects in collaboration with the Zilla Panchayat and scrutinize for technical aspects of the GP / ZP plan and submit the observations to the DPC.	Estimates prepared by GPs were not technically vetted by District Technical Support Committee. This resulted in defective preparation of estimate and execution of a number of works without framing of estimates.
6	Water Supply & Sanitation Committee	Preparation of Village Action Plan (VAP); preparation of the Water Safety Plan; community mapping to describe the system; Walk the system "source to Mouth"; preparation and operationalisation of Water Safety Plan; preparation of proposal for submission to the District for financing.	The Committee remained largely ineffective as action for preparation of the Water Safety Plan; community mapping to describe the system; Walk the system "source to Mouth"; preparation and personalisation of the Water Safety Plan; preparation of proposal for submission to District for financing had not been initiated.

1.4 Decentralised planning

According to the Sikkim Panchayat (SP) Act 1993 (u/s 127) the DPC consisted of the Members of the Legislative Assembly constituencies comprised in the district, members (3) of the Zilla Panchayat of which one from Nagar Panchayat, an economists / Sr. Administrative Officer appointed by the State Government, District Collector, and the District Development Officer. The Adhyaksha will be the Chairman; Mayor/ President of Municipal Corporation/Council, the Vice-Chairman; and District Development Officer, the Member Secretary.

In pursuance of Article 243 ZD of the Constitution of India and Section 127 of the SP Act 1993, the State Government constituted (July 2008) District Planning Committee (DPC). While the Adhyaksha of the ZP is the Chairman, the Mayor / President of the Municipal Corporation/ Municipal Council having jurisdiction over the headquarters of the district is the Vice-Chairman and the District Planning Officer is the Member Secretary of the Committee. The other members of the Committee consisted of Member of Parliament of both Lok Sabha and Rajya Sabha, MLAs having constituency within the district, Zilla Panchayat members and District Collector. The Committee was assigned the role and responsibility of consolidating the plans prepared by the ZPs, GPs, Town Panchayats and the Municipal Corporation in the district and prepare a draft development plan for the district as a whole.

Audit observed that the DPCs finalised the Annual District Development Plans (ADDPs) by merely consolidating the plan proposals received from the various line departments without visualising the plan for the district development as a whole. It also did not forward the same to the State Government for integration with the State plan. The DPCs had also not adequately engaged technical experts in different fields during the preparation of the development plans.

1.5 Financial profile

The PRIs are solely funded by the Government through Grants-in-aid from Central and State Governments for general administration as well as development activities. Funds are initially reflected in the State budget against the outlay of various administrative departments under grants-in-aid. Individual departments thereafter transfer the funds to Sachiva, Zilla Panchayats for Zilla Panchayat and District Development Officer for GPs as grants-in-aid. The ZPs and GPs, in turn, deposit their funds in the savings account maintained with the nationalized banks.

1.5.1 Inadequate release of fund to PRIs

As per Cabinet decision (March 2007) various departments of the State Government were required to transfer 10 *per cent* of the plan funds to the PRIs. It was however, noticed that the fund allocations to the PRIs ranged between 0.76 to 2.84 *per cent* of total expenditure of the

State Government as shown in table below:

Table - 1.2

(₹ in crore)

Year	Total plan expenditure of State (Revenue & Capital)	Funds required to be allocated to PRIs	Funds actually allocated to PRIs	Percentage
2006-07	1,300.69	130.07	21.53	1.66
2007-08	1,562.34	156.23	44.32	2.84
2008-09	1,992.34	199.23	38.90	1.95
2009-10	2,514.53	251.45	19.24	0.76
2010-11	754.48*	75.45	13.42	1.78
Total	**8,124.38**	**812.43**	**137.41**	**1.69**

* *Plan expenditure of only 14 Departments has been taken as per recommendation of Third State Finance Commission.*

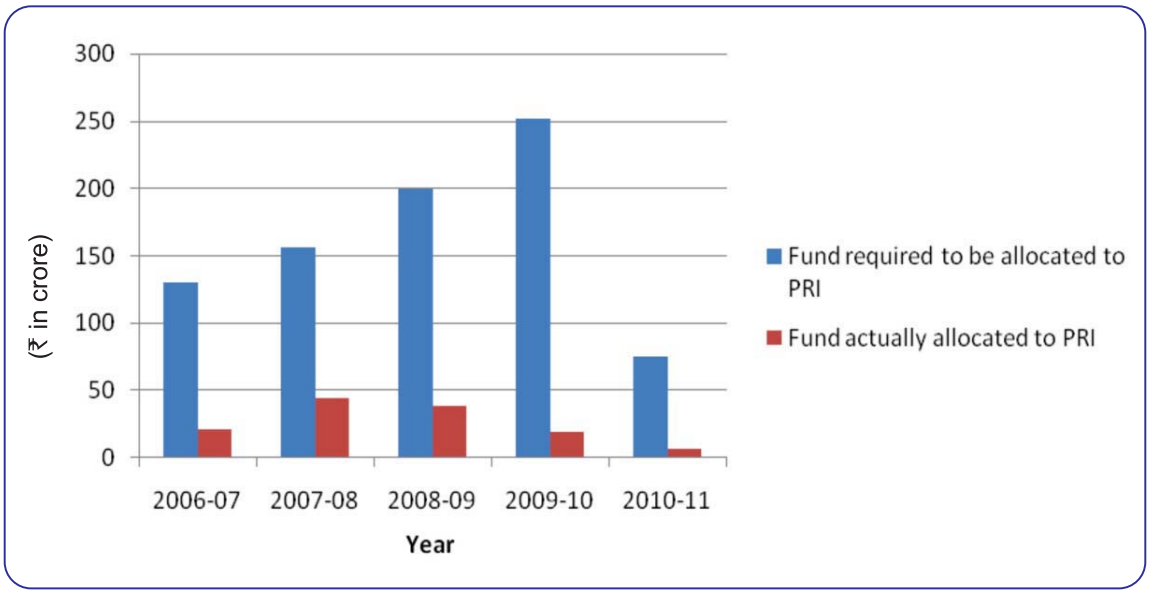
1.5.2 Non-adherence to State Finance Commission recommendation

State Finance Commission (SFCs) are set up to recommend:

- Arrangements for distribution between the State and Panchayats as well as the Municipalities of net proceeds of the taxes, duties and fees leviable by the State.
- The determination of taxes, duties and tolls which may be assigned to or appropriated by the Panchayats as well as the Municipal bodies,
- Grants-in-aid to the Panchayats as well as the Municipal bodies from Consolidated Fund of the State.

Accordingly, the Third SFC recommended (February 2010) certain measures for improving fiscal health of the Panchayat and Municipalities which although accepted (November 2010) by the State Government was not adhered to by the departments as detailed below:

- It was noticed that the gap between allocations to PRIs and stipulation by the Cabinet had widened. While the State budget allocation increased from ₹1,300.69 crore in 2006-07 to ₹2,514.53 crore in 2009-10, the PRI allocations ranged from ₹21.53 crore in 2006-07 to ₹19.24 crore in 2009-10 indicating a decrease of ₹2.29 crore (11 *per cent*) as against the enhancement of State budget to 93 *per cent* over the same period. Further, during 2010-11 only 1.78 *per cent* (₹13.42 crore) of plan expenditure of ₹754.48 crore relating to 14 departments was transferred to PRIs.
- The allocation to PRI vis-à-vis funds required to be allocated to PRIs are depicted in the graph below:



The Third State Finance Commission (TSFC) worked out the gap between administrative expenditure and own revenue of the PRIs (had the PRI levied all taxes as recommended by TSFC) and recommended for transfer of fund of ₹3.62 crore for 163 GPs (to be met from 2 *per cent of* revenue collected by 8 departments[2]) for Administrative expenses which was accepted by the State Government. However, only ₹2 crore was transferred to GPs towards administrative expenditure (salary, TA/DA, honorarium and office expenses) during 2010-11. Absence of transfer of full amount for administrative expenses constrained the PRIs to spend developmental fund for defraying establishment cost, resulting in diversion of scheme fund as indicated in Chapter III.

TSFC also recommended (February 2010) for transferring of (i) 2 to 35 *per cent* plan fund aggregating to ₹76.79 crore from 15 sectors[3] towards 'Specific purpose grant'; (ii) 20 *per cent* of State Plan budget under RMDD towards General Purpose Grant to PRIs. This, however, was not followed during the year 2010-11. The total allocation under specific purpose grant was excluding Teachers salary. The quantum of grant fixed as General purpose grant of 20 *per cent* of the State Plan budget under RMDD was also recommended by TSFC as untied grant in addition to Specific Purpose Grant.

1.6 Source of Receipts

The broad source of receipts of PRIs for the period from 2006-07 to 2010-11 are given below:

[2] *(i) Land revenue, (ii) Stamps and registration, (iii) Tax on Sale, Trade etc. (iv) Animal Husbandry, (v) Forestry and Wild life, (vi) Minor Irrigation, (vii) Village and small industries, and (viii) Tourism*

[3] *(I) Agriculture, (ii) Horticulture, (iii) Animal Husbandry, (iv) Human Resource & Development Department, (v) Health, (vi) Forest, (vii) Commerce and Industries, (viii) Disaster Management, (ix) Irrigation, (x) Culture, (xi) RMDD, (xii) Co-operative, (xiii) Social welfare, (xiv) Tourism, and (xv) Power*

Table - 1.3

(₹ in crore)

Year	Central Grant		State Grants (Development Fund)		Direction & Administration		Total Fund transferred from other Departments		Grand Total	
	ZP	*GP*	*ZP*	*GP*	*ZP*	*GP*	*ZP*	*GP*	*ZP*	*GP*
2006-07	0	16.91	2.40	16.60	1.65	0.76	0.10	0.02	4.15	34.29
2007-08	13.01	18.94	4.72	25.15	1.64	0.30	7.35	5.15	26.72	49.54
2008-09	0	13.15	2.29	4.97	3.00	1.05	9.56	18.03	14.85	37.20
2009-10	33.95	107.17	2.70	2.71	2.07	1.45	5.78	13.46	44.50	124.79
2010-11	7.85	64.91	0.12	0.07	4.47	2.00	4.59	2.17	17.03	69.15
Total	**54.81**	**221.08**	**12.23**	**49.50**	**12.83**	**5.56**	**27.38**	**38.83**	**107.25**	**314.97**

Source: Figures furnished by Rural Management & Development Department, Government of Sikkim

The broad source of receipts from Central grants during the year 2006-07 to 2010-11 was from Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Backward Region Grant Fund (BRGF), Twelfth / Thirteenth Finance Commission and Swarna Jayanti Gram Rojgar Yojana (SGRY) as shown in the table below:

Table - 1.4A

(₹ in crore)

Year		2006-07	2007-08	2008-09	2009-10	2010-11	Total
MGNREGS	ZP	0	0	0	0	0	0
	GP	2.61	11.85	12.02	103.68	44.48	174.64
BRGF	ZP	0	10.45	0	11.59	6.41	28.45
	GP	0	0	0	0	7.55	7.55
Twelfth FC	ZP	0	0.78	0	1.49	0	2.27
	GP	2.60	1.82	1.13	3.49	0	9.04
Thirteenth FC	ZP	0	0	0	0	1.44	1.44
	GP	0	0	0	0	7.14	7.14
SGRY	ZP	0	1.78	0	20.87	0	22.65
	GP	11.70	5.27	0	0	5.74	22.71
Total		**16.91**	**31.95**	**13.15**	**141.12**	**72.76**	**275.89**

During 2009-10, considerable increase of Central grant was due to implementation of MGNREGS in all the four districts of the State and BRGF scheme.

