

CHAPTER-IV
WORKS EXPENDITURE
SECTION – A
(AUDIT REVIEWS)

IRRIGATION AND FLOOD CONTROL DEPARTMENT

4.1 Review on ‘Functioning of Irrigation and Flood Control Department’

Highlights

The Irrigation and Flood Control Department came into being as a separate entity in 1986. A review of its activities during the last five years indicated a lack of financial discipline in the Department and absence of linkages between financial and programme planning. The substantial investment made in creating additional irrigation potential did not translate either into enhanced agricultural productivity or increase in area under cultivation. There were no expenditure norms either for creation of new irrigation potential or for maintenance of existing potential resulting in wide variations from year to year. No attention was paid to revive the defunct or partially functioning channels rendering the investment on them unfruitful. While there was delay in formulating and executing the works under the “Accelerated Irrigation Benefit Programme”, majority of the projects taken up from Non-Lapsable Pool of Resources were low priority and other than the ones approved by the Government of India. The Department continued to have on its roll excess Junior Engineers since 1995-96 and employed persons on work-charged and muster-roll establishment in violation of Government orders.

The Department first surrendered Rs.79.44 lakh during 1997-98 and then spent Rs.77.81 lakh out of the surrendered amount. There were savings of Rs.82.61 lakh, Rs 7.33 crore and Rs.21.86 crore during 1998-99, 1999-2000 and 2000-2001 respectively, which were not anticipated by the Department.

(Paragraphs 4.1.5 to 4.1.7)

There was rush of expenditure during the last quarter of the year in general and the last month in particular. Heavy amounts were drawn on the last day of the financial years solely to avoid lapse of funds.

(Paragraph 4.1.10)

The targets for creation of additional irrigation potential and potential utilisation were drastically reduced during the years 1998-99 and 1999-2000 even though the budget of the Department was higher as compared to earlier years. Even with lower targets, the shortfall in achievement was as high as 50 per cent and 53 per cent in potential creation and potential utilisation respectively during 1999-2000.

(Paragraphs 4.1.23 and 4.1.24)

Agricultural productivity and the area under cultivation remained more or less constant during the five-year period even though an additional 6735 hectares were shown to have been brought under irrigation. The total expenditure of Rs. 43.60 crore, therefore, did not translate into material benefits on the ground.

(Paragraphs 4.1.33 and 4.1.34)

Investment of Rs. 5.62 crore made on irrigation channels was not yielding value for money as these channels were either lying defunct or only partially functioning since March 1993.

(Paragraph 4.1.36)

Delay in finalisation of AIBP scheme led to avoidable interest burden to the tune of Rs. 9.92 lakh.

(Paragraphs 4.1.41 and 4.1.42)

Out of the schemes worth Rs. 5 crore approved under the Non-Lapsable Central Pool of Resources in 1999-2000 and 2000-2001, schemes amounting to Rs. 2.94 crore were not covered by the sanction of the GOI.

(Paragraph 4.1.45)

An amount of Rs. 20.34 lakh was spent on salaries of four Junior Engineers from January 1996 to April 2001 who were in excess of the sanctioned strength. Another Rs. 5.61 lakh was spent upto October 2001 on the salary of a driver idle since October 1992.

(Paragraphs 4.1.49 and 4.1.51)

The Department employed 23 clerks and 4 statistical assistants on work-charged establishment, which was irregular. The expenditure of around Rs. 43.40 lakh on their salary from 1996-97 to 2000-01, was also, therefore, irregular.

(Paragraph 4.1.54)

The Department flouted the clear instructions of the Government banning further recruitment under work-charged and muster-roll establishment, and continued to employ persons in these categories. The monetary outgo on such appointments was as high as Rs. 18.42 lakh during the period of just two years of 1999-2000 and 2000-01.

(Paragraphs 4.1.56 and 4.1.57)

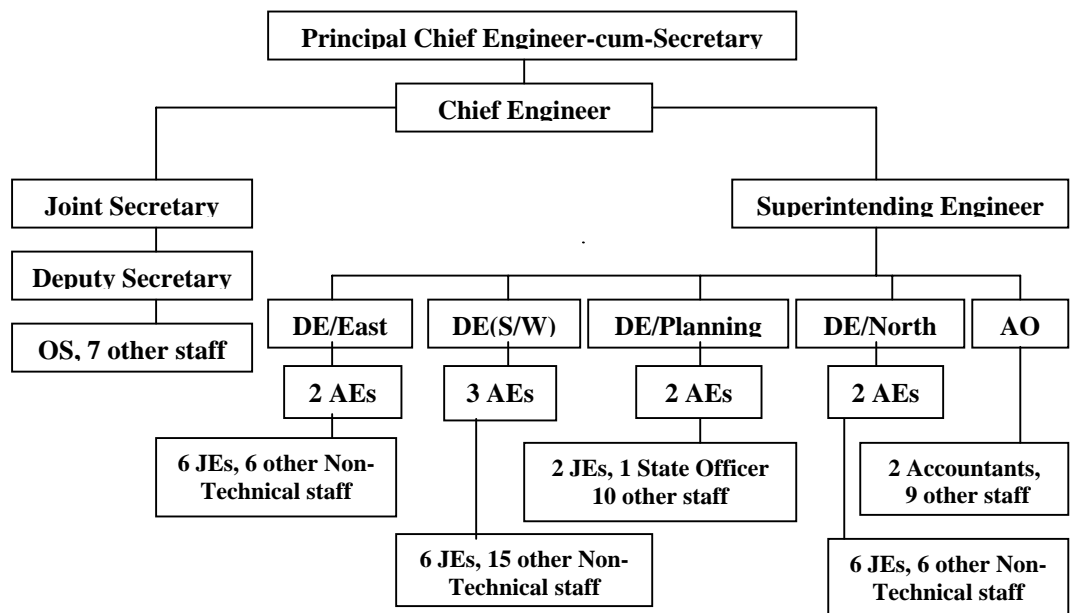
Introduction

4.1.1 Sikkim falls within the high rainfall zone of the country and receives very high precipitation varying from 2300 mm to 3800 mm during the monsoon, which lasts from the beginning of June to the middle of October. While this phenomenon assures availability of water for agricultural purpose for approximately eight months in the year, the necessity for providing water during the winter season and in the drier southern part of the State underline the urgency of creating irrigation potential in the State. A separate Irrigation Department was created only in 1986 with the specific mandate of looking after all irrigational aspects. In Sikkim, large-scale multipurpose irrigation schemes are not feasible and hence all channels in the State are minor irrigation types having culturable command area of less than 2000 hectares under each scheme.

Organisational set up

4.1.2 Organisational set up indicating staff position and reporting responsibilities in the Department is as under:

Chart-4.1



Scope of Audit

4.1.3 A review of Irrigation and Flood Control Department covering the period 1996-97 to 2000-01 was conducted during April-May 2001 with reference to the records maintained in the head office at Gangtok and divisional offices located at Jorethang and Gangtok.

Deficient budgetary procedures and inadequate control over expenditure

4.1.4 The Planning and Development Department of the Government of Sikkim provides sectoral allocations on the basis of the five-year plan and annual plan submitted by the Department reflecting the proposed programmes to be implemented in the ensuing years along-with the estimated amount. The Department then prepares a detailed break-up segregating the allotted fund to various programmes to be implemented during the year. This budgeting process was deficient and an effective mechanism for monitoring the progress of expenditure was missing. The lack of financial consciousness in the Department is illustrated by the following observations.

Large savings during the last three years

4.1.5 The comparison of the year-wise budget grant with the corresponding expenditure revealed that the Department had surrendered huge sums during the year 1997-98, 1998-99 and 2000-01 and recorded savings during every year under review as detailed below:

Table-4.1

Year	Original Grant	Supplementary Grant	Total	Actual Expenditure	Excess (+) Saving (-)	Surrender
<i>(Rupees in lakh)</i>						
1996-97	415.75	200.00	615.75	614.73	(-) 1.02 (0.17)	Nil
1997-98	427.15	Nil	427.15	425.00	(-) 2.15 (0.50)	79.44 (18.60)
1998-99	521.95	205.50	727.45	644.84	(-) 82.61 (11.36)	35.07 (4.82)
1999-00	447.25	928.89	1376.14	643.54	(-) 732.60 (53.24)	Nil
2000-01	4211.18*	5.74	4216.92	2031.14	(-) 2185.78 (51.83)	1521.22 (36.07)

Source: Finance and Appropriation Accounts.

Note: Figures in brackets represent surrender/saving as percentage of total grant for the year.

4.1.6 The Department attributed the reasons for the huge savings to the non-receipt of bills, cut in plan allocation, purchase of store directly from works allocation at the time of operating stock suspense, non-execution of schemes due to passing of supplementary demand on the last day of financial year, non receipt of resources etc. That the arguments were untenable was borne by the fact that booking of expenditure directly to works allocation instead of stock suspense would not have affected the overall expenditure of the Department.

* Increase was due to Additional Central Assistance i.e. Accelerated Irrigation Benefit Programme (AIBP), Non-lapsable Central Pool of Resources.