Share of receipts of PRIs from various sources during the period from 2006-07 to 2010-11 is

shown in table below:

Table - 1.4B

(₹ in crore)

Name of Scheme	ZP	GP	Total	Percentage contribution of total receipts
MGNREGS	---	174.64	174.64	41
BRGF	28.45	7.55	36.00	9
Twelfth / Thirteenth Finance Commission (TFC)	3.71	16.18	19.89	4
Swarna Jayanti Gram Rojgar Yojana (SGRY)	22.65	22.71	45.36	11
State Grants (Development Fund)	12.23	49.50	61.73	15
Direction & Administration	12.83	5.56	18.39	4
Fund transferred from other Departments	27.38	38.83	66.21	16
Total Receipt	**107.25**	**314.97**	**422.22**	

1.6.1 Non-levy of taxes

Sections 39 (1) and 40 (1) of Sikkim Panchayat Act, 1993 envisaged levy of taxes, rates, and fees on the subjects mentioned at clause (a) to (i) of Rule 40(1) by the GPs subject to the rates fixed by the State Government. Similarly, ZP may also levy taxes, rates and fees with the approval of the State Government on the subjects mentioned at clause (a) to (k) of section 77(1) of Sikkim Panchayat Act, 1993.

Based on Third State Finance Commission's recommendations (February 2010), the State Government notified (September 2010) for levying of Household Tax (₹5 to ₹15); Water & Sanitation Tax (₹1 per month for each household); Village Road & Environment Tax (₹1 per month per household); Panchayat Recommendation/Clearance/Certificate Fees @ ₹20 per case/application; Sale of Tender forms at the rate prescribed by SPWD/RMDD/ other Government departments; Building Construction Fees @ ₹2 for pucca and ₹1 for kutcha per square feet of plinth area and Other miscellaneous receipts, etc., by the Gram Panchayat.

It was, however, noticed that despite the above enabling provisions, the GPs had neither initiated any steps to identify the areas for levying taxes nor collected any revenue excepting two GPs (Melli-dara and Lunchok Kamrang). It was also noticed that control mechanism for levy of taxes/fees and its collection by the PRIs were not prescribed to facilitate timely initiation of the levy and collection procedure despite notification issued by State Government (September 2010) based on the recommendations of the Third State Finance Commission.

1.7 Allocation and utilization of State Finance Commission (SFC) grants

The 73rd Constitutional amendment provides for appointment of a Finance Commission by the State Government to review the financial position of the Panchayats and recommend the:

(i) sharing pattern of the net proceeds of taxes, duties, tolls and fees leviable by the State between the State and the Panchayats;

(ii) assignment of taxes, duties, tolls and fees to the Panchayats; and

(iii) grants-in-aid to the Panchayats.

The report of the Commission together with a memorandum of action on it is to be laid before the State Legislature.

In pursuance of Article 243(I) of the Constitution of India, the State Government constituted the First State Finance Commission in 1998, Second State Finance Commission (SSFC) in 2003 and Third State Finance Commission (TSFC) in March 2009. The TSFC submitted its recommendations to Government during February 2010. Among accepted recommendations, the following were not complied:

- User charges were not levied by the PRIs to augment their resources as pointed out in para 1.6.1
- Against mandated recommendation of TSFC of two *per cent* tax transfer to PRIs, only ₹1.86 crore was transferred to PRIs against the due share of ₹3.43 crore during 2010-11 as shown below:

Table - 1.5

(₹ in crore)

Head	Tax receipt	2% of Tax receipt	Tax Transferred
Land Revenue	7.33	0.15	Nil
Stamps & Registration	5.70	0.11	0.05
Taxes on Sales, Trade, etc.	142.73	2.85	1.80
Animal Husbandry	0.37	0.01	0.01
Forestry & Wild Life	12.24	0.24	Nil
Minor Irrigation	0.29	0.01	Nil
Village & Small Industries	0.07	-	Nil
Tourism	3.00	0.06	Nil
Total	**171.73**	**3.43**	**1.86**

Source: Finance Accounts 2010-11

1.8 Sectoral Analysis

Mention was made in the ATIR for the year 2005-07 *(para 1.9)* and 2007-09 *(para 1.8)* regarding non maintenance of information on budget provisions, release of fund and expenditure incurred under Plan and Non-Plan under important sectors like education, health, nutrition, social forestry, solid waste management, sanitation, water and housing etc., by Rural Management & Development Department. The above position still persisted restricting audit in analyzing the progress of work done in these important sectors.

Audit, however, attempted to consolidate information based on available data and noticed that release of funds by various departments to the PRIs were not based on any sound rationale but as per the discretion of the departments as would be noticed from the figures reflected in the table below:

Table - 1.6

Sector-wise total expenditure vis-à-vis allocation to PRIs during 2010-11

(₹ in crore)

Name of Department	Total Plan Expenditure (Revenue and Capital)	Percentage to be transferred to PRI as recommended by TSFC (In *per cent*)	Amount	Actual fund released
Health & Family Welfare	68.50	20	13.76	---
Social Welfare	39.35	15	5.90	---
Tourism	56.89	15	8.53	---
Commerce & Industries	14.63	15	2.19	---
Energy	74.09	15	11.11	---
Irrigation & Flood Control	47.32	15	7.09	---
Co-operation	3.02	10	0.30	---
Agriculture & Allied Services	64.44	20	12.88	---
Animal Husbandry	15.19	25	3.79	---
Human Resource Development	258.45	2	5.16	---
Forest	34.13	15	5.11	---
Rural Management & Development	75.03	10	7.50	6.76
Land Revenue	0.05	15	0.01	---
Culture	3.32	10	0.33	---
Total	**754.41**			**6.76**

Source: Finance Accounts 2010-11

Non transfer of adequate funds to the PRIs by the departments put constraints on the PRIs in formulating any plan with certainty. Thus, the planning at the PRI level was on ad-hoc basis.

1.9 Devolution of Funds, Functions and Functionaries

➢ ***Activity Mapping***

Co-existence of various tiers of PRIs pre-supposes balanced distribution of powers and functions among them. The basic criteria for such distribution is that a function should be performed by a tier to which it belongs and a mechanism for inter-tier co-ordination exists in case of overlapping functions. In order to operationalise administrative decentralisation of funds, functions and functionaries among PRIs; the Ministry of Rural Development, GOI constituted (July 2001) the Central Task Force (CTF) for suggesting the manner of transfer to each tier of PRIs so that devolution of all the 29 functions enlisted in the XIth Schedule of the Constitution can be completed by March 2002. The Sikkim Panchayat Act has enabling provision for transfer of these functions to different tiers of PRIs. Accordingly, the State Government through executive orders transferred (April 2008) functions to PRIs as detailed in **Appendix I**. However, for effective functioning of both State Government and PRIs, it is necessary to delineate the role and responsibilities of the State Government and each tier of PRIs for each of the transferred subject. This exercise was done through activity mapping (April 2010).

➢ ***Functions not transferred as per 73rd Constitutional amendment***

Although the State Government delineated the role and responsibilities of the each tier of PRIs by transferring 29 subjects for devolution of all the functions listed in the XIth Schedule of the Constitution to the PRIs, the same was not implemented completely and only 13 subjects were transferred to PRIs. The department-wise position of schemes transferred to PRIs by State Government as of March 2011 under the 13 functions is detailed in **Appendix II**.

➢ ***Non-transfer of schemes***

BRGF guideline *(para 4.12)* stipulates that the implementation of the works should be done by the Panchayats. Fund should be transferred to the concern Panchayat which is implementing particular work. Scrutiny of records revealed that works valuing ₹7.55 crore were sanctioned and transferred to Block Administrative Centres (BACs) for onward transmission to Panchayats. However, BACs themselves implemented the projects and utilized the fund at their own level.

1.10 Accountability framework

As per Sikkim Panchayat Act, 1993 and Rules made there under, the State Government exercises its powers in relation to PRIs as detailed in **Appendix III.** Besides, the Sikkim

Panchayat Act (SPA) also entrusts the State Government with the following powers to enable the State Government to exercise control over functioning of the PRIs:

- call for any record, register, plan, estimate, information, etc., from the PRIs;
- inspect any office or any record or any document of the PRIs;
- inspect the works and development schemes implemented by PRIs;
- to remove Adhyaksha and Upadhyaksha of ZP/GP after following the appropriate procedure; and
- take action for default of a Panchayat President, Secretary and District Planning Officer.

Despite the above empowerment of the State Government for the enhancement of quality of public service and governance, a number of defects in implementation of schemes, matters relating to finance, etc. were noticed. The details are mentioned in Chapter II and III of this Report.

1.10.1 Social Audit

The State Government introduced (February 2008) Social audit to enable people to have access to the works of their GP. The Social audits for MGNREGS works are functional in the State.

1.10.2 Audit Mandate

As per Section 48(2) of the Sikkim Panchayat Act, 1993 the State Government is required to appoint Auditor for audit of the accounts of GP. Section 48 (3) of the Act also provides for audit of accounts of Gram Panchayat by Comptroller & Auditor General of India (C&AG). As per Section 86 of the Act, the accounts of the funds of the Gram Panchayat or Zilla Panchayat shall be examined and audited by the Auditor appointed under Sections 48(2) and (3) in such manner as may be prescribed. The State Government has not yet appointed any Auditor under Section 48(2) of Sikkim Panchayat Act, 1993.

In keeping with the recommendations of Eleventh Finance Commission and guidelines issued by Ministry of Finance, Government of India; the Government of Sikkim has entrusted (August 2001) audit of accounts of Panchayati Raj Institutions to C&AG under Section 20(1) of CAG's DPC Act 1971. Accordingly, audit of the GP is being conducted bi-annually and ZPs annually by the office of the Principal Accountant General, Sikkim since May 2003 as per the methodology and procedure enshrined in Auditing Standards and the Guidelines issued by C&AG from time to time. As recommended by the Thirteenth Finance Commission, the State Government entrusted audit of PRIs under Technical Guidance and Supervision Model as per standard terms and conditions under Section 20 (1) of CAG's DPC Act to the C&AG (June

2011). The State Government, however, has not carried out internal audit of PRIs during the year 2010-11.

1.10.3 Response to Audit

The compliance report on the observations issued by Audit is to be sent within four weeks. Details of inspection reports issued by Principal Accountant General (Audit), as of 31 March 2011, and awaiting settlement are given in table below:

Table - 1.7

Position of settlement of outstanding audit paragraphs during 2005-2011

Year	IR issued	Paragraph issued	Paragraph settled	Paragraph outstanding
Upto 2005-06	116	786	243	543
2006-07	67	320	52	268
2007-08	86	352	11	341
2008-09	56	234	20	214
2009-10	50	362	-	362
2010-11	33	192	-	192
Total	**408**	**2,246**	**326**	**1,920**

Source: Monthly Report of Outstanding Para Register

1.10.4 Vigilance mechanism

To ensure that the schemes/projects are implemented properly, tenders are invited and finalized appropriately at the Panchayat level and above all projects are carried out on qualitative manner; Social Audit cum Vigilance Committee has been formed (February 2008). The Committee consisted of wide spectrum of stake holders, users, marginalized and vulnerable sections of society including women and senior citizens of the Gram Panchayats. The Committee certified the completed works, but day to day monitoring to ensure the quality and timeliness aspects were not accorded due importance by the Committee.

1.11 Conclusion

The State Government did a commendable job of transferring of functions to PRIs as envisaged in the 73rd Constitutional amendments through activity mapping exercise (April 2008). The State Government also constituted a number of committees such as Social Audit cum Vigilance Committee, Disaster Management Committee, Block Development Committee, Village Health Sanitation Committee, District Technical Support Committee, and Water Supply & Sanitation Committee for smooth functioning of the Gram Panchayat, Block, etc.

Audit, however, observed that the District Planning Committee constituted (July 2008) in each district to ensure decentralized planning was not adequately effective. The DPC finalised the Annual District Development Plans (ADDPs) by merely consolidating the plan proposals received from the various line departments without visualising the plan for the district development as a whole. The line departments did not transfer the fund to the PRIs as envisaged during the period 2006-07 to 2010-11. As a result fund allocation to the PRIs ranged between 0.76 to 2.84 *per cent* of total expenditure of the State Government during the period form 2006-07 to 2010-11. Against the recommendation of TSFC to transfer of ₹3.62 crore for 163 GPs, only ₹2 crore was transferred during 2010-11. Similarly, TSFC recommendation for transfer of ₹76.79 crore from 15 sectors[4] towards 'Specific purpose grant'; 20 *per cent* of State Plan budget under RMDD towards General Purpose Grant was not followed during the year 2010-11. The GPs also had not initiated any steps to identify the areas for levying of taxes nor collected any revenue except for two GPs.

[4] *(I) Agriculture, (ii) Horticulture, (iii) Animal Husbandry, (iv) Human Resource & Development Department, (v) Health, (vi) Forest, (vii) Commerce and Industries, (viii) Disaster Management, (ix) Irrigation, (x) Culture, (xi) RMDD, (xii) Co-operative, (xiii) Social welfare, (xiv) Tourism, and (xv) Power*

SECTION 'B'

FINANCIAL REPORTING

1.12 Framework

Financial reporting in the PRIs is a key element of accountability. The best practices in matters relating to drawal of funds, form of bills, incurring of expenditure, maintenance of accounts, rendering of accounts by the ZPs and GPs are governed by the provisions of the Sikkim Panchayat (SP) Act, 1993; Sikkim Zilla Panchayat (Financial) Rules, 2001; Sikkim Zilla Panchayat (Financial) Amendment Rules, 2004; Sikkim Gram Panchayat (Financial) Rules, 2003; Sikkim Gram Panchayat (Financial) Amendment Rules, 2005; Sikkim Financial Rules; Sikkim Public Works Accounts Code; Sikkim Public Works Manual; and Standing Orders and Instructions.

1.13 Accounting system in Gram Panchayats

The Sikkim Gram Panchayat (Financial) Rules, 2004 [Rule 7(1) & (2)] stipulated maintenance of various records such as (i) Cash Book, (ii) Monthly Receipt and Payment Register, (iii) Annual Receipts and Payment Accounts, (iv) Monthly Reconciliation Statement, (v) Inventory Register for Moveable Assets, (vi) Inventory Register for Immoveable Assets, and (vii) Balance Sheet for proper depiction of accounts of the Gram Panchayat Funds.

Scrutiny of records in 46 GPs revealed that basic records and registers as indicated above were not maintained properly as evidenced from following:

- Maintenance of Cash Books in 46 GPs disclosed that (i) Cash Book balances were not certified in any of the GPs by the President of the GPs, (ii) none of the GPs had reconciled the Cash Book balances with the balances maintained by the Banks;
- Monthly Receipt and Payment Registers were not maintained;
- Annual Receipts and Payment Accounts were not maintained;
- Registers for Moveable and Immovable Assets were not maintained; and
- Balance Sheets had not been prepared.

Besides, Advance Registers to indicate the position of outstanding advances, adjustment thereof was not maintained. Data base formats as suggested by C&AG were also not initiated by any of the GPs and the ZPs. Model Accounting Structure for PRI prescribed by C&AG and Ministry of Panchayati Raj, Government of India in 2009 were also not adopted by any of the

GPs and ZPs. None of the GPs had formed committees to arrive at the value of assets held by the GPs as required under the Rules.

1.14 Financial Reporting issues

1.14.1 Arrears in Accounts

The Sikkim Panchayat Act, 1993 stipulated that annual accounts were to be passed by General Body of PRIs within three months from the closure of the financial year and to be forwarded to the Principal Accountant General for auditing. The General Body meetings were not convened by PRIs in time due to administrative constraints. Reasons for non-preparation of annual accounts within the stipulated time were attributed to delay in passing the annual accounts. The delay in submission of annual accounts persisted despite being pointed out in earlier Annual Technical Inspection Report (ATIR). Four ZPs[5] and 163 GPs did not forward annual accounts during 2010-11.

1.14.2 Placement of ATIR before the State Legislature

The ATIRs of the year 2007-09 and 2009-10 were placed in the State Legislature. However, State Government has not amended the Sikkim Panchayat Act or issued any order for placement of ATIR and modus operandi to discuss the Report.

1.14.3 Budget

Budget is the most important tool for financial planning, accountability and control. Sikkim Panchayat Act, 1993 read with Para 8 of Sikkim Gram Panchayat Rule, 2003 envisaged preparation of budget by the GPs indicating estimated receipts and expenditure for the next financial year by August each year for submission to the Secretary, Rural Management and Development Department of the State Government. It was noticed that no budget proposals were prepared by the GPs. Similarly, the ZPs also failed to prepare its budget for submission to State Government. This was despite stipulation in para 8(1) of Sikkim Gram Panchayat (Financial) Rule, 2003 requiring District Planning Committee to consolidate the PRI budget into respective ZPs for integrating into State Budget. In absence of Budget, the machineries to watch excess/savings in expenditure over Budget provision in respect of ZPs/GPs were also non-existent.

1.14.4 Maintenance of community assets and Asset register

The Sikkim Panchayat Act, 1993 provides the responsibility of maintenance of community assets to PRIs. All PRIs should maintain an asset register in prescribed form containing

[5] *East, North, West, South*

particulars of assets owned by them. The particulars should include description of asset, year of acquisition and amount incurred towards acquisition. The scheme guidelines in respect of TFC, BRGF, MGNREGS, etc., also stipulate recording of assets created under such schemes.

Despite this provision, none of the PRIs had maintained asset registers to indicate the assets possessed by the GPs/ZPs, cost of assets, maintenance cost, etc. Annual Physical Verification of assets as required under the Financial Rules were also not carried out in any of the GPs/ZPs. Asset Registers were not maintained by any of the PRIs and hence the sufficiency of funds for maintenance of community assets could not be ascertained by Audit. The State Government also did not call for any return detailing the nature of assets, year of creation and monetary value of the assets held by the GPs / ZPs.

1.15 Conclusion

Post 73rd Constitutional amendments the Government of Sikkim had enacted the Sikkim Panchayat Act, 1993 and also transferred the activities as mentioned in Schedule XI of the Constitution to the PRIs. Activity mapping exercise was also initiated and departments were instructed to transfer 10 *per cent* of the developmental funds to the PRIs to enable them to execute the projects as per their perceived requirement.

Audit, however, noticed that functioning of PRIs in Sikkim lacked the desired impact as the required funds were not forthcoming from the departments concerned. The PRIs in turn also had not been able to generate their own resources, although mandated by the successive State Finance Commissions, not levied taxes and duties, fees, etc., on the users. The planning aspects required immediate attention as the planning for the PRIs were almost non-existent. The District Planning Committees also did not contribute towards integrating various GPs plans into District plans and forward the same to the State Government for integrating into State plans thereby flow of funds to the PRIs were restricted. The functioning of various committees formed for the purpose of improving the functioning of the PRIs was also not satisfactory.

CHAPTER - II

INTEGRATED WASTELAND DEVELOPMENT PROGRAMME

2.1 Implementation of Integrated Wasteland Development Programme

The Integrated Wasteland Development Programme (IWDP) was launched (2001) by Government of India and renamed (2003) as hariyali with a view to harvest every drop of rain water, overcome the problems of drought, land degradation and to improve the socio-economic condition of economically weaker sections through involvement of Panchayat Raj Institutions (PRIs).

The performance audit of the programme indicated that out of 10 projects, one project was abandoned, four completed and remaining five were at various stages of completion. Out of 32,244 hectare area targeted to be covered, 21,123 hectare was covered as of March 2011 indicating 65 per cent achievement despite incurring the entire fund of ₹17.74 crore. An examination of the financial management disclosed belated release of funds of ₹10.66 crore by the Zilla Panchayat (ZP) to the Programme implementation Agency (PIA), expenditure in excess of prescribed limit by PIA and Watershed Committees on administrative cost, training and community participation by compromising the activities under 'developmental work', excess expenditure of ₹5.07 crore on treatment of 21,123 hectare land in the projects, etc. In programme management, it was observed that sector wise details indicating cost and percentage of expenditure under each sector within the watershed was not indicated in the action plans and that the criteria envisaged in the guidelines (such as preponderance of wastelands/ degraded land and common lands, acute shortage of drinking water, etc.) for selection of projects under the programme were not followed. While the entry point activities for any of the projects were not carried out properly, the only two Self help Groups formed (out of 10) were also non- functional, due to which participation of user groups was not forthcoming as envisaged.

Highlights

The ZPs released programme fund of ₹10.66 crore belatedly to Programme Implementing Agency (PIA) and Watershed Committees (WC). The delay ranged between one and 44 months.

(Paragraph 2.2.2)

The Project Implementing Agencies (PIAs) and Watershed Committees (WCs) incurred an excess expenditure of ₹46.75 lakh towards administrative, training and community organization. PIAs incurred an expenditure of ₹5.07 crore on treatment of 21,123 hectare land in excess of prescribed cost norms.

(Paragraph 2.2.3 & 2.2.4)

Selection of projects with preponderance of private land led to faulty selection of projects and irregular expenditure of ₹1.50 crore on its execution in excess of prescribed limit.

(Paragraph 2.3.2)

Against the target of 32,244 hectare, 21,123 hectare area (65.5 per cent) could be treated up to March 2011 despite incurring an expenditure of ₹17.74 crore.

(Paragraph 2.4.1)

SHGs were ineffective and non functional. Monthly meetings and transaction of business was never ensured by the SHGs. Loan of ₹6.40 lakh released to 64 SHGs was not recovered.

(Paragraph 2.4.3)

People's contribution as envisaged in the guidelines was not realized.

(Paragraph 2.4.5)

The size of eight (out of 10) watershed projects was inflated leading to inflated project cost by ₹9.34 crore.