4.1.7 Surrender of Rs.79.44 lakh during 1997-98 did not restrain the Department from incurring a further expenditure of Rs. 77.29 lakh resulting in an eventual saving of only Rs. 2.15 lakh. The whole exercise of surrendering the fund was thus perfunctory. While during 1999-2000 no part of the saving of Rs. 7.33 crore was anticipated and surrendered, the Department surrendered only Rs. 35.07 lakh and Rs. 15.21 crore in 1998-99 and 2000-01 respectively as compared to the eventual savings of Rs. 82.61 lakh and Rs. 21.86 crore. Seen in the light of eventual savings of Rs. 82.61 lakh, Rs. 7.33 crore and Rs. 21.86 crore during the years 1998-99, 1999-2000 and 2000-01, supplementary provisions of Rs. 2.06 crore, Rs. 9.29 crore and Rs. 5.74 lakh were excessive. Rationality for the supplementary provisions was never examined either by the spending department or by the Finance Department.

Poor programme management leading to savings from Plan funds

4.1.8 Out of the total savings of Rs. 82.61 lakh, Rs. 7.33 crore and Rs. 21.86 crore in 1998-99, 1999-2000 and 2000-01, as much as Rs. 74.63 lakh, Rs. 7.30 crore and Rs. 21.84 crore were saved from Plan funds as shown below:

Table-4.2

(Rupees in lakh)

Year	Budget Grant		Expenditure		Savings	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
1996-97	556.00	59.75	555.79	58.95	0.21	0.80
1997-98	356.00	71.15	355.78	69.22	0.22	1.93
1998-99	619.00	108.45	544.37	107.22	74.63	1.23
1999-00	1270.89	105.25	540.62	102.92	730.26	2.33
2000-01	4117.74	99.18	1933.97	97.17	2183.77	2.01

Source: Detailed Appropriation Accounts.

4.1.9 That the bulk of the savings emanated from Plan funds and the surrender during 1998-99 and 2000-2001 were also out of Plan outlays was a pointer that there were shortcomings in programme management.

Rush of expenditure during the very end of years

4.1.10 Analysis of expenditure for the last five years revealed that the Department spent huge amounts during the last quarter of the years, especially during the closing months as under:

Table-4.3

(Rupees in lakh)

Year	Total Grant	Total Expenditure	Expenditure		Percentage of total expenditure	
			Last Quarter	Closing Month	Last Quarter	Closing month
1996-97	615.75	614.73	356.08	279.12	57.92	45.41
1997-98	427.15	425.52	146.48	78.19	34.42	18.38
1998-99	727.45	644.84	256.36	203.19	39.76	31.51
1999-2000	1376.14	643.54	262.97	209.93	40.86	32.62
2000-2001	4216.92	2031.14	1189.82	830.10	58.54	40.87

4.1.11 Amounts of Rs. 1.87 crore, Rs. 17.12 lakh and Rs. 15.21 lakh were disbursed on the last working day of 1996-97, 1998-99 and 1999-2000 solely to avoid lapse of grant. Incurrence of such a high percentage of expenditure during the last quarter and the last day of the last month is violative of the prudent financial rules, and speak poorly of overall fiscal and operational management.

4.1.12 The Department's contention that the release of Additional Central Assistance (ACA) and CSS funds at the end of the year for this malaise was not acceptable because ACA was provided to the Department only from 1999-2000 after the introduction of AIBP schemes where-as Department had been off loading funds at the fag end of the year since 1996-97.

Irregular purchase of vehicle from borrowed fund

4.1.13 Budget provisions for the purchase of motor vehicles are made separately under 'Direction and Administration'. In spite of this, the Secretary of the Department with the approval of Chief Minister purchased a vehicle (March 2001) for Rs. 5.72 lakh from funds borrowed from NABARD for various works of flood control and flood protection under the Rural Infrastructure Development Fund (Major Head 4202-800-78-NABARD-RIDF-IV). This not only amounted to diversion of funds but was also irregular. Since the vehicle was bought from borrowed funds, it also involved an interest cost of Rs. 0.69 lakh to the Government at the average borrowing rate of 12 per cent per annum.

4.1.14 It was further seen that the purchase of this vehicle was in replacement of an old vehicle (SK-02/1625) purchased during November 1988. However, instead of surrendering the old vehicle to Home Department for disposal as per rule, it was retained by the Department and one driver on Muster Roll was engaged for this car.

Operational Management

4.1.15 As per 'Master Plan' of Irrigation Department prepared in 1995, only about 25 per cent of the cultivable area in Sikkim has irrigation facilities. Water resources are abundant due to favourable rainfall conditions. These resources can irrigate 50,000 hectares of cultivable land ultimately and can transform the present rainfed, monocrop agriculture to irrigated crop husbandry with multiple cropping.

Irregular diversion of fund to Flood Control Sector

4.1.16 During the period covered under review, the Department executed various irrigation and flood control measure schemes funded from the State Plan, Non-Lapsable Central Pool of Resources, * AIBP and schemes funded by NABARD. The comparative budget provisions and expenditure in the two fields of irrigation and flood control were as under:

Table-4.4

(Rupees in lakh)

Year	Irrigation		Flood Control Measures	
	Budget	Expenditure	Budget	Expenditure
1996-1997	374.75	373.78	241.00	240.95
1997-1998	382.15	308.18	45.00	116.82
1998-1999	355.65	238.73	371.80	406.11
1999-2000	753.54	283.53	623.00	358.01
2000-2001	2358.82	579.05	1858.10	1452.09

Source: *Finance and Appropriation Accounts*

4.1.17 Though the proportionate budget for irrigation had always been more, except in the year 1998-99, the expenditure emphasis in the last three years had shifted away from irrigation works and towards flood control works. In two of the five years viz. 1997-98 and 1998-99, the money provided for irrigation works was diverted to fund flood control measures without obtaining approval for re-appropriation from competent authority.

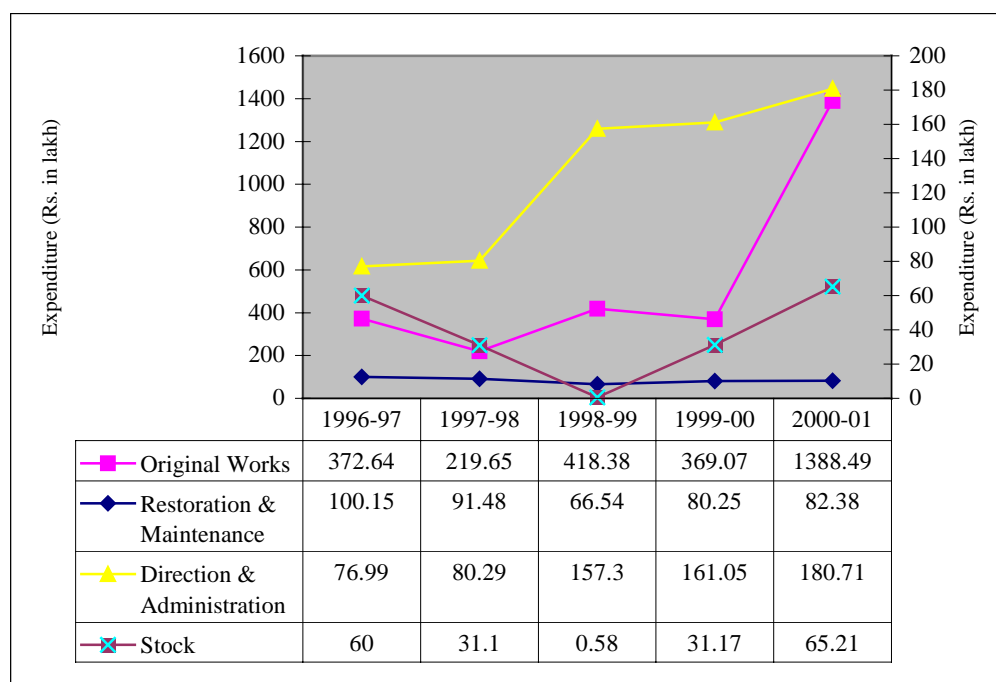
4.1.18 The Department's reply that during 1998-99, a sum of Rs.64 lakh was re-appropriated with the approval of the government from Minor Irrigation (MI) sector to Flood Control and River Training (FCRT) sector to meet up the liability under FCRT was factually incorrect as final grant (after re-appropriation) had been taken into account to arrive at the above figure. Further, the Department was silent about the diversion made during 1997-98.

Increase in overhead expenditure without proportionate increase in activity

4.1.19 The further break-up of the expenditure incurred during the years 1996-2001 on original works, restoration and maintenance, direction and administration and stock is depicted in the chart below:

* Additional Central Assistance for NE States and Sikkim for infrastructural development i.e. Power, Roads, Irrigation and RDD etc.

Chart-4.2



4.1.20 In a noteworthy trend, during the five years under analysis, the expenditure on original works did not show a wide variation – except in the year 2000-01 when it rose to Rs. 13.88 crore - but the establishment expenses went up from Rs. 76.99 lakh to Rs. 1.81 crore. Taken as a percentage of the total expenditure, while the expenditure on substantive activities – original works and restoration and maintenance – hovered between 70 per cent to 77 per cent, the overheads doubled from 13 per cent in 1996-97 to 25 per cent in 1999-2000. This trend was most pronounced in the year 1999-2000 when the establishment expenditure reached its highest at 25 per cent and that on original works and restoration and maintenance combined reached its lowest in the four year period at 70 per cent. Increase in establishment expenditure when the programme activity remained static was unjustified.

4.1.21 The Department attributed the reasons for increase in establishment expenditure to pay revision and posting of new staff and added that the position had improved from 2000-01. The fact, however, remained that the programme activity remained almost static despite ample availability of Plan Funds.