Paragraph 2.4.8

2.1.1 Introduction

Government of India launched (April 1989) Wasteland Development Programme as a Centrally Sponsored Programme for development of wasteland on watershed basis. To involve village communities in the implementation of watershed projects under all the area development programmes, viz; Integrated Wastelands Development Programme (IWDP), Drought Prone Areas Programme (DPAP) and Desert Area Development Programme (DADP), the Guidelines for Watershed Development were adopted *w.e.f.* 1st April 1995 and subsequently revised in August 2001. To further simplify procedures and involve the Panchayat Raj Institutions (PRIs) more meaningfully in planning, implementation and management of economic development activities in rural areas, new guidelines called Guidelines for Hariyali was issued (2003) for implementation of Integrated Wastelands Development Programme (IWDP). The objectives of projects under Hariyali were:

- Harvest every drop of rainwater for purposes of irrigation, plantations including horticulture and floriculture, pasture development, fisheries etc. to create sustainable sources of income for the village community as well as for drinking water supplies.

- Ensure overall development of rural areas through the Gram Panchayats and creating regular sources of income for the Panchayats from rainwater harvesting and management.
- Employment generation, poverty alleviation, community empowerment and development of human and other economic resources of the rural areas.
- Mitigate the adverse effects of extreme climatic conditions such as drought and desertification on crops, human and livestock population for the overall improvement of rural areas.
- Restore ecological balance by harnessing, conserving and developing natural resources i.e. land, water, vegetative cover especially plantations.
- Encourage village community towards sustained community action for the operation and maintenance of assets created and further development of the potential of the natural resources in the watershed.
- Promote use of simple, easy and affordable technological solutions and institutional arrangements that make use of, and build upon, local technical knowledge and available materials.

The programme (Hariyali) was implemented in Sikkim *w.e.f.* 1996 to overcome the problems of drought, land degradation and to improve the socio-economic condition of economically weaker sections.

2.1.2 Organisational set-up

Additional Director, Forest Department, Government of Sikkim is the State Co-ordinator. At the district level, these programmes were implemented by the Zilla Panchayat under the overall control of the Sachiva, ZP (District Collector), through the Project Implementing Agencies (PIAs) headed by Project Officers (POs) at block level. Each PIA supervised one or more micro-watershed projects. At village level, the programmes were executed through Watershed Committees (WCs) in association with Self Help Groups (SHGs) and User Groups (UGs).

2.1.3 Objectives of Audit

The Performance Audit of the Integrated Wasteland Development Programme was taken up with the objective to assess the success in arresting the problem of drought and land degradation. Besides, the Performance Audit also attempted to assess the improvement of the socio-economic condition of economically weaker sections of the society through watershed development programmes, soil and moisture conservation measures, afforestation, pasture development, etc. This included assessing the following:

- Adequacy and effectiveness of the planning process for effective programme management;
- Efficacy of financial management;
- Economy, efficiency and effectiveness in implementation of various components of the programme;
- Extent of impact created by the programme; and
- Adequacy and effectiveness of the monitoring mechanism.

2.1.4 Audit Criteria

Audit conclusions were based on the relevant benchmark stipulated in the following source documents:

- Hariyali Guidelines issued by Government of India (GOI);
- DPAP and DADP Manual and Guidelines issued by GOI;
- Circulars and orders issued by Government of Sikkim and GOI;
- Approved Detailed Project Report;
- Sikkim Financial Rules, Scheduled of Rates of Public Works Department and Forest Department, PWD Code and Manual issued by Government of Sikkim; and
- Prescribed monitoring mechanism.

2.1.5 Audit Scope and Methodology

The implementation of the Integrated Wasteland Development Programme during the period 2006-11 was reviewed through test check (September - October 2011) of records of four Zilla Panchayats and 10 (out of 20) Watershed Development Project[6] comprising of Drought Prone Area Programme (DPAP) (4 out of 7) and Integrated Wasteland Development Programme (IWDP) (6 out of 13) involving an expenditure of ₹21.91 crore (70 *per cent of total project cost of 10 projects*).

2.1.6 Audit methodology

The Performance Audit commenced with an entry conference (11 September 2011) with State Co-ordinator wherein audit objectives, criteria etc., were explained. Records of four ZPs were examined and data analysed. The audit observations were further corroborated by physical verification of asset, interaction with the stakeholders and implementors.

Audit findings and recommendations of audit were discussed with State Co-ordinator in an exit conference (19 November 2011) and the report finalized after incorporating their views.

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[6] *(i) East-V, (ii) East-VI, (iii) East-VII, (iv) North-III, (v) North-IV, (vi) West-II, (vii) West-IV, (viii) West-V, (ix) South-V, and (x) South-VI*

2.2 Audit Findings

2.2.1 Financial Management

The Programmes are Centrally Sponsored on cost sharing basis in the ratio 3:1 (DPAP) and 11:1 (IWDP) between GOI and the State Government. The funds are released directly to the Zilla Panchayats (ZPs). ZPs in turn release funds to PIAs and WCs through account payee cheques. Programme-wise and year-wise breakup of amounts released by GOI, State Government and expenditure incurred during 2006-11 in the State was as under:

Table - 2.1

Financial outlays and expenditure

(₹ in lakh)

Year	Opening Balance	Total Release			Total fund available	Expenditure	Balance
		Central share	State share	Other receipt			
2006-07	56.71	343.29	8.82	1.38	410.20	293.74	116.46(*28*)
2007-08	116.46	46.60	19.00	0.95	183.01	75.96	107.05(*58*)
2008-09	107.05	480.32	18.99	1.59	607.95	519.02	88.93(*14*)
2009-10	88.93	353.52	19.49	5.51	467.45	244.63	222.82*(47)*
2010-11	222.82	65.36	1.09	6.57	295.84	108.27	187.57*(62)*
Total		**1,289.09**	**67.39**	**16.00**		**1,241.62**	

Source: Information furnished by Department.
Figure in brackets indicate percentage.

There were significant savings at the end of each year owing to delayed release of funds by Government of India.

2.2.2 Delayed release of funds to implementing agencies

Audit noticed that despite stipulation in the programme guidelines to release funds by ZP to PIA and WC within 15 days from the date of its receipt, ZPs delayed in release of funds (₹1,065.66 lakh). The delay ranged between one to 44 months as detailed in ***Appendix-IV***. The highest delay was noticed in case of South district ZP (44 months), followed by East (19 months) and West (14 Months). The delayed release of funds was owing to non receipt of matching share from the State Government, non receipt of demand from WCs and frequent changes of PIA. The delay in release of funds to WCs led to consequential delayed completion of watershed projects and deprived the poor and disadvantaged sections of the Watershed Community in improving the socio-economic condition as income generation opportunities envisaged in the programme was lost.

2.2.3 Diversion of earmarked funds

The Hariyali Programme guidelines (2003) enjoined the PIAs to incur expenditure as per prescribed ceiling limit for each of the components of the project. The unutilized funds, if any, were to be refunded to ZP.

Audit noticed that despite these stipulations, the PIA and WCs incurred expenditure on administrative cost, training and community participation in excess of prescribed limit aggregating to ₹46.75 lakh. The excess expenditure was incurred by restricting the activities envisaged under 'developmental works' as detailed in the table below:

Table - 2.2

Component wise breakup

(₹ in lakh)

Name of component with *per centage* breakup	Expenditure ceiling as per norms	Expenditure actually incurred	Excess (+) Saving (-)
Administrative cost (10 *per cent*)	113.34	145.11	(+)31.77
Training (5 *Per cent*)	56.67	65.06	(+) 8.39
Community organization (5 *per cent*)	56.67	63.26	(+) 6.59
Developmental Works (80 *per cent*)	906.72	859.97	(-) 46.75
Total	**1,133.40**	**1,133.40**	**0.00**

Source: Information furnished by Department.

Thus, not only the PIA and ZPs did not adhere to the guidelines but also compromised on essential and key component of developmental works which would have helped in employment generation.

2.2.4 Adherence to cost norms

Hariyali Programme guidelines (2003) prescribed per hectare cost norms of ₹6,000 for treatment of land and enjoined the PIAs for adherence to the prescribed cost norms. Audit scrutiny of progress reports of five (out of 10) projects revealed (March 2011) that as against the cost norms of ₹6,000 per hectare in IWDP for first and subsequent batches respectively, the PIAs incurred ₹1,774.25 lakh (@ ₹8,400 per hectare) leading to an excess expenditure of ₹2,400 per hectare aggregating to ₹506.87 lakh on treatment of 21,123 hactare land in 10 projects. The details are given below:

Table - 2.3

Coverage of area for the year 2006-07 to 2010-11

(₹ in lakh)

Name of Zilla Panchayat	Total area treated in hectare	Expenditure to be incurred as per cost norms	Total expenditure incurred	Excess expenditure	Average Per hectare cost (In rupees)
North	9,838	590.28	826.39	236.11	8,400
East	6,219	373.14	522.36	149.22	8,400
West	5,066	303.96	425.50	121.54	8,400
Total	**21,123**	**1,267.38**	**1,774.25**	**506.87**	**8,400**

Source: Departmental figure

The Department stated (November 2011) that the cost norm of ₹6,000 per hectare was very meagre for achieving the objectives of programme necessitating expenditure in excess of cost norms. No efforts were, however, made by the Department either to restrict the expenditure within the cost norms or to obtain approval of the GOI for the revised cost norms.

2.3 Programme Management

Implementation of Programme was to be designed to develop wastelands, prevent soil erosion and improve land fertility through contour/vegetative bunding in the first year and to improve moisture content through water harvesting structures and allied activities in subsequent years of the project.

The audit observations in respect to programme management are given below:

2.3.1 Action Plans with focus on water conservation measures

Action plans for treatment of watershed were to be prepared according to targeted area and nature of activities which were to be carried out on the arable, non-arable land including degraded land, wasteland, government land and community land out of earmarked funds for developmental works. The cost of developmental works was fixed by Government of India with sector wise ceiling limits *viz*. 40 *per cent* for water conservation, 30 *per cent* for soil conservation, 10 *per cent* for afforestation, 10 *per cent* for pasture development, 7.5 *per cent* for others and 2.5 *per cent* for assistance to Self-Help Groups.

The action plan for watershed development indicated only the name of work and its cost. Sector wise details indicating cost and percentage of expenditure under each sector within the watershed was not indicated in the action plans. In absence of these details, focus attached to water and soil conservation works was not verifiable in Audit.

The action plan did not establish any link between the works and outcome parameters *viz*. area to be treated by the work and benefits envisaged in quantifiable terms. The users from each of the individual work were neither planned nor the developmental works categorized into sector wise details.

2.3.2 Selection of Watershed Projects

The main criteria for selection of watershed projects were preponderance of wastelands/ degraded land and common lands, acute shortage of drinking water, and prevalent poor wage rate (lower than the minimum wages), etc. The Programme guidelines on Integrated Watershed Development Programme emphasized on laying priority to development of community land at least to the level of 50 *per cent* vis-à-vis private land. Scrutiny of records of watershed projects revealed that in five (out of 10) projects, the ZPs had not adhered to this prescribed parameters of 50 *per cent* or less private land and instead gave priority to development of private land as detailed below:

Table - 2.4

Classification of area selected

(Area in hectare)

Name of ZP	Total selected area of projects	Private (Agriculture land)	Government (Revenue/Community land)	Wasteland (Forest land)
North	9,838	4,132	492	5,214
East	6,219	4,975	808	436
West	5,066	3,242	354	1,470
Total	**21,123**	**12,349**	**1,654**	**7,120**

Source: Action plans of watershed projects

Out of total area coverage of 21,123 hectare, the ZPs covered 12,349 hectare (58.46 *per cent*) of agricultural land under private holding by incurring an expenditure of ₹10.37 crore (58.46 *per cent of* ₹17.74 crore). Thus, not only the area coverage under community land was accorded less priority in contravention of the guidelines but this also led to irregular expenditure of ₹1.50 crore in execution of private holding in excess (8.46 *per cent*) of prescribed limit.

2.4 Implementation of Projects

2.4.1 Physical Achievements

According to Hariyali Programme guidelines (2003), the targeted areas were to be treated within a period of five years from the date of sanction of project by Government of India.

Status of watershed projects indicating projects sanctioned, projects completed, ongoing and abandoned alongwith audit analysis are enumerated below:

- Against the stipulation in the guidelines to complete the development of wastelands within five years from the date of sanction, only four projects (out of 10) were completed, two projects under various stages of completion and remaining four were abandoned.
- Out of four abandoned projects, one (East- X) was abandoned *ab-initio* without incurring any expenditure due to change of site and thus treatment of 4,000 hectare of land envisaged for treatment was not executed. The unspent fund of ₹52 lakh was refunded to Government of India.
- Similarly, three projects[7] were abandoned mid way after incurring an expenditure of ₹7.01 crore. The targeted treatment of 22,700 hectare thus could not be achieved due to abandoning of projects.
- Even after excluding the abandoned projects, six projects (out of 10) were targeted to be completed within March 2011 to cover an area of 19,942 hectare. Against this, only four projects with an aggregated area of 16,210 hectare were completed as of March 2011 leading to shortfall of 3,732 hectare land. This was primarily due to belated commencement of projects for want of release of matching share by the State Government.

Thus, owing to non-execution of projects as envisaged in the sanction and the detailed project reports, 21,123 hectare area (65.5 *per cent*) could be treated against the target of 32,244 hectare up to March 2011 despite incurring an expenditure of ₹17.74 crore.

2.4.2 Entry Point Activity

An entry point activity is permitted in the guidelines to establish credibility of the Watershed Development Team (WDT) and create a rapport with the village community with a view to support income generating activities.

The entry point activities, *inter-alia*, included:

- Works based on urgent needs of the local communities such as revival of common natural resources, drinking water, development of local energy potential, augmenting ground water potential, etc;
- Repair, restoration and upgradation of existing common property assets and structures (such as village tanks) may be undertaken to obtain optimum and sustained benefits from previous public investments and traditional water harvesting structures; and

[7] *East- VI : ₹3 crore; East-VII: ₹0.50 crore; and South – V: ₹3.51crore.*

- Productivity enhancement of existing farming systems to help in community mobilization and building rapport.

Entry Point Activities were taken up under the projects and people were brought under umbrella of credibility of the Watershed Development Team (WDT) and a rapport was established with the village community. Works such as revival of common natural resources, repair and restoration of common property for optimum and sustainable benefits and productivity enhancement of existing farming system were, however, not taken up. The State Co-ordinator (Additional Director, Forest Department, Government of Sikkim) of the programme ignored the basic objectives of the guidelines and incurred an expenditure of ₹97 lakh on other works such as repair of footpath, fish pond, etc., instead of entry point activity envisaged in the guidelines which did not support income generating activities.

2.4.3 Participation of User Group and SHG

Programme guidelines envisaged (para 10) formation of Self-Help Groups (SHGs) consisting of around 50 *per cent* of the villagers who are directly or indirectly dependent on the watershed. The guidelines envisaged upon the SHGs to meet regularly at least once in a month and take decisions through common consensus; transact their business with 50 *per cent* of the resources generated from amongst the members and effect timely recoveries of around 80 *per cent* of the outstanding loan; and maintain proper and up-to-date accounts.

Scrutiny of records revealed that SHGs were formed for only two micro water sheds. While the monthly meetings and transaction of business was never ensured by the SHGs, loan of ₹6.40 lakh released to 64 SHGs, without any project report, was also not recovered. Project Implementation Agency (PIA) did not conduct monitoring of the activities undertaken by the SHGs. This indicated that SHGs were not motivated adequately so as to be serious about discharging of their responsibilities.

2.4.4 Revolving Fund for SHGs

The Programme guidelines (Hariyali) stipulated for providing seed money of ₹10,000 to each of the SHGs to enable them to start the activities. Audit noticed that 25 Gram Panchayats as envisaged in guidelines did not set up a revolving fund to keep the seed money for vocational development of SHGs at the prescribed rate of ₹10,000 per SHG for undertaking income generating activities.

However, only in case of one (out of two) micro-watershed committee, loan was distributed (2006-09) to SHGs. This was, however, without any basis. The SHGs had neither prepared project reports nor any agreement drawn up between SHGs and committee regarding repayment of loan. Seed money was to be recovered from the SHG members in six monthly installments and reinvested in the same or other SHGs. The loan was not repaid by the SHG

(November 2011).

2.4.5 Watershed Development Fund

One of the mandatory conditions in the guidelines for selection of villages in Watershed Development Programmes was people's contribution towards Watershed Development Fund (WDF). The contributions to WDF shall be a minimum 10 *per cent* of the cost of works executed on individual lands (except for SC/ST) and five *per cent* for persons below the poverty line. It should be ensured that the contribution comes from the beneficiary farmers and is not deducted from the wages paid to the labourers who are engaged in treatment of private lands. Further, the Gram Panchayat shall impose user charges on the User Groups for use of common utilities like water for irrigation from village tanks/ponds, grazing from community pastures, etc.

Audit scrutiny revealed that the realisation of people's contribution as envisaged in the guidelines was not adhered. The committees followed different parameters. In ZP, West, a lump sum of ₹5,000 per work was realized from 273 beneficiaries irrespective of cost of work. This resulted in less realization of ₹3.58 lakh. In ZP, East, beneficiary contribution ranging from 10 to 15 *per cent* was deducted from the wages paid to the labourers engaged in treatment of private lands instead of realising it from the beneficiaries. Thus, the minimum wage of ₹100 per day, fixed by the State Government, was not paid to the labourers engaged in watershed development works.

2.4.6 Community Mobilization and Training

Community mobilization and training were pre-requisites in the guidelines for initiating developmental work in watershed projects. Prior sensitization and orientation training on Watershed Project Management were to be imparted to all the functionaries including elected representatives at the district, block and village levels before they assume their responsibilities.

Scrutiny of records of PIAs of ZP, East revealed that not only the community mobilization and training were conducted after execution of plantation work, fund of ₹13.90 lakh was incurred for exposure visit, capacity building, survey, etc. after two to three years of commencement of the project.

2.4.7 Inactive Watershed Committee

The Programme guidelines envisaged that the Watershed Committee carry out the day-to-day activities of the Watershed Development Project. The Watershed Committee may consist of 10-12 members nominated by the Watershed Association from amongst the user groups (4-5), Self-Help Groups (3-4) and Gram Panchayats (2-3). The Committee will meet at least once in a month and be responsible for coordination and liaison with the Gram Panchayat, the

Watershed Development Team, the ZP and Government agencies concerned to ensure smooth implementation of the Watershed Development Projects.

Audit scrutiny revealed that the Watershed Committees met only once in a year to carry out the activities assigned to them. It did not carry out the day-to-day activities of the Watershed Development Project. Watershed Committee did not initiate any activity for coordination and liaison with the Gram Panchayat, the Watershed Development Team, the ZP and Government agencies concerned to ensure smooth implementation of the Watershed Development Project. Monthly meeting was also not conducted. In absence of any activity from Committee members, payment of honorarium of ₹9.80 lakh during the year 2006-11 to the Committee members was irregular as no significant contribution was made by the Committee members for successful implementation of the projects.

2.4.8 Mis-reporting to Government of India

The cases of misreporting to Government of India were noticed during Audit. While in one case, the size of the watersheds was inflated, in another case, utilisation of fund was reported in excess of actual utilisation to avail additional funds from Government of India. The details are shown below:

- For Project- VIII of ZP, West, ₹3.60 crore was sanctioned (September 2006) to cover a target area of 6,000 hectare within 2007-11. In Utilisation Certificate (2009-10) submitted to Government of India by ZP, West, ₹98.45 lakh was shown as transferred to PIAs during 2009-10. Scrutiny, however, revealed that no transfer of fund had actually taken place as of March 2010. Contrary to this, only ₹49 lakh was transferred to PIA in June 2010 and the remaining ₹49.45 lakh was still lying with ZP, West as of March 2011.
- Scrutiny of action plan vis-à-vis progress reports of watershed projects revealed that the size of five[8] (out of 10) watershed projects was inflated in the reports submitted to Government of India. The details are shown below:

[8] *The variation in size of micro-watersheds test checked by audit were as under: (i) East-V, (ii) East-IX, (iii)East-X, (iv) West-II and (v) North-III .*

Table - 2.5

Inflated size of watersheds

Name of ZP	Area of villages shown in Action Plan	Area of watershed reported to GOI	Area inflated	Cost of Area inflated
	Area in hectare			*₹ in lakh*
North	9,838	13773.42	3,935.42	330.57
East	6,219	8,706.00	2,487.00	208.91
West	5,066	9,764.87	4,698.87	394.71
	21,123	**32,244.29**		**934.19**

Source: Action plans and progress reports

The depiction of inflated size (area) of the watershed led by Zilla Panchayats led to inflated project cost by ₹9.34 crore in five projects. The depiction of inflated size was misleading.

2.4.9 Non production of records on execution of work

Project IV and VIII of Zilla Panchayat, West incurred an expenditure of ₹201.54 lakh[9] on execution of afforestation works. PIAs of both the projects, however, failed to produce supporting documents to Audit. Project VIII did not produce utilization certificate to the ZP, West for onward transmission to Government of India. Non production of paid vouchers and other supporting documents coupled with the fact that afforestation work in the entire State is being taken up by State Government was fraught with the risk of improper execution of work.

2.4.10 Execution of works through muster rolls

Drought Prone Area Programme (DPAP) Manual prescribed for employing local labourers through muster rolls in all works under the programme to give them full benefit of wage employment. It was however, observed that payment of ₹48.76 lakh (West ZP ₹25.43 lakh and South ZP ₹23.33 lakh) for developmental works of the programme were made on sub-vouchers to the Secretary of Watershed Committees (WC) instead of labourers through muster rolls of works. The payment made to the Secretaries of WCs was in contravention of the Manual and was unauthorised.

2.5 Impact Analysis

For carrying out impact assessment of completed watershed projects, data like pre and post watersheds, observation of ground water level, change in cropping pattern, change in productivity, increase in area of irrigation and reduction in area of wasteland, etc., was not maintained properly at any level. Data for physical achievements resulting in increase in

[9] *Project IV 2004-2010 (₹53.59 lakh) and Project VIII of 2006-07 to 2011 -12 and (₹147.95 lakh) = 201.54 lakh.*

ground and surface water level in water bodies, checking of soil erosion, enhancement of area for irrigation, land treatment, etc., depicted that in three reports (out of 10) shown to Audit were not certified by the line departments. These data on achievements were certified by the PIAs and WC members themselves and were not authenticated by any other authority. Thus, even after incurring an expenditure of ₹17.74 crore during 2006-11, targeted area treated under the projects were only partially met (65%), community participation not generated as envisaged in the Programme guidelines owing to inactive Watershed committees and SHGs.