No linkage between physical and financial budgeting

4.1.22 Target and achievement of irrigation potential created and potential utilised during the period covered under review was as under:

Table-4.5*(Area in hectares)*

Year	Additional Potential Creation		Potential Utilised		Cumulative	
	Target	Achievement	Target	Achievement	Additional Potential Creation	Potential Utilised
1996-97	1,200	1,110	1,000	900	27,383	19,105
1997-98	900	1,125	800	962	28,483	20,067
1998-99	300	300	250	169	28,689	20,236
1999-00	350	175	300	140	28,864	20,376
2000-01	3675	5,254	3,212	4,679	34,118	25,055

Source: Annual Reports of Irrigation Department.

4.1.23 The targets for both, potential creation and potential utilisation were pegged low in the years 1998-99 and 1999-2000 even though the financial outlay in 1998-99 was only marginally lower than the previous years while that in 1999-2000 was much higher as compared to the earlier years. Interestingly, even with these low targets, the achievement in both potential creation and potential utilisation was the lowest at 50 per cent and 53 per cent respectively in 1999-2000, a year in which the total budget of the Department was as high as Rs. 13.76 crore and also the year that showed a mammoth saving of Rs. 7.33 crore. Thus, there was no linkage between physical and financial budgeting and between physical creation and financial outlays.

4.1.24 The under achievement in additional potential creation and potential utilisation during the two years of 1998-99 and 1999-2000 was due to unusually low expenditure incurred by the Department on original irrigation works vis-à-vis the total expenditure booked under irrigation, as shown below:

Table-4.6*(Rupees in lakh)*

Year	Original Works	Restoration and Maintenance	Total	Percentage of Original Works to Total
1996-97	138.64	93.20	373.98	37.09
1997-98	110.62	83.69	308.18	35.89
1998-99	21.32	57.49	238.73	8.93
1999-00	19.90	71.41	283.53	7.02
2000-01	256.17	74.36	579.05	44.24

Source: Finance and Appropriation Accounts

4.1.25 The expenditure on original works during 1998-99 and 1999-2000 was a mere 9 per cent and 7 per cent of the total expenditure and was a drastic reduction as compared to the 38 per cent and 36 per cent of the two earlier years. This dovetailed with the physical performance of the Department during these years, which also showed a steep dip during this period.

4.1.26 Contention of the Department that the low achievement was due to non-implementation of the AIBP scheme during 1998-2000 and increase in establishment expenditure due to pay revision, was not tenable as increase in establishment expenditure had no bearing on works expenditure, which

recorded huge savings of Rs.8.05 crore during 1998-2000. Further, the non-implementation of AIBP scheme was because of Department's own ignorance as brought out in paragraphs 41 to 43 of this review.

Wide variation in the cost of creating new channels

4.1.27 Taking the total expenditure booked under irrigation, the cost per hectare of additional irrigation potential created during the four years varied from a low of Rs. 0.38 lakh in 1997-98 to as high as Rs. 3.67 lakh in 1999-2000. However, if the expenditure on original works alone was reckoned, the average cost varied from Rs. 4,876 in 2000-01 to Rs. 12,490 in 1996-97. This trend is shown in the table below:

Table-4.7

Year	1996-97	1997-98	1998-99	1999-2000	2000-2001
	<i>(In rupees)</i>				
Cost per hectare <i>(Expenditure on irrigation as whole)</i>	55,381	37,778	214,947	367,737	38,659
Cost per hectare <i>(Expenditure on original works only)</i>	12,490	9,832	7,106	11,371	4,876

4.1.28 Since the costs as worked out above were average costs for the whole year and thus represented creation of channels in all types of site conditions and under different circumstances, such wide variation in the cost of creating new potential defied explanation. The Department also did not have any norms for the average expenditure required either for construction of per kilometre of channels or that required for creation of each additional hectare of irrigation potential.

4.1.29 The Department's contention that standard norm was not practicable due to variation in the topography of the land was not acceptable as the cost of channels are worked out on the basis of prevalent Schedule of Rates (SOR) which caters to all types of topography and site conditions. The Department's further argument that wide variation in the cost of creating channels during various years was because a major portion of the payment for the works was made during a particular year and the finishing work and concreting portion were paid during subsequent year defied logic as creation of channels was a continuous process and not confined to major works of all channels in one year and finishing and concreting work in the next year.

No norms for restoration and maintenance expenditure and non-levy of water cess

4.1.30 Similarly, there were no norms for allocating funds for operation and maintenance of minor irrigation works. Seen from a macro angle, the

expenditure incurred on restoration and maintenance per hectare of existing irrigation potential also varied widely from year to year as shown below:

Table-4.8

Year	Expenditure on restoration and maintenance* (Rs. in lakh)	Total irrigation potential created at the start of the year** (hectares)	Expenditure on maintenance per hectare (Rs.)
1996-97	93.20	26,273	354.74
1997-98	83.69	27,383	305.63
1998-99	57.59	28,483	202.19
1999-2000	71.41	28,689	248.91
2000-2001	74.36	28,864	257.62

Source: * Finance and Appropriation Accounts.

** Annual Reports of Irrigation Department.

4.1.31 Against this substantial expenditure incurred on maintenance of assets constructed to spread the irrigation facilities, there was no cost recovery as Sikkim was one of the few states in the country that had not levied any water cess on the farmers benefiting from these assets.

4.1.32 While accepting the fact that there were no norms for allocation of fund under maintenance and restoration, the Department stated that the net maintenance budget had remained static during last five years though potential creation had been increasing over the corresponding period. It further added that the bill for levy of water cess would be placed in the next assembly session.

No impact on agricultural productivity

4.1.33 A cross check of productivity and area under cultivation of agricultural produce revealed that neither the area under cultivation nor the productivity had increased during the period under review as can be seen from the following table:

Table-4.9

Year	Area (in '000 hectares)			Production (in '000 tonnes)			Yield (kgs/ha)		
	Cereals	Pulses	Oil seeds	Cereals	Pulses	Oil seeds	Cereals	Pulses	Oil Seeds
1996-97	72.28	6.71	9.81	101.39	5.99	7.64	1402.87	892.69	778.80
1997-98	71.54	6.71	9.64	99.20	5.95	7.60	1386.51	886.74	788.90
1998-99	71.37	6.70	9.78	86.65	5.59	5.20	1214.16	835.18	531.50
1999-00	71.58	6.71	9.99	97.10	5.95	7.61	1356.59	888.16	761.30
2000-01	70.03	6.03	9.99	98.05	5.16	7.38	1400.00	857.00	739.00

Source - Annual Report of the Agriculture Department, Government of Sikkim.

4.1.34 Thus, there was no impact, either on agricultural productivity or on the area brought under cultivation, of the amount of Rs. 43.60 crore spent during the years 1996-97 to 2000-01 on various programmes of construction of

irrigation channels and adoption of flood control measures. The agricultural production of major crops remained more or less static between 1996-97 and 2000-01 leading to the conclusion that the increase in potential utilisation of 6735 hectares shown to have been achieved by the Department did not transform into increased agricultural production. It also reflected lack of co-ordination between Irrigation and Agriculture Departments.

4.1.35 Conceding the fact that there was no coordination between Agriculture and Irrigation and Flood Control Department, the Department contended that farmers had been using the channels and the productivity had been increasing. The reply was however, not supported by the productivity figures shown in the Annual Reports of Agriculture Department.

Defunct and partially functioning channels

4.1.36 As many as 119 channels constructed at a cost of Rs. 2.26 crore were defunct since 31 March 1993 as detailed below:

Table-4.10

District	Number	Area covered (hectares)	Cost of const. (Rs. in lakh)	Length (in km.)	Year of construction
East	61	2,177	75.00	55	78-99 to 90-91
South	18	997	76.00	35	76-77 to 90-91
West	40	1,234	75.00	48	77-78 to 91-92
TOTAL	119	4,408	226.00	138	

4.1.37 Similarly, 105 channels, which were constructed during 1978-79 to 1991-92 at a cost of Rs. 3.36 crore were only partially functioning since 31 March 1993 as detailed below:

Table-4.11

District	Number	Area covered (hectares)	Cost of const. (Rs. in lakh)	Length (in km.)	Year of construction
East	44	1,917	51.00	45	79-80 to 91-92
North	24	936	90.00	44	83-84 to 90-91
South	09	804	75.00	25	80-81 to 88-89
West	28	125	120.00	47	78-79 to 91-92
TOTAL	105	3,782	336.00	161	

4.1.38 Since there was no constraint of funds for carrying out irrigation works, as evidenced by the savings in each of the five years from 1996-97 to 2000-01, there was no reason for keeping these channels dysfunctional all these years. While on one hand the investment of Rs. 2.26 crore had become unfruitful and Rs.3.36 crore was not yielding value for money, on the other hand the area of 9316 hectares covered under these channels continued to be shown under potential created, which was misleading.

4.1.39 In reply, Department stated that although budgetary provision for restoration of channels was not proportionate to the requirement, it had been trying to restore maximum number of channels as per the availability of fund. Department further stated that census of MI Scheme was in progress and after ascertaining the latest position, effort would be made to restore all such defunct channels in phased manner depending upon the financial resource position. The fact, however, remained that till such time intended benefit from the channels would not be accruing.