2.6 Monitoring and Supervision

The implementation of watershed programmes was to be monitored at the State, District and Project level. The data of physical and financial achievements of watershed programmes reported through Monthly Progress Reports (MPRs) were however not analysed at any level. Although periodical returns/reports required for monitoring of the programme were prescribed yet the progress reports did not contain the component wise and activity wise cumulative figures of physical and financial achievements of the programme at the end of month/year. The formats of reports were being changed every year and were unable to depict the complete status of programme. Poor monitoring of programme at State level resulted in defective planning, irregularities in selection of micro watershed area, non adherence to cost norms, non execution of work in proper sequence, etc. as dealt in the report at appropriate places.

2.7 Conclusion

Integrated Wasteland Development Programme, taken up with the objective of sustained growth in agriculture productivity through prevention of drought and soil degradation, could partially meet its target owing to defective planning, faulty selection of projects, non-adherence to scheme guidelines, etc. Cases of belated release of funds to the PIAs, expenditure in excess of prescribed limit, improper execution of entry point activities and ineffective functioning of SHGs constrained attainment of programme objectives in full.

2.8 Recommendations

Following recommendations are made to further improve the implementation of Integrated Wasteland Development Programme:

- Release of funds by Zilla Panchayats to PIAs and WCs in time may be ensured.
- Adherence to the Programme guidelines may be ensured.
- Selection of watershed projects predominantly covering community and waste lands should be stressed.
- Community mobilization may be ensured for increased participation of SHGs through their effective functioning.

CHAPTER - III

AUDIT OF TRANSACTIONS

3.1 Wasteful expenditure of ₹22.50 lakh on construction of RCC Bridge

Unscientific approach of Department in survey and investigation and non-preparation of design as per site condition resulted in washing away of newly constructed bridge leading to loss of Government property to the tune of ₹22.50 lakh.

Zilla Panchayat (ZP), North took up 'Construction of 15 meter span Reinforced Cement Concrete (RCC) foot bridge over Toga khola' at Toga village under Lachen Dzumsa in North Sikkim at an estimated cost of ₹22.50 lakh for providing all weather connectivity and to ease the sufferings of the public of Toga village in crossing the river especially during rainy season. The administrative approval of the work was accorded by the Adhyakshaya, ZP, North in May 2008.

The work was awarded (July 2008) to lowest bidder *at par* the estimated cost with stipulation to complete the work within six months (December 2008). The contractor completed the work in scheduled time (December 2008) and payment of ₹22.50 lakh was also released (December 2008) to the contractor. The entire structure however was washed away in July 2009. The Departmental engineers reported the unprecedented shower as the reason for the washing away of the bridge.

Audit scrutiny revealed that the estimate was prepared by Rural Management & Development Department (North) without any proper survey and investigation. There was no semblance of collection and collation of basic data such as water discharge of the river at various intervals of a year, glacial flow, etc. The Departmental engineers assigned with the responsibility to oversee the construction work had neither indicated appropriate specification for construction to withstand the water pressure during monsoon nor initiated efforts to ascertain the actual reason of washing away of the bridge. Even the experience of the contractor was not taken into consideration before awarding the work. The Departmental engineers and the ZP had not even initiated any effort to analyse actual reason for collapse of the bridge; defect, if any in construction of bridge; let alone the imposition of penalty to the contractor for such poor quality of workmanship. This also indicated absence of adequate and robust supervision by the Departmental engineers.

Thus, due to unscientific approach of Department in survey and non preparation of design as

per site condition resulted in washing away of bridge leading to wasteful expenditure of ₹22.50 lakh on construction of RCC Bridge. Besides, the much needed connectivity by an all weather road to the public of Tonga village remained unavailable despite spending government funds.

3.2 Loss of public money amounting to ₹34.56 lakh on purchase of milch cow

Improper selection of beneficiaries and inclusion of cows of low lactation resulted in non attainment of targeted production of milk and loss of public money of ₹34.56 lakh in execution of project by two ZPs (North and East).

Animal Husbandry & Veterinary Services Department prepared (April 2010) a project proposal to enhance the milk production to the level of national average of 252 gm. per person per day from existing 225 gm. per person per day in the State. The project envisaged distribution of high yielding cross bred lactating cows with calves to each beneficiary, breeding bulls for the cluster of villages in the project area, vaccination against major diseases, package of mineral mixture and de-worming, veterinary health care, provision of 15 litres capacity milk-can to the beneficiaries, training and capacity building, etc. The beneficiaries were to be selected on the basis of their capacity to rear cows and contribute towards enhancing the milk production in the State.

The Zilla Panhayats of East (₹52.70 lakh) and North (₹5.40 lakh) districts were assigned with the responsibilities to implement the projects in their respective districts at a cost of ₹58.10 lakh. The project report envisaged distribution of 135 High Yielding crossbred cows to equal number of beneficiaries selected from amongst the rural poor of East (120) and North (15) district to enhance the milk production to atleast 8 to 10 litres per cows per day and thereby supporting sustainable livelihood to the dairy farmers of Sikkim. As against this, only 96 cows were procured (upto March 2011) at ₹34.56 lakh and distributed to beneficiaries between June 2010 to March 2011.

Audit scrutiny revealed (March 2011) the following:

- The project preparation was defective as the important aspect of cost benefit ratio was not incorporated in the project. The operational cost, generation of additional income to the beneficiaries, etc. was not analysed in the project report to ensure viability of the project.
- The Purchase Committee consisting of Deputy Director, Animal Husbandry and Veterinary Services; District Planning Officer; and ZP functionaries was constituted to ensure compliance to appropriate purchase procedures, viability and economy of

rates. The Committee however failed to carry out any exercise in fulfillment of above objectives. Instead, the Committee procured cows from adjacent hilly town of neighboring West Bengal State without considering the yield per day of the cows, the reasonability of rates, etc. The Committee had neither followed the purchase procedures laid down in Sikkim Financial Rules for wide advertisement, nor recorded the basis of arriving at the rates, thereby giving no rationality for the rates fixed.

- The enhancement in milk production as envisaged in the project was not achieved despite spending ₹34.56 lakh towards purchase of 96 cows as of March 2011. This was primarily owing to induction of low yielding cows instead of high yielding cross bred varieties and capacity of the individual beneficiaries to rear cows.
- Physical verification of cows and interview with beneficiaries (10) confirmed that the induction was of low yielding cows giving 3 to 5 liters milk per day against the stipulation to provide cows yielding 8 to 10 liters of milk per day. These low yielding cows were a burden to the beneficiaries as cost of feeding was more than the income generation from sale of milk. In contrast, the cows yielding 8 to 10 litres of milk per day were not provided with sufficient feed as per the requirement of the cows owing to inability on the part of the beneficiary cow owners.

Thus, improper selection of beneficiaries and induction of cows of low lactation resulted in non fulfillment of targeted production of milk and loss of public money of ₹34.56 lakh.

3.3 Diversion of Backward Region Grant Fund (BRGF)

Approach road to Horticulture Centre by diverting BRG Fund of ₹52.06 lakh was taken up on emergency basis for International florishow. The approach road was completed belatedly. As a result, the entire cost of construction was of no use during the festival.

The International Florishow was organized (14-16 March 2008) in Sikkim with the objective to showcase the development in the field of commercial floriculture in the State. The programme schedule of International Florishow also included visit to the Horticulture Centre, Lingey in view of availability of 55,000 cymbidium plants in the Centre. Accordingly, proposal for construction of 0.37 km. approach road to Horticulture Centre at an estimated cost of ₹52.06 lakh from BRG Fund was approved (November 2007) by the State Government. As the work was emergent in nature, the work was awarded to Class I 'A' contractor by ZP, East without inviting any tender on the plea that the contractor possessed sufficient manpower, machinery and financial resources to complete the work. The work was awarded to the contractor with the instruction (February 2008) to complete the work before the florishow (March 2008). The formal work order, however, was issued in April 2008 only.

Audit noticed that the work was not completed within stipulated time i.e. before hosting of Florishow (March 2008). Instead the construction work took more than a year to complete. Besides following inconsistencies were also noticed:

- The BRG Fund was meant for gap funding arising between Plan fund and actual requirement. The utilization of fund for other work such as florishow festival was not only against the objective of the scheme but also resulted in diversion of fund.
- Though the work was taken up on emergency basis, it took more than a year to complete the work by then the flower festival was over. This indicated that work was not taken up with due seriousness by the ZP authorities and was beneficial to the contractor only.
- The estimate was exaggerated by insertion of additional work relating to cutting, protection and cross drainage work etc., in excess of requirement. This enhanced the estimated cost much in excess of average cost as compared to the similar works under Prime Minister Gram Sadak Yojana (PMGSY) and other State Plan schemes. This was confirmed by the fact that for a length of 0.37 km. road work, estimate of ₹52.06 lakh was framed which was much on a higher side as compared to PMGSY road work.
- The approach road was completed belatedly. As a result, the entire cost of construction was of no use during the International Florishow. The road was not put to use even post Florishow as the road was not frequently used by general public, visitors or passersby in absence of habitation in the vicinity of the Horticulture Centre.

3.4 Wasteful expenditure of developmental fund due to improper planning

An expenditure of ₹12.77 lakh was incurred towards imparting training to 66 beneficiaries in cutting and tailoring and bamboo crafting in three GPs. Due to faulty selection of beneficiaries, none of the beneficiary had taken up the trade in which they were trained as their profession to earn their livelihood, resulting in wasteful expenditure of ₹12.77 lakh.

As per policy of the State Government, untied fund of ₹10 lakh were given to each GP with the instruction to utilize the fund as per the guidelines issued by the State Government. During 2006-07, Government of Sikkim allotted untied fund to PRIs for undertaking various activities in three sectors viz. infrastructure, productive and social sector. Government of Sikkim sanctioned ₹3.50 lakh per GP under productive sector for income generation, employment generating schemes such as village cottage industries and economically viable enterprises that are congenial to local conditions. Self -Help Groups of not less than 10 households were also to be constituted for implementation of the above programme.

Three (out of 18) GPs Phensong, Tingchim Mangshila and Tingvong of North district utilized the productive sector fund for imparting training to 66 beneficiaries on tailoring and cutting (14 beneficiaries) and bamboo crafting (52 beneficiaries).

Audit scrutiny revealed (May 2010) that Self-Help Groups, as stipulated in the guidelines issued by State Government, were not constituted by any of the three GPs. Training was provided to individuals without drawing up any basic parameters for selection, such as financial status of beneficiaries, cost benefit ratio and the aptitude of the individual beneficiaries towards the trade such as cutting and tailoring and bamboo crafting, etc.

No functionaries from line departments were ever involved during implementation for technical guidance and to ensure proper utilization of fund for fulfillment of stated objectives. None of the beneficiaries trained in tailoring and cutting or bamboo crafting had taken up the trade in which they were trained for earning their livelihood.

Thus, faulty selection of beneficiaries and lack of involvement of functionaries from line Department for providing necessary technical guidance at all levels such as planning, execution and marketing resulted in a wasteful expenditure of ₹12.77 lakh[10].

3.5 Diversion of Grant to meet salary

Fund meant for developmental works at GP level were utilized for repair and maintenance of water supply work due to non release of O&M funds despite provision in the ARWSP guidelines to utilize 10 *per cent* of the scheme funds for repair and maintenance of the existing projects.

Accelerated Rural Water Supply Project (ARWSP) scheme guidelines permitted utilization up to 10 *per cent* of the scheme funds towards operation and maintenance (O&M) of assets created under the scheme. This is subject to (i) ceiling of matching grant provided by the States out of the Minimum Need Programme provision, (ii) the approved norms circulated to the States, and (iii) preparation of a separate project for taking up O&M activities. According to this stipulation, the State was entitled to spent ₹4.56 crore (10 *per cent* of ₹45.60 crore released to State) towards O&M activities during the 2006-11.

Scrutiny of records, however, revealed that no separate project for O&M activities was ever prepared by the Rural Management and Development Department (RMDD). During 2006-11, only a provision of ₹25 lakh was kept for O&M activities under ARWSP and even this amount remained unspent.

[10] *Expenditure incurred for training purpose-(i) Phensong-₹ 3.50 lakh, + ₹1.49 lakh ii) Tingchim Mangshila-₹ 3.50 lakh+₹ 0.78 lakhs and iii) Tingvong-₹ 3.50 lakh*

Audit analysis revealed that out of 246 ARWSP projects executed at ₹13.44 crore during 2006-11in the West district alone, 144 projects (59 *per cent*) involving ₹9.50 crore pertained to repairs/augmentation/extension nature. This showed a clear preference for undertaking new works instead of repair / maintenance works of the existing projects despite provision in the scheme guidelines. Not only this, the completed projects were handed over to the concerned Panchayats without any matching provisioning of funds for operation and maintenance of the projects. Reluctance to pass on the O&M funds to the Panchayats affected the maintenance of the projects and also the delivery of quality water supply to the rural people.

Non provisioning of funds for O&M activities led to payment of salary of barefoot engineer (Pipe line fitter) appointed at Gram Panchayat level for maintenance of water supply at GP level by diversion of funds provided by the line departments for execution of developmental works. During 2006-11, GPs paid ₹2.84 crore as salary to barefoot engineers by diverting fund provided by other line departments. Had the RMDD provided funds for repair and maintenance of water supply projects under ARWSP, the funds provided by the line departments could have been fruitfully utilized towards developmental works instead of defraying the cost of salary to the barefoot engineers.

Thus, fund meant for developmental works at GP level were utilized for repair and maintenance of water supply work despite provision in the ARWSP guidelines to utilize 10 *per cent* of the scheme funds for repair and maintenance of the existing projects.

3.6 Diversion of fund for payment of salary

ZP, East utilized ₹65 lakh from Community Development Fund to meet establishment cost by keeping the community developmental works proposed to be executed through this fund pending, resulting in diversion of fund from intended purposes.

The State Government (RMDD) released (July 2008) ₹65 lakh to Zilla Panchayat, East towards Community Development Fund for the year 2008-09 to meet the obligatory duties of Zilla Panchayat (ZP). These duties included construction and maintenance of Panchayat ghars; construction, repair and maintenance of small irrigation projects; regulating supply of water for irrigation or drinking water supply schemes; regulating maintaining and developing of lands vested on ZP for promotion of social forestry and environmental conservation; organizing plantation programme in the public land, road sides and such other places as may be specified for promotion of social forestry and environmental conservation; establishing and maintaining primary schools and organizing adult education centres; establishing health centres and maternity and child welfare centres; etc.

Audit scrutiny revealed that community development fund was not utilized for the above purposes by the ZP, East. Instead, ₹65 lakh was diverted from this fund to meet establishment cost for the period 17 November 2008 to 14 May 2009 by keeping the works to be executed from this fund pending. This was as per the decision taken in District Planning Committee meeting (7 August 2008). Thus, the diversion was not only un-authorised but it led to non fulfillment of intended objectives for which the funds were released to the ZP.

L. A. C. Singh
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The

Appendix-I
Statement showing transfer of 29 subjects to PRIs
(Reference: Para 1.9)

Name of Sector / Department	Activities under Zilla Panchayat	Activities under Gram Panchayat
1. Agriculture & Food Security	Identification of areas for all programmes. National Agricultural Insurance Scheme. Extension and demonstration on organic farming. Conducting crop competition demonstration. Deconstruction programme. Compensation for crop loss due to natural calamities. Establishment of storage facilities. Generate crop statistics.	Selection of beneficiaries for demonstration and organic manure production. Assist in organizing crop competition & exhibition. Selection of beneficiaries for special program of organic farming. Generating yield data. Reporting of crop loss. Maintenance of infrastructures. Organizing & motivation for agriculture production.
2. Horticulture & Cash Crop	Extension & demonstration on organic farming related to horticulture. Conducting crop competition & exhibition. Training & demonstration of horticulture crops including fruits, vegetables, potato, ginger & cardamom. Create awareness in floriculture as commercial venture. Assessment, verification and compensation of horticulture crop losses due to natural calamities. Establishment of storage facilities. Generate horticulture crop statistics. Motivation and implementation of crop insurance.	Extension & demonstration on organic farming related to horticulture and development of local entrepreneurs for production of organic manures. Assist in organizing crop competitions & exhibitions. Training & demonstration of horticulture crops through selection of right beneficiaries and areas. Assessment and reporting of horticulture crop losses. Maintenance of storage facilities. Generate horticulture crop statistics. Motivation of crop insurance programme.
3. Animal Husbandry, Livestock, Veterinary Services	Rabies control, vaccination & elimination of affected animals. Distribution of preventive materials for control of animal diseases preventive measures. Compilation of reports & dissemination of information. Identification of areas for different types of animal development programme. Quality monitoring. Meat inspection & certification. Programmes for fodder production. Management of marketing of animal product. Processing centres. Training & awareness of animal husbandry related programmes. Organizing district level training workshops &	Monitoring & regulation of wastes. Identification of beneficiaries. Distribution of fodder. Collection of products for large markets. Assessment of production collection centres. Supervision of delivery of government services. Identification of training needs of farmers. Requisition of training programme. Distribution of high bred varieties of farm animals. Execution of works up to ₹2 lakh. Supervision of implementation.

Name of Sector / Department	Activities under Zilla Panchayat	Activities under Gram Panchayat
	programmes. Cross breeding management of artificial insemination programmes. Execution of works between ₹2 to ₹5 lakh. Identifying areas for various types of fisheries.	
4. Education	Overall supervision of JHS except appointment and transfer of teachers. All repairs & maintenance of JHS. Supporting state authorities in survey & related projects. Literacy programmes. Monitoring the programmes.	Overall supervision of functioning of PS and LPS except appointment and transfer of teachers. All repairs & maintenance work up to ₹10 lakhs. Identification of learners; assisting in Literacy Supervision of programmes.
5. Health & Family Welfare	To facilitate the formation of Village Health and Sanitation Committees at the Gram Panchayat level. To ensure and help district health mission under NRHM to prepare a need based demand driven socio-demographic plans at the district level. To oversee effective implementation of health and family welfare programmes as the district level by monitoring and supervising the functions and functionaries, by training, equipping and empowering Panchayat members suitably to manage and supervise the functioning of health care infra-structure and man-power and further co-ordinate works of different departments such as Health &Family welfare, social welfare, public health Engineering, Rural Development, etc. at the district level. To ensure un-based selection of ASHA.	Form Village Health and Sanitation Committee comprising of ANM/ MPHW(M), AWW, ASHA, MSS, NGOs and village representatives with adequate representation for women members (Existing village sanitation campaign may be redesignated as Village Health and Sanitation Committees. To ensure and help village level health committees under NRHM to prepare an area specific, need based, demand driven, socio- demographic plans at the village/ sub- centre level. To grant approval and ensure proper utilization of funds earmarked as untied funds under NRHM. To ensure selection of sincere and dedicated ASHA in village. To promote success to improved health care at the household level through female health activist (ASHA). To demonstrate exemplary performance in compulsory registration of births, deaths, marriage and pregnancies. Ensuring safe deliveries to bring a reduction in infant mortality Rate (IMR) and maternal mortality Rate (MMR). Identification of people in need of service and facilitate providing service in collaboration with village level health workers in respect of National programmes like Reproductive and Child Health, Blindness, TB Control, STD/HIV/AIDS,etc. Keeping provision of fund for maternal and child

Name of Sector / Department	Activities under Zilla Panchayat	Activities under Gram Panchayat
		health activities (referral of high risk cases, etc.) in the PRI budget. Awareness generation regarding all health and family welfare related issues and to generate demand from the community for services under different National and State health programmes. each village by Panchayat members and to devise mechanism at the district level for monitoring of ASHA. Awareness generation regarding all health and family welfare related issues and generate demand from the community regarding available services provision under different National Health programmes and State Service provision. To increase service utilization at different levels through different effective locally acceptable approaches.
6. Forest, Environment and Wildlife	Facilitation for marketing of saplings for government & private plantation. Providing marketing facilities for medicinal plants & other forestry products. Training for cultivation. Protection support to Smriti Van. Support for control of forest fire. Prevention & control. Awareness on grazing- regulated grazing. Promotion of NTFP-bamboo plantations. Promotion of timber substitutes-marketing. Identification of gram panchayats for the progamme. Monitoring of the programme. Identification of Gram panchayats for the programme. Harvesting & distribution of fuel wood.	Establishment of community nurseries. Establishment of medical plants gardens for commercial purpose. Establishment of Smriti vans. Control of forest fires. Co- ordination with JFMC. Control of grazing in forest land. Implementation of regulated grazing. Plantation of NTFP-production. Micro- planning & implementation of soil conservation works. Planning & implementation of Green mission works. Planning & implementation of fuel wood plantation in community lands. Identification of sites. Upkeep of parks & gardens.
7. Commerce & Industries	Providing assistance to trained beneficiaries to start their own units including credit support. Organizing entrepreneurial development programmes. providing marketing facilities for cottage and village products. Identifying locations for specific industrial & commercial activity.	Identification of beneficiaries for training. Distribution of raw materials. Promotion of cottage industries based on locally available materials.

Name of Sector / Department	Activities under Zilla Panchayat	Activities under Gram Panchayat
8. Disaster Management	Assisting in assessment of damages during natural calamity. Providing training on rescue and relief operation. Co-ordinating with District Relief Committee and Village Relief Committee. Investment in preventive measures and also preparedness. Maintenance & minor repairs between ₹10 to ₹20lakhs.	Establishment of community nurseries. Establishment of medical plants gardens for commercial purpose. Establishment of Smriti vans. Control of forest fires. Co-ordination with JFMC. Control of grazing in forest land. Implementation of regulated grazing. Plantation of NTFP production. Micro-planning & implementation of soil conservation works.
9. Irrigation	Creation of minor irrigation channels.	Identification of locations for minor irrigation channels. All repairs of minor irrigation channels.
10. Cultural Activities	Identification and preservation of heritage sites.	Promotion of folk art. Preservation of traditional culture and customs. Rural (village) Libraries.
11. Rural water Supply	All maintenance and new schemes between ₹10 to ₹20 lakhs.	Minor repairs and new schemes up to ₹10 lakhs.
12. Rural Bridges	All maintenance and new schemes between ₹10 to ₹20 lakhs.	Minor repairs and new schemes up to ₹10 lakhs
13. Rural Sanitation	Promoting environment friendly means of disposal of solid and liquid waste. Maintenance of environmental hygiene. Construction and maintenance of institutional and community latrines and bathing places. Promotion of cooperative movement.	Conducting environment friendly waste management through Gram Panchayat level Water and Sanitation Committees. Construction and maintenance of Individual Sanitary latrines and bathing cubicles.
14. Cooperatives	Regulating building construction. Rural street lighting and its maintenance.	Generating awareness of cooperatives.
15. Miscellaneous	Establishment & Maintenance of crematoriums and burial places. Regulating disposal of carcasses. Construction of ICDS Centres. Disbursement of OAP & SA. Small Family Benefit Scheme. National Family Benefit Scheme. Promotion of eco- tourism. Maintaining tourist's infra- structure and amenities at the district level. Identification of potential places for development of tourism. Promotion	Enforcing regulation for building construction. Establishing facilities for generation of renewable energy sources. Reporting on presence of bead carcasses. Supervision and maintenance of ICDS Centres. Maintaining tourist infra- structure and amenities at the village level. Regulating the use of haat sheds at the Sub-Divisional level markets not falling under the jurisdiction of ULBs. Collection of data for the State Govt.