Time and cost overrun in execution of works

4.1.40 There were delays ranging from 3 months to 2 years in the execution of four works. Besides depriving the beneficiaries of the intended benefits for this period, the time overrun also caused a cost overrun of Rs. 3.14 lakh as these works were completed at a cost of Rs.57.15 lakh against the estimated cost of Rs.54.01 lakh. Contention of the Department that time and cost overrun was essentially due to landslides and consequent expenditure on protective works is not tenable as the Department could not furnish any documentary evidence to substantiate its contention.

Accelerated Irrigation Benefit Programme (AIBP)

Avoidable interest burden due to delay in commencement

4.1.41 From April 1999 minor surface irrigation projects, both ongoing and new, of special category States including Sikkim were eligible for Central Loan Assistance (CLA) in the ratio of 3:1 (Centre:State). A list of 157 projects (estimated cost Rs. 5.26 crore) was submitted in June 1999 to Government of India for availing CLA. The GOI, AIBP wing communicated the sanction (May 2000) of taking up the 129 minor irrigation projects and allotted Rs. 3.63 crore, with Rs. 2.73 crore as Central share and Rs. 90.30 lakh as State share. Prior to the formal sanction, an advance of Rs. 1.36 crore was released to the State on 31 March 2000. Cabinet approval for execution of the schemes was obtained only in September 2000 and schemes were taken up for implementation in between December 2000 and January 2001 with stipulated date of completion between January 2001 to April 2001.

4.1.42 Thus, the schemes under AIBP, extended to Sikkim in April 1999, could be taken up only at the very end of 2000 and early 2001. The advance of Rs. 1.36 crore received from GOI also remained idle from April 2000 to November 2000 leading to an avoidable interest burden of Rs. 9.92 lakh. Further, against the irrigation potential creation of 1924.85 hectares envisaged under AIBP during the year 2000-01, the achievement was only 957 hectares. Hence, delayed commencement led to non-completion of the projects during the year 2000-01.

4.1.43 While accepting the fact, the Department stated that it was not aware of the scheme guidelines, since the AIBP scheme had been introduced for the first time in the State.

Non-Lapsable Central Pool of Resource

Execution of unapproved and low priority works

4.1.44 In April 1999, the Department forwarded proposals amounting to Rs.33.07 crore on river training works, surface drainage, anti-erosion works, minor irrigation channels etc. to the Planning and Development Department (PDD) of the Government of Sikkim to be financed under the Non-Lapsable Central Pool of Resources. Out of this portfolio of projects, duly prioritised by the Department on the basis of need and urgency, the PDD forwarded (October 1999) 12 projects on flood control, surface drainage, anti-erosion works etc. amounting to Rs. 5.32 crore to the Planning Commission, GOI for approval and release of funds under Non-Lapsable Central Pool. The Planning Commission approved these projects and the first instalment of Rs. 2.50 crore was released by GOI in January 2000. The Cabinet cleared (February 1999) 9 projects proposed by the Department for execution at Rs. 2.66 crore. The second instalment of Rs. 2.50 crore was released (November 2000) by the GOI. Out of the 29 projects proposed by the Department for implementation from these funds, the Cabinet approved (January 2001) 19 projects in toto, deleted 2 projects altogether, reduced the value of 7, and added 7 new works on its own.

4.1.45 Records relating to implementation of works from the 1st instalment revealed that two projects worth Rs. 63.55 lakh executed by the Department were not covered under the list of projects approved by the Planning Commission and hence were beyond the scope of the sanction. Similarly, the Planning Commission had approved only one project out of the 34 cleared by the Cabinet for implementation from the funds received in 2nd instalment. The remaining 33, including the 7 introduced by the Cabinet, with the total estimated cost of Rs. 2.30 crore, were extraneous and in violation of GOI approval. There were no reasons on record for this deviation. Since the Department had already prioritised the works according to need and urgency, taking up of works that were low priority in the Department's own perception was not justifiable. Thus, out of Rs. 5 crore released by the GOI, Rs. 2.94 crore would be spent on projects, which not only did not have GOI's approval but were taken up in preference to more important and pressing works.

4.1.46 The Department stated that while taking up implementation of 2nd instalment relating to the remaining 3 projects (12 minus 9) it was considered more appropriate and in the best interest of users/villagers to execute more number of works than that of restricting the same to remaining three works. Accordingly, Cabinet approval was also obtained for execution of more

number of works with balance fund (Rs.2.50 crore). The Department maintained that projects under implementation were also of equal importance as they formed part of original proposal of 116 projects of Rs.33.07 crore and also stated that GOI have been informed through progress report of execution.

4.1.47 The reply is misleading as the extraneous 35 works valuing Rs. 2.94 crore were not carried out of balance funds but by diverting Rs. 2.23 crore meant for 4 works prioritized according to need and urgency and sanctioned by GOI but not taken up.

Personnel Management

4.1.48 The Department had an existing strength (April 2001) of 119 permanent officers and staff as against the sanctioned strength of 121.

Irregular expenditure on excess Junior Engineers

4.1.49 Against the sanctioned posts of 20 Junior Engineers, there were 24 incumbents since January 1996. Two more Junior Engineers were posted during September 1999 and November 2000. Out of the six excess Junior Engineers, two were on unauthorised absence since September 1999 and November 2000 respectively and were facing disciplinary proceedings. No initiative was taken by the Department, either to regularise the above excess manpower by additional creation of posts or by surrendering them. The expenditure of Rs. 20.34 lakh for the period January 1996 to April 2001 on salaries of the four excess Junior Engineers was, therefore, irregular.

4.1.50 While accepting the fact that there were 4 excess Junior Engineers, the Department stated that the Junior Engineers were deployed on need basis and added that with due regard to audit observation, proposal was being moved to regularise the above post through cadre controlling Department (Roads and Bridges).

Idle expenditure on excess driver

4.1.51 Prior to October 1992, the Jorethang Division had four vehicles, two trucks and two Gypsies. Against these vehicles, there were three drivers. The trucks were disposed off during October 1992. Out of the three drivers, only two were engaged with the two Gypsies and one driver remained idle since October 1992. Instead of suitably deploying him, the Department continued to incur expenditure without any gainful service. During the period October 1992 to October 2001, an amount of Rs. 5.61 lakh was spent on idle pay and allowances.

4.1.52 The Department stated that excess driver was being used as a spare driver and office runner as and when he was free from driving duty. The reply

is not valid as the division had full strength of manpower on roll in the category of driver and Peon.

Irregular appointment of clerks on work charged category

4.1.53 The work charged establishment is employed for the actual execution, as distinct from general supervision of a specific work or specific project. By its very nature and as defined in the Rules in Sikkim Work Charged Manual, this cannot include employees such as Clerks, Draftsmen or subordinate or extra establishment of any kind.

4.1.54 During May 2001, out of the total 90 work charged employees, there were 23 lower division clerks, 4 statistical assistants, 11 drivers, 47 supervisors and 5 peons on work-charged roll. Appointment of clerks and statistical assistants was not only against the provisions of the Manual and hence irregular but also an additional burden on the State exchequer. Calculated on a median basis, the expenditure on pay and allowances of 23 clerks and 4 statistical assistants aggregated approximately Rs. 43.40 lakh between 1996-97 and 2000-01. These persons were never deployed against any particular scheme/work but were deployed in the Department's head office (12 lower division clerks and all 4 statistical assistants) and the remaining attached with various divisions/sub-divisions. Further, the expenditure on their salaries was booked under 'Maintenance'.

4.1.55 Accepting the audit observation, the Department stated that a move was afoot to regularise the services of these employees.

Irregular appointment of Work Charged employee despite ban

4.1.56 The Department appointed (October 2000) 8 clerks on work-charged basis despite a Government ban which entailed an expenditure of around Rs. 2.47 lakh on their salaries up to March 2001.

Appointment of Muster Roll in contravention of Government order

4.1.57 A circular issued by the Home Department in August 1995 forbade fresh appointment on muster roll at any level. However, the Department appointed 38 employees on muster roll during the period October 1995 to September 1999 in violation of these instructions. Even after reiteration of these instructions by the Government in October 1999, the Department continued to appoint persons on muster roll and 15 fresh appointments were made during the period October 1999 to March 2001. These appointments on muster roll were not only in violation of Government orders but also resulted in extra outgo of approximately Rs.15.95 lakh during the period 1999-2000 and 2000-2001. While accepting the audit observation, the Department assured that no fresh appointment under muster roll would be made in future.

Inventory Control

4.1.58 There were two stores, each headed by an Assistant Engineer, located at Tadong (East) and Jorethang (South) for catering to the need of North-East Division and South-West Division respectively. The Department operates a suspense account with a provision of Rs. 60 lakh as detailed below:

Table-4.12

Year	Budget Provision	Expenditure	Saving	Percentage Saving
1996-97	60.00	60.00	Nil	Nil
1997-98	60.00	31.10	28.90	48.16
1998-99	60.00	0.58	59.42	99.00
1999-2000	60.00	31.17	28.83	48.05
2000-2001	60.00	65.21	-	-

Source: Finance and Appropriation Accounts.

Huge savings in stock suspense

4.1.59 There were savings during the year 1997-98 to 2000-01 ranging from 48 per cent to 99 per cent. It was also seen that huge amounts were incurred towards procurement of stores from the scheme head during the year 1999-2000 and 2000-01. However, the Department did not maintain details of such procurement, year-wise and scheme-wise. Only quantitative accounts of various materials procured through schemes were maintained. Procurement of stock material directly debiting the scheme was injudicious particularly in view of the fact that the budget provisions in stock suspense were not utilised in full in any of the years.

Abnormally high closing balance of stock materials

4.1.60 The overall position of Store materials (Cement, GI wire, HDPE Pipe and Hume Pipe) was as under:

Table-4.13

Year	Opening Balance	Receipt	Total	Issue	Closing Balance
<i>(Rupees in lakh)</i>					
1996-97	49.68	84.47	134.15	90.94	43.21
1997-98	43.21	314.56	357.77	285.51	72.26
1998-99	72.26	116.68	188.94	170.19	18.75
1999-00	18.75	159.19	177.94	54.23	123.71
2000-01	123.71	459.59	584.10	472.31	110.99

4.1.61 It would be seen that the closing balance of materials was abnormally on the higher side (16 to 78 per cent of receipt and 11 to 228 per cent of issue during the respective years).

4.1.62 The Department stated that the closing balances were high because the materials were purchased at the very end of the year and the corresponding issue of the materials were reflected during subsequent year. The reply was not tenable as the phenomena was evident in all the years under review.

Monitoring and Evaluation

No evaluation of Irrigation schemes

4.1.63 Implementation of the schemes was monitored by the field engineers as well as by Superintending Engineer and Chief Engineer. However, none of the schemes were ever evaluated and thus the impact of the various schemes implemented by the Department remained unascertained. The Department, in reply, informed that in compliance to audit observation, a Delhi based consultancy firm had been engaged for evaluating the impact of the schemes undertaken by the Department.

RURAL DEVELOPMENT DEPARTMENT AND PUBLIC HEALTH ENGINEERING DEPARTMENT

4.2 Drinking Water Supply Programme

Highlights

To ensure provision of drinking water to the entire population, ARWSP and AUWSP were launched in the State during 1977-78 and 2000-2001 respectively. The implementation of the programmes was characterised by a piece-meal approach bereft of perspective planning. No exercise was conducted to ascertain the extent of uncovered population and to identify sources of water supply in the State. The per capita cost of implementation of schemes was abnormally high. There was little consolidation of existing works and the issue of quality of water was left unattended as bacteriologically contaminated water was being supplied. Rainwater harvesting works and installation of solar photovoltaic pumps did not succeed resulting in infructuous expenditure. The reporting mechanism lacked authenticity and there were internal inconsistencies in the figures reported by the implementing department.

The Department had not worked out any mechanism to identify the problem habitations. The schemes were thus taken up on a piecemeal basis.

(Paragraph 4.2.10)

No survey had ever been conducted till February 2001 to identify the sources and assess their condition in so far as sustainability was concerned.

(Paragraph 4.2.15)

Against the norm of Rs. 1600, the per capita expenditure in the State ranged from Rs. 6839 to Rs.15326.

(Paragraph 4.2.26)

After 1996-97, neither was any water sample tested nor any remedial measures taken on the finding of bacteriological contamination of water.

(Paragraph 4.2.36)

There was a shortfall in expenditure on operation and maintenance ranging from Rs. 15.31 lakh to Rs. 1.94 crore during the period from 1997-98 to 2000-2001 resulting in inadequate maintenance of assets.

(Paragraphs 4.2.38 and 4.2.39)

Due to shortcomings in maintenance of assets register, the Department had no reliable records to indicate the present condition of the schemes (functional/defunct) already taken up over a period of 24 years since 1977-78.

(Paragraph 4.2.41)

Due to taking up of unrealistic and unviable scheme for implementation, the Department could not utilise Rs. 6.08 crore for more than 1 year.

(Paragraphs 4.2.45 and 4.2.46)

There was an unfruitful expenditure of Rs.1.63 crore on 4-rain water harvesting projects.

(Paragraph 4.2.49)

Implementation of solar photovoltaic pumping system resulted in an infructuous expenditure of Rs. 21.51 lakh owing to its non-viability.

(Paragraph 4.2.51)

Out of a sample of 146, 45 schools were not provided with drinking water facilities.

(Paragraph 4.2.54)

Rs. 95.00 lakh received from GOI during March 1998 towards MIS was transferred (March 2000) to the STCS to avoid lapse of budget but till date no computer had been purchased by the Department.

(Paragraph 4.2.56 to 4.2.59)

An amount of Rs. 15.69 crore paid as advance to STCS during October 1997 to March 2001 was shown as final expenditure despite the fact that these advances were not adjusted pending reconciliation with the STCS.

(Paragraph 4.2.66)

Despite the receipt of fund to the tune of Rs. 28.92 lakh from GOI during March 2000 for implementation of AUWSP, the programme could be implemented only from January 2001 due to non-availability of provision under State budget.

(Paragraph 4.2.70)

The per capita cost under AUWSP was Rs. 2981 against the permissible limit of Rs.1000 envisaged in the guidelines.

(Paragraph 4.2.71)

Introduction

4.2.1 Provision of adequate and safe drinking water is an index of socio economic development of a country. For providing adequate and safe drinking water, the Government of India (GOI) introduced Accelerated Rural Water Supply Programme (ARWSP) in 1972-73 to assist the States and Union Territories with 100 per cent grants-in-aid to implement the schemes in the villages with problem in water supply. With the introduction of Minimum Needs Programme (MNP) in 1974-75, GOI withdrew the programme and reintroduced it in 1977-78 when the progress of supply of safe drinking water to the identified problem villages under the MNP was found unsatisfactory. The Government of Sikkim was implementing the programme in the State since its reintroduction at National level in 1977-78. To ensure maximum inflow of scientific and technical inputs into the rural water supply sector and to deal with the quality problems of drinking water, the GOI introduced National Drinking Water Mission (NDWM) introduced in 1986 which was renamed Rajiv Gandhi National Drinking Water Mission (RGNDWM) in 1991 and continued till 1998-99. The Mission was revamped and included ARWSP, Sub-Missions, Human Resource Development, Research and Development, Information, Education and Communication and Sector Reform Programme w.e.f. April 1999. The scheme aimed at providing safe and adequate drinking water facilities to the rural population. The primary objectives of ARWSP were as under:

- i) To ensure coverage of all rural habitations specially to reach the unreached with access to safe drinking water.
- ii) To ensure sustainability of the systems and sources.
- iii) To preserve quality of water by institutionalising water quality monitoring and surveillance through a catchment area approach.

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

- i) To cover no safe source (NSS) habitation. Among them priority was to be given to those areas inhabited exclusively by SC/ST or having larger SC/ST population.
- ii) Coverage of quality affected habitation with acute toxicity first and then others later.
- iii) Upgradation of source level of safe source habitation getting less than 40 liters per capita per day (lpcd) to 40 lpcd.
- iv) Coverage of schools and anganwadis where safe drinking water sources could not be provided under the allocation from the 10th Finance Commission.

4.2.3 The centrally sponsored (50:50) Accelerated Urban Water Supply Programme (AUWSP) for towns with a population of less than 20000 (as per 1991 census) was launched at the national level in the year 1993-94 with the following objectives:

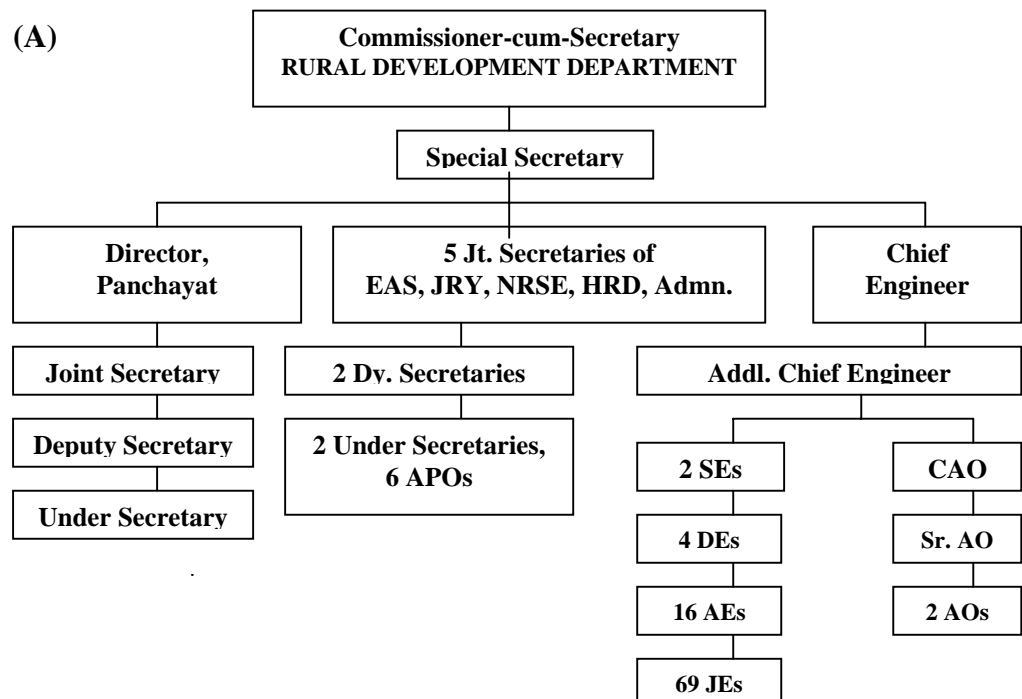
- i) To provide safe and adequate water supply facilities to the entire population of the towns having less than 20,000 population.
- ii) To improve the environment and quality of life.
- iii) To better socio-economic conditions and enhance productivity to sustain the economy of the country.