Name of Sector / Department	Activities under Zilla Panchayat	Activities under Gram Panchayat
	of use of renewable energy sources. Maintaining haat sheds at the Sub-divisional level markets not falling under the jurisdiction of ULBs. Assisting the State Govt. in collection of data/survey/ maintenance of law & order and IEC activities.	and reporting to the District Administration of the law & order situation including potential dangers and disturbances.
All centrally sponsored schemes	As per guidelines given by the GOI.	As per guidelines given by the GOI.

Appendix-II
Statement showing actual transfer of functions to PRIs
(Reference: Para 1.9)

Name of Sector / Department	Activities under Zilla Panchayat	Activities under Gram Panchayat
1. Animal Husbandry, Livestock, Veterinary Services	Training & awareness of animal husbandry related programmes. Organizing district level training workshops & programmes. Cross breeding management of artificial insemination programmes. Execution of works between ₹2 to ₹5 lakh. Identifying areas for various types of fisheries.	Distribution of fodder. Distribution of high bred varieties of farm animals. Execution of works up to ₹2 lakh. Supervision of implementation.
2. Education	Overall supervision of JHS except appointment and transfer of teachers. All repairs & maintenance of JHS. Supporting state authorities in survey & related projects. Literacy programmes. Monitoring the programmes.	Overall supervision of functioning of PS and LPS except appointment and transfer of teachers. All repairs & maintenance work up to ₹10 lakhs. Identification of learners; assisting in Literacy Supervision of programmes.
3. Health & Family Welfare	To facilitate the formation of Village Health and Sanitation Committees at the Gram Panchayat level. To ensure and help district health mission under NRHM to prepare a need based demand driven socio-demographic plans at the district level. To oversee effective implementation of health and family welfare programmes as the district level by monitoring and supervising the functions and functionaries, by training, equipping and empowering Panchayat members suitably to manage and supervise the functioning of health care infrastructure and manpower and further co-ordinate works of different departments such as Health and Family Welfare, Social Welfare, Public Health Engineering, Rural Development, etc. at the district level. To ensure un-biased selection of	Form Village Health and Sanitation Committee comprising of ANM/ MPHW(M), AWW, ASHA, MSS, NGOs and village representatives with adequate representation for women members (Existing village sanitation campaign maybe redesignated as Village Health and Sanitation Committees. Awareness generation regarding all health and family welfare related issues and to generate demand from the community for services under different National and State health programmes to each village by Panchayat members and to devise mechanism at the district level for monitoring of ASHA. Awareness generation regarding all health and family welfare related issues and generate demand from the community regarding available services provision under different National Health programmes and State Service provision.

Name of Sector / Department	Activities under Zilla Panchayat	Activities under Gram Panchayat
	ASHA in each village by Panchayat members and to device mechanism at the district level for monitoring of ASHA. Awareness generation regarding all health and family welfare related issues and generate demand from the community regarding available services provision under different National Programmes and State Service Provision. To increase service utilization at different levels through different effective locally acceptable approaches.	To increase service utilization at different levels through different effective locally acceptable approaches.
4. Forest, Environment and Wildlife	Facilitation for marketing of saplings for government and private plantation. Promotion of NTFP-bamboo plantations.	Co-ordination with JFMC. Control of grazing in forest land. Implementation of regulated grazing. Plantation of NTFP- production.
5. Commerce & Industries.	Providing assistance to trained beneficiaries to start their own units including credit support. Organizing entrepreneurial development programmes.	Identification of beneficiaries for training. Distribution of raw materials.
6. Disaster Management	Assisting in assessment of damages during natural calamity. Providing training on rescue and relief operation. Co-coordinating with District Relief Committee and Village Relief Committee.	Rescue and relief operation.
7. Irrigation	Creation of minor irrigation channels.	Identification of locations for minor irrigation channels. All repairs of minor irrigation channels.
8. Cultural Activities		Rural (village) Libraries.
9. Rural Water Supply	All maintenance and new schemes between ₹10 to ₹20 lakhs.	Minor repairs and new schemes up to ₹10 lakhs.
10. Rural Bridges	All maintenance and new schemes between ₹10 to ₹20 lakhs.	Minor repairs and new schemes up to ₹10 lakhs
11. Rural Sanitation	Promoting environment friendly means of disposal of solid and liquid waste. Maintenance of	Construction and maintenance of Individual Sanitary latrines and bathing cubicles.

Name of Sector / Department	Activities under Zilla Panchayat	Activities under Gram Panchayat
	environmental hygiene. Construction and maintenance of institutional and community latrines and bathing places.	
12. Cooperatives	Regulating building construction. Rural street lighting and its maintenance.	Generating awareness of cooperatives.
13. Miscellaneous	Establishment & Maintenance of crematoriums and burial places. Regulating disposal of carcasses. Construction of ICDS Centres. Disbursement of OAP & SA. Small Family benefits Scheme. National Family Benefit Scheme. Promotion of eco- tourism. Maintaining tourist's infra- structure and amenities at the district level. Identification of potential places for development of tourism. Promotion of use of renewable energy sources. Maintaining haat sheds at the Sub-divisional level markets not falling under the jurisdiction of ULBs. Assisting the State Govt. in collection of data/survey/ maintenance of law & order and IEC activities.	Supervision and maintenance of ICDS Centres. Maintaining tourist infra-structure and amenities at the village level. Regulating the use of haat sheds at the Sub- Divisional level markets not falling under the jurisdiction of ULBs.
All centrally sponsored schemes	As per guidelines given by the GOI.	As per guidelines given by the GOI.

Appendix-III
Statement of powers exercised by State Government in relation to PRIs
(Reference: Para 1.10)

Sl. No.	Name of Department/Scheme	State
AGRICULTURE		
1	Farmers field seed production	Selection and procurement of seeds & technological supervision
2	Manure & fertilizers	Procurement of fertilizer
3	Plant protection	Procurement of pesticides and overall technical supervision
4	(A) Commercial crops (B) Other minor C. Crops (C) Spices (D) Tuber crops	Procurement of seeds having Inter districts ramification
5	Extension & Training	Providing curriculum teaching aids and Other materials, Organization of more Sophisticated training and training of trainers
6	(A) Oil seed production programme (B) Pulses production	As in item 4 As in item 4
7	Rejuvenation of old orchards	Technological support and supervision
8	Planting new Orchards Integrated Development of fruit Vegetable development floriculture	Procurement of planting materials in case of inter District Procurement.
9	Subsidy of bank finance scheme	Formulation of scheme and allocation
ANIMAL HUSBANDRY		
1	Prevention and control of animal disease	Formulation of strategy for prevention & control, procurement of technology, medicine for providing to Zilla Panchayats.
2	Hero improvement (A) through Natural Service (B) through A. I.	Formulation of programme and policy, allocation of fund to Zilla Panchayats.
3	Integrated Piggery Development Programme	Programme introduction guidelines and allocation of funds
4	Extension & Training	Providing curriculum teaching aids and other materials, organization of more sophisticated training and training of trainers.
5	Minor works/ supervision/ maintenance	Allocation to district

Sl. No.	Name of Department/Scheme	State
MEDICAL AND PUBLIC HEALTH		
1	Mass Education	Allocation of funds to district
2	Rural family welfare services	Allocation of funds to district
3	Maintenance of PHSC	Allocation of funds to district
4	I.C.D.S.	Women & Child welfare department to provide funds
RURAL DEVELOPMENT DEPARTMENT		
1	Maintenance of Panchayat Ghar	Fund allocation to district & monitoring
2	Sanitation	Formulation of programme and institutional Latrine.
3	NRSE-National programme on Bio- gas development	Fund allocation to district and overall control
EDUCATION DEPARTMENT		
1	Minor works	Jr. high School
2	Non-formal education	Planning, Co-ordination of programmes as per GOI guidelines
3	Adult education	Planning, co-ordination & management of programmes as per GOI guidelines
4	Mid Day Meals	Co- ordination & Monitoring

Appendix-IV
Statement showing delay in release of fund by ZPs
(Reference: Para 2.2.2)

(₹ in lakh)

District	Date of receipt of fund by Zilla Panchayat	Amount	Date of release of fund by Zilla to PIA	Amount	Delay in release (month)
East	4.5.05	49.50	21.7.06	35.00	14
	28.3.05	27.63	19.8.06	58.55	17
	28.9.05	33.62	10.10.06	12.50	12
	2.3.06	47.23	8.3.07	7.27	12
	8.5.06	5.65	16.1.08	15.00	19
	12.6.06	42.72	17.1.08	7.50	18
	19.1.07	46.20	28.2.08	28.00	13
	26.9.07	28.74	18.3.08	9.00	5
	5.10.07	4.01	25.3.08	25.00	5
	26.3.08	49.50	27.3.08	21.90	-
	31.3.08	4.50	28.3.08	106.83	-
	30.9.08	49.50	29.3.08	49.50	-
	19.12.08	43.32	22.4.08	35.57	-
	21.1.09	4.50	30.4.08	13.20	-
	30.1.09	49.32	21.5.08	50.19	-
	26.2.09	25.00	27.9.08	15.50	-
	29.6.09	50.57	12.2.09	8.64	-
	27.12.09	50.59	24.2.09	58.32	-
	26.3.10	100.84	2.6.09	42.46	-
	22.4.10	84.92	24.7.09	36.25	-
	11.10.10	64.00	12.9.09	4.50	-
			17.9.10	4.50	--
			25.9.09	6.00	-
			11.12.09	8.00	-
			16.6.10	85.75	-
			11.10.10	32.00	-
			30.3.11	52.35	-

District	Date of receipt of fund by Zilla Panchayat	Amount	Date of release of fund by Zilla to PIA	Amount	Delay in release (month)
West	28.10.05	19.34	31.1.07	19.34	14
	28.10.05	18.00	31.1.07	18.00	14
	18.1.07	54.00	14.2.08	54.00	12
	4.3.10	98.44	4.5.10	49.00	1
	13.1.10	38.64	30.4.10	38.64	3
	13.1.10	35.75	30.4.10	35.75	3
South	28.3.08	85.25	15.4.08	14.30	1
			4.8.08	60.00	-
	23.6.09	67.12	28.11.09	79.07	5
	26.9.07	7.88	5.5.11	17.59	42
	7.10.06	46.20	21.12.07	13.44	14
	13.9.07	2.49	13.5.11	35.43	44