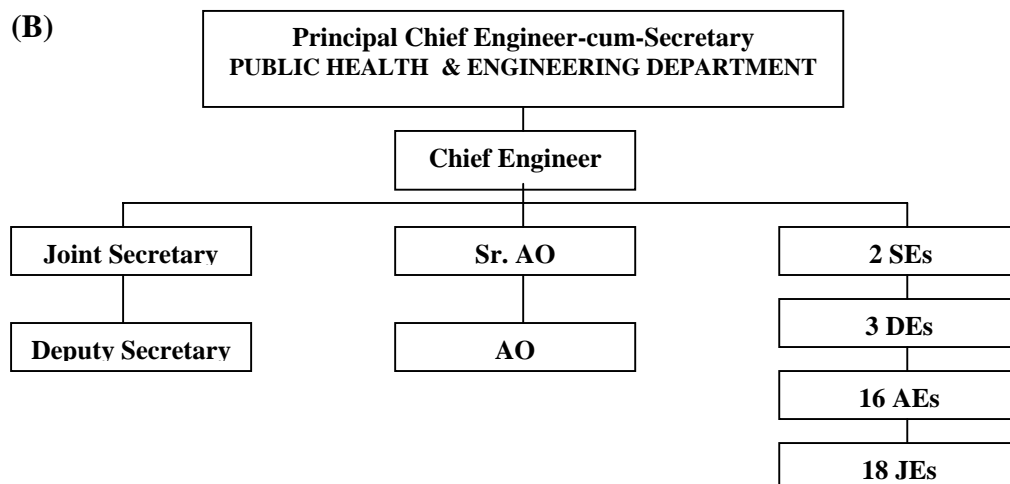
The State Government did not implement the AUWSP till 1999-2000.

Organisational Set-up

4.2.4 The organisational set up in Rural Development Department (RDD) for implementation of the ARWSP and the Public Health Engineering Department (PHED) for implementing the AUWSP were as under:

Chart-4.3





Financial Arrangement

4.2.5 The central assistance was allocated to the States under the ARWSP on the basis of matching provision/expenditure by the State under the State sector MNP. Release under the programme was not to exceed the provision for Rural Water Supply made by the State Governments under the MNP. The yearwise provisions and expenditure under the ARWSP and MNP in Sikkim were as under:

Table-4.14

(Rupees in lakh)

Sl. No.	Year	ARWSP		MNP	
		Provision	Expenditure	Provision	Expenditure
1.	Upto 1996-97	4685.30	4934.90	4817.90	4916.80
2.	1997-98	409.60	408.82	956.80	955.21
3.	1998-99	699.30	715.30	860.60	857.65
4.	1999-2000	1381.71	1374.34	834.40	831.82
5.	2000-2001	720.00	715.02	427.00	466.90
	TOTAL	7895.91	8148.38	7896.70	8028.38

Source: Appropriation Accounts.

Note: The expenditure up to 1996-97 was as reported to the GOI by the Department for the period 1985-86 to 1996-97.

Scope of Audit

4.2.6 The review on ARWSP covering the period 1997-98 to 2000-2001 was conducted in the RDD from the records maintained in the Head Office, 2 Circle Offices in Gangtok and Jorethang and 4 Divisional Offices in the districts. Approximately 30 per cent of the overall expenditure under ARWSP was covered under the review.

4.2.7 The review on AUWSP covering the year 2000-2001 was conducted in the PHED from the records maintained in the Head Office and Divisional Office. Fifty per cent of the expenditure (including advances) under AUWSP was covered under the review.

4.2.8 Both the above programmes were reviewed during the period February – April 2001.

Accelerated Rural Water Supply Programme

Planning

Annual Action Plan (AAP)

4.2.9 The main objective of the AAP was to provide a definite direction to the programme. The States were to prepare AAPs six months before the commencement of the financial year on the basis of a shelf of schemes. Priority was to be given to complete the incomplete works.

Identification of habitations awaiting coverage and inventorisation of sources of water supply had not been done

4.2.10 The Department had not prepared any comprehensive plan for the State. It had not carried out any survey for identifying the Not Covered (NC), Partially Covered (PC) and Fully Covered (FC)* habitations for which appropriate schemes were to be taken up for implementation. The status of existing NC, PC, FC habitations, identified during 1992-93, had also not been updated periodically and execution of works for conversion of PC to FC continued without ascertaining the current status of already converted FC habitations. No exercise was done till February 2001 to identify existing sources of water supply with the intention of dove-tailing the source to the target habitation, much less for determining their sustainability. In the absence of these basic requirements, the question of preparation of a shelf of projects for execution after due prioritisation did not arise. The implementation of the programme depended upon the representations submitted by the villagers out of which works were selected for execution on a piecemeal basis. Since the last two years (1999-2001), schemes were being selected on the basis of resolutions passed in the Gram Sabhas.

4.2.11 The Department stated (September 2001) that the status of NC, PC and FC habitations was being updated for completion by December 2001.

* FC, PC and NC habitation in hill areas were those where the availability of potable water within 100 metre was more than 40 lpcd, between 10 to 40 lpcd and less than 10 lpcd respectively.

Issue of sustainability of sources remained unaddressed

4.2.12 As envisaged in earlier guidelines of Government of India, ARWSP was to be discontinued by the end of 8th Plan period (1996-97). However, the implementation continued during 9th Plan period (1997-2002) because of the following reasons:

- i) Sources going dry and defunct due to deforestation with consequent reduced recharge and lack of protection.
- ii) Heavy emphasis on new construction and poor attention to maintenance.
- iii) Non- involvement of people in operation and maintenance.
- iv) Neglect of traditional water management system.

4.2.13 To address the above issues, sustainability of water source was to be given the highest priority besides taking care of maintenance and people's participation in the process. In case of the former, the available sources were to be identified and condition/status of sources ascertained for taking remedial measures. 20 per cent of ARWSP fund was to be earmarked and utilised for addressing the issues relating to quality of water and sustainability of sources.

Lack of data on water sources and absence of measures for ensuring their sustainability

4.2.14 Though the water supply schemes were taken up as early as in 1977-78, no survey had ever been conducted till February 2001 to identify the sources and assess their condition to determine their sustainability. There was no evidence to suggest that the Department had adopted any measures for ensuring the sustainability of the water sources. Hence, it could not be ascertained as to how many sources went dry during the course of time due to deforestation and lack of protection.

4.2.15 The RDD started its first assessment only in February 2001 and identified a total of 1414 water sources (critical: 150 nos., semi-critical: 739 nos. and normal: 525 nos.) in the State. Standard estimates of Rs.0.50 lakh and Rs. 0.30 lakh were also prepared (April 2001) for improvement of the critical and semi-critical water sources respectively. The sanction of these standard estimates and action thereagainst was still under consideration of the Department.

Though funds were received from GOI, work for augmenting traditional water sources was not taken up

4.2.16 It was further seen that out of Rs. 1.26 crore recommended by the 11th Finance Commission and sanctioned by Government of India for release in 4 annual instalments of 40 per cent in 2000-2001, 20 per cent in 2001-2002, 20 per cent in 2002-2003 and 20 per cent 2003-2004 for augmentation of

traditional water sources, Rs. 50.40 lakh was received by the State Government during 2000-2001. The total grant was to be utilised within a period of 5 years w.e.f. 2000-2001 and a provision of Rs.50 lakh was also provided in the budget of 2000-01 for augmentation of traditional water sources in the State. However, no work for improvement of traditional water sources was taken up by the RDD.

4.2.17 Thus, the area that was to be given the highest priority remained neglected.

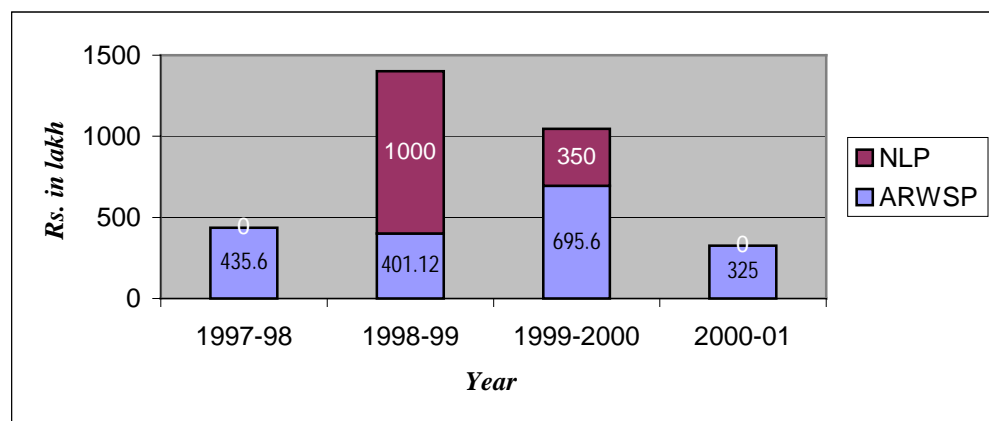
Sources and application of fund

4.2.18 The provisions under ARWSP during 1998-99, 1999-2000 and 2000-2001, as detailed in paragraph 3.4.5, included Rs. 3.14 crore, Rs.6.86 crore and Rs. 3.50 crore respectively towards assistance from Non-Lapsable Central Pool (NLP) of Resources for North East and Sikkim. However, the provision during 2000-2001 excluded Rs. 6.08 crore released by the GOI (30 March 2000) and received by the State (April 2000) for Sector Reform Programme (SRP). No expenditure out of Rs.6.08 crore received for SRP was incurred by the State Government.

Unrealistic budgeting

4.2.19 In Sikkim, the central assistance was received by the Finance Department, credited to the Government Account (MH-1601) and allocated to the Rural Development Department (RDD) through Budget Provision. The position of funds received from the GOI year-wise was as under:

Chart-4.4



Source: Sanction/Release Orders from the GOI.

Note: Against the sanction of Rs.650.00 lakh during 2000-01, only Rs.325.20 lakh was received from the GOI during May 2000.

4.2.20 As compared with the table at para 3.4.5, it would be seen that there were huge variations between the receipts from GOI and the budget allocation

during the respective years. Thus, the budget estimate was unrealistic with reference to the actual receipt from the GOI under the programme.

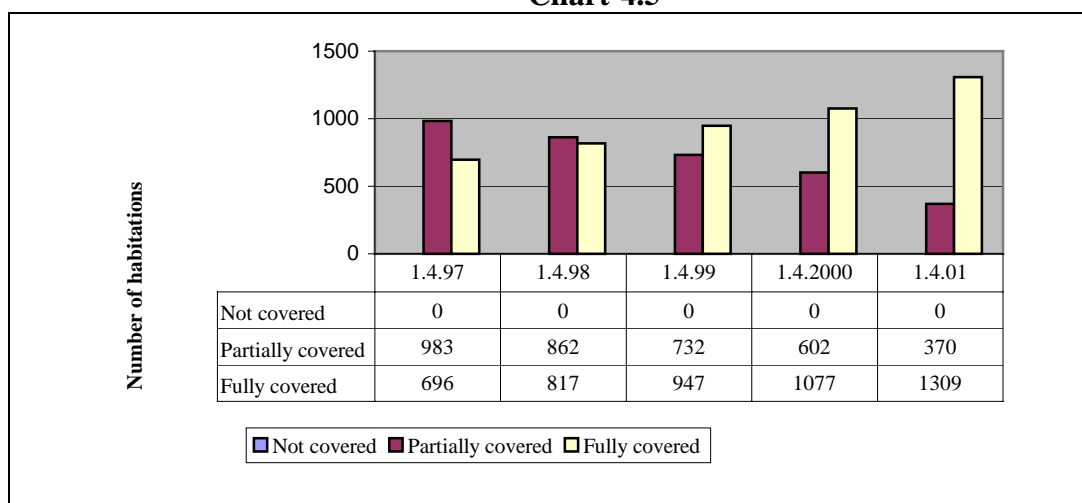
Releases at the very end of the years

4.2.21 While the datewise release and receipt of the central assistance by the Finance Department could not be ascertained in the RDD, the details of sanction from the GOI as furnished by the RDD revealed that out of 4 instalments during 1997-98, 2 instalments aggregating Rs.2.50 crore (57 per cent) were sanctioned in February 1998. Out of 4 instalments during 1998-99, 3 instalments aggregating Rs.2.48 crore (62 per cent) were sanctioned in November-December 1998. Out of 3 instalments during 1999-2000, 2 instalments aggregating Rs.4.65 crore (67 per cent) were sanctioned in December 1999-January 2000. Further, all the sanctions under NLP through 2 instalments during 1998-99 and one instalment during 1999-2000 were given in January-February 1999 and March 2000 respectively. This indicated that the sanctions for releases by the GOI were made mostly at the very end of the years.

Implementation

4.2.22 The State Government had identified a total of 1679 problem habitations in 1992-1993 for the purposes of providing drinking water supply. The year-wise position of NC, PC and FC habitations in the State since April 1997 was as under:

Chart-4.5



Source: Information furnished by the Department.

4.2.23 As at the end of the 8th Plan (1996-97), out of 3.70 lakh rural population (1991 census), 3.06 lakh (83 per cent) had been covered leaving the balance of 0.64 lakh (17 per cent) population to be covered under the rural

water supply programme. The subsequent year-wise targets/achievements, coverage of population etc. were as under:

Table-4.15

Year	Conversion of PC to FC (habitations)		Population covered	Expenditure (ARWSP+MNP) (Rupees in lakh)	Per capita expenditure (In Rupees)
	Target	Achievement			
Up to 1996-97	227	207	3.06	9851.70	3218
1997-98	126	121	0.09	1364.03	15326
1998-99	130	130	0.23	1572.95	6839
1999-00	130	130	0.24	2206.16	9078
2000-01	230	232	0.18	1419.02	8155
TOTAL		820	3.80	16413.86	4319

Note: The coverage of population upto 1996-97 was as reported to GOI by the Department for the period 1985-86 to 1996-97 and other information were as furnished by the Department. The target for 2000-01 included 100 habitations to be covered under the sources from NLP.

Unreliable reporting structure led to inconsistent reporting to GOI

4.2.24 From the above, it would be seen that as at the end of 2000-01, the Department had already covered the entire targeted rural population of 3.70 lakh (1991 census). Since individual water supply schemes are designed to cater to the needs of the projected population for the next 20 years, there is no necessity for further continuance of the programme in the State based on this data. Interestingly, while the figures of population covered reported by the State Government to GOI showed that the entire rural population had been provided with drinking water, 370 habitations were still shown as not fully covered. Further, the total achievement in respect of coverage of habitations (820 nos.) did not match with the FC habitations (1309) as on 01 April 2001. Also, there were huge variations between the population/habitation covered and expenditure incurred thereto. These inconsistencies could not be explained to Audit. This, coupled with the fact that there was no updation of data on coverage of habitations and Audit did come across cases of NC habitations, lead to the logical conclusion that the reporting structure was unreliable and the reporting lacked authenticity.

4.2.25 The Department stated (September 2001) that the entire mechanism of reporting was being reviewed.

Information to Cabinet that per capita expenditure was within norms was misleading

4.2.26 It was further seen that while obtaining approval from the Cabinet for implementation of the programme in the State, the per capita expenditure was wrongly stated to be within Rs. 1600 as per ARWSP norms. However, the actual per capita expenditure worked out to Rs. 6839 to Rs. 15326 during the period covered under Audit. While the per capita expenditure was abnormally high, the information furnished to the Cabinet for obtaining approval for implementation was not correct.

4.2.27 The departmental reply (September 2001) that the norms of Rs.1600 was based on an All India average and the water supply schemes in the hills were costly to build and difficult to maintain was not relevant in the context of incorrect information furnished to the Cabinet for obtaining approval.

4.2.28 The physical and financial progress of the works sanctioned/executed and audit observations thereagainst was as under:

a) *South-West Circle covering South and West District/Divisions*

Table-4.16

Year	OB	Works sanctioned	Works completed	Expenditure (Rs. in lakh)	Works in progress	Expenditure on works-in-progress (Rs. in lakh)
1997-98	42	01	01	1.42	42	15.15
1998-99	42	142	10	49.39	174	119.52
1999-00	174	33	25	72.84	182	281.01
2000-01	182	Nil	37	121.02	145	176.00

b) *North-East Circle covering North and East Districts/Divisions*

Inadequate control over implementation of works due to poor maintenance of works records

The North-East Circle did not maintain Works Registers in the proper form as prescribed under paragraph 255 of SPWD Code. The registers maintained were incomplete, without any information on commencement and completion of work, estimated cost, tendered cost, date and amount of payments etc. In the absence of such information, it was not possible to ascertain the number of works taken up for execution, payments made and works remaining incomplete at any point of time. However, from the cash books maintained in the circle office and list of works sanctioned, the expenditure incurred during 1997-98 to 2000-2001 as worked out by Audit was as under:

Table-4.17

Year	Total works sanctioned	Works completed*	Works in progress *	Expenditure (Rs in lakh)
1997-98	Nil	26	35	87.05
1998-99	190	24	26	61.89
1999-2000	22	55	34	106.27
2000-2001	72	82	14	164.05

* *In compiling the above information, Audit reckoned "works completed" as those for which final payments had been made and "works in progress" as those for which running account bills were paid during the years.*

4.2.29 In the absence of vital information in the Works Registers, there was no way the Circle could have been in a position to ascertain the delay in

execution or the expenditure incurred on any work and accordingly monitor the implementation and progress of ARWSP in its jurisdiction.

4.2.30 The Department Stated (September 2001) that it had now taken special care for the up-to-date maintenance of such registers and specific instructions had been issued to the concerned staff in this regard.

Defective execution of works

4.2.31 Out of the 563 works in operation during the period covered under review, 131 works were taken up for test check in audit and the findings are mentioned below:

i) In 9 works, after the sanction and award of the works, even the first running account bill was not received. There was nothing on record to suggest as to whether these works were at all executed or not.

The Department's reply (September 2001) that all the works had been completed but payments were either made subsequently or were yet to be made was not acceptable as scrutiny of concerned individual files by Audit in the South-West circle did not show any indication regarding extension of time, date of completion, processing/sanction of bills for payment in the concerned file.

ii) In 101 works, there was delay in completion of works ranging from more than 1 month to more than 3 years. The reason for delay was attributed to non-availability of materials in the stores. However, in 7 cases no reason for delay was on record.

iii) There was no information on targetted population in 107 works and water discharge in 121 works due to which it could not be ascertained whether these water supply schemes were catering to the minimum requirement of 40 lpcd. In one work (Lower Mazigaon), the scheme was designed only for 27 lpcd which established the fact that the scheme was not changing the status of the PC habitation. In 4 works, the technical report contained the information on population without specifying it as 'present' or 'designed'. Information on designed population and water discharge was available in the technical reports of only 3 works.

iv) It was further seen that except the works undertaken by the Gyalshing sub-division, no other sub-division was working out the requirement of diameter of the pipes to be used in the water supply schemes. Further, in the absence of information on population to be covered and discharge level of water, such calculation was not possible. Therefore, the purchase and utilisation of pipes of various diameters in the 128 works was without any basis. In all the cases there was no mention about the sustainability of water sources, potability of available water and requirement of chlorinators etc.

v) Although the Department was reporting to the GOI that there was no NC habitation in the State, the habitation of 56 people in Rogay Tinkharkey (South District) fell under the NC Category as the availability of water was at a distance of 500 metre. Further, the habitation at Peagong Sherathang (North District) with a population of 728 also fell under the NC category as the availability of water was below 10 lpcd.

In the absence of details in the technical reports as mentioned above, it was not possible to classify the habitations into NC, PC or FC. The Department has, however, shown 370 PC habitations and 1309 FC habitation as on 01 April 2001, the veracity of which is not corroborated by the details shown in the technical reports.

Quality of Water

Non-availability of water testing facilities

4.2.32 Twenty per cent of ARWSP funds were to be earmarked and utilised for ensuring the quality of water to be provided to the rural population and to maintain sustainability of water sources. For this purpose, water quality testing facilities were to be established. The State Government proposed (September 1997) to GOI for setting up laboratories in each district at a total estimated cost of Rs. 41 lakh. The GOI sanctioned and released (December 1997) first instalment of Rs 2 lakh for setting up one district laboratory in South District within 1997-98. However, till date (April 2001) the laboratory had not been set up and the amount of Rs. 2.00 lakh received from the GOI was released (March 2000) to the State Trading Corporation of Sikkim (STCS) as advance for purchase of water testing equipment and chemicals.

4.2.33 The Department reported that the establishment of laboratory at Namchi had since been completed and would be functional during 2001-02. The fact, however, remained that the establishment of the laboratory was delayed by four years.

4.2.34 A mobile laboratory van received from the GOI (July 1991) went off road in November 1995 and thereafter neither was it repaired nor any test conducted through it. Although during December 1998 an amount of Rs. 0.44 lakh was paid to the Chandmari Workshop and Automobile Limited (a State Government Company) for repair of the van, the same had not been repaired till date (April 2001).

Failure in providing safe drinking water

4.2.35 One stationary water testing laboratory was established in the State (February 1989) under the Mines and Geology Department (MGD). This laboratory tested a total of 254 water samples during 1992-93 to 1996-97 throughout all the districts in the State. The samples tested were found to be bacteriologically contaminated. During the same period, the National Environmental Engineering Research Institute, Nagpur, and Industrial Toxicology Research Centre, Lucknow also carried out water analysis in the State and found that out of 112 samples checked, 90 per cent were bacteriologically contaminated. As a remedial measure to the findings of water test and analysis, it was suggested by the MGD that the water should be supplied to the public only after chlorination, the water quality should be monitored regularly with at least one sample from each source analysed every month, and each sub-division should be provided with at least one water testing kit.

4.2.36 However, after 1996-97 neither any water sample was tested nor any remedial measure on the finding of bacteriological contamination in the water taken by the Department. There was no provision for chlorinator/bleaching power etc. in any of the estimates prepared for execution of individual water supply schemes. The Department, therefore, could not ensure the potability of the water being supplied through all the water supply schemes undertaken by it. There was an outbreak of cholera in the West District during April to August 1998 involving 300 cases (including 7 deaths) of gastroenteritis. During this period, there were also positive cases of cholera in the East District as observed by the Principal Director of Health Services (PDHS). The PDHS also suggested interalia to the Department for chlorination in the affected areas and proper health awareness. The observation and suggestion of PDHS remained unaddressed.

4.2.37 The objective of providing safe drinking water to the rural population in the State therefore remained unfulfilled. In a way this signified a complete failure of the schemes undertaken by the State with the objective of providing *safe* drinking water to its rural populace.

Operation and Maintenance

Inadequate maintenance and improper record keeping

4.2.38 According to the guidelines, 10 per cent (15 per cent from April 1999) of the provision under the programme was to be earmarked and utilised for operation and maintenance (OM) of assets created. The year-wise provision under ARWSP and expenditure under OM was as under:

Table –4.18

(Rupees in lakh)

Year	Provision		Expenditure (OM)		
	ARWSP	OM	As per norm	Actual	Shortfall
1997-98	409.60	26.00	40.96	25.65	15.31
1998-99	699.30	10.00	69.93	9.35	60.58
1999-00	1381.71	20.00	207.26	13.27	193.99
2000-01	720.00	25.00	108.00	24.88	83.12
TOTAL	3210.61	81.00	426.15	73.15	353.00

Note: The provision of 1999-2000 and 2000-01 included Rs.1000.00 and Rs.350.00 lakh under NLP.

4.2.39 While on one hand only 17 per cent of what was required to be spent on operation and maintenance as per norms was actually spent during the four years reviewed, on the other hand there were a number of instances where estimates for repair and renovation of existing water supply works had not been sanctioned by the Department. In most of these cases, damage to various components had severely eroded the coverage of these schemes. Since the status of existing FC habitations, identified in 1992-93, had never been subsequently updated, the habitations covered by these schemes continued to be shown as FC even though there could have been a case for down-grading them.

4.2.40 The departmental reply (September 2001) that the schemes under NLP started only during 1999-00 and did not require maintenance was not acceptable as the provision/expenditure under OM was also to take care of earlier works.

Inventory of assets created not maintained

4.2.41 According to the guidelines, each village panchayat, block and district was to have a complete inventory of the drinking water sources created under different programmes giving date of commencement, completion, cost of completion, depth in case of spot sources, agency responsible for operation and maintenance and other relevant details. The inventory of assets was also to be available with field functionaries at sub-division, circle level etc. and the overall position was to be available with the Implementing Department in the State. Out of all the 11 sub-divisions test checked in Audit, only one sub-division (Kaluk) could produce its assets register but with incomplete details, that too, only for one year, 2000-01. Some of the sub-divisions stated that since the assets created were handed over to the concerned village panchayats, they had not maintained the asset register. The contention was not correct as in the absence of proper inventory, operation and maintenance of the same could not be ensured.

4.2.42 During discussion of the review with Commissioner-cum-Secretary of RDD, village panchayat wise asset registers were produced to Audit. These registers did not contain the information regarding date of commencement,

completion, cost on completion and the sources from which the cost was met. Information for the last 2/3 years only was partially filled in like name of the scheme, year of sanction and estimated cost. Although it was assured during discussion that henceforth these registers would be maintained properly and field functionaries instructed accordingly, the fact remained that the Department had failed to appreciate the utility of assets register as it had not maintained proper records of the created assets though the schemes were being implemented since 1977-78.

Human Resource Development (HRD), Information, Education and Communication (IEC) and Research and Development (RD)

Non-implementation of programmes

4.2.43 The programmes under HRD, IEC and RD were not implemented in the State though these were envisaged under the scheme with the objective of empowering the local institutions, building capacity among local communities and creating awareness regarding the use of safe drinking water. Similarly, women were not involved at any stage of the rural water supply programme though they were the principal beneficiaries of the scheme.

Sector Reform Programme (SRP)

The SRP was not implemented even though Rs.6.08 crore was received from GOI

4.2.44 The ARWSP interalia aims at institutionalising community participation in the rural water supply sector with a view to gradually replacing the Government oriented and centralised supply programme by a people oriented, decentralised, demand driven and community based rural water supply programme. From 1999-2000, under the SRP, incentive in the form of additional funds was to be given to those States, which would initiate steps for institutionalising community participation in the rural water supply programme. One of the conditions for getting the incentive was that at least 10 per cent capital cost and 100 per cent operation and maintenance cost were to be borne by the beneficiaries.

4.2.45 The State Government identified two pilot districts (South and West) for implementation of SRP. The Detailed Project Reports (DPRs) prepared by the Department were approved (February 2000) and Rs. 22.15 crore was sanctioned by the GOI for the two pilot districts. An amount of Rs. 6.08 crore was released (March 2000) and credited to Government Account (April 2000).

4.2.46 The SRP had not taken off in the State and the Department stated (September 2001) that the implementation of the programme in the State is being reviewed by the State Government and the decision was awaited.

The SRP was inherently biased against rural consumers

4.2.47 An analysis of the costs revealed that the programme was inherently biased against the rural consumers in Sikkim. At the average per capita capital cost of Rs. 9850 for new rural water supply schemes during the last 4 years in Sikkim, the total annual financial burden on a single rural consumer on operation and maintenance cost alone worked out to Rs. 985 (10 per cent of the capital cost as per norm) for a single stand post feeding about 250 persons. Compared to this, the subsidised tariff for urban water supply in the State was only Rs. 252* per year for the entire household.

Sub-Mission Projects

Improper implementation

4.2.48 Sub-Mission Projects (SMPs), undertaken by the States to address water quality problems like Fluorosis, Arsenic, Brackishness, Excess Iron etc. and to ensure source sustainability through rain water harvesting, artificial recharge etc. were funded in the ratio of 75:25 (Central:State) except in the year 1998-99 when it was in the ratio of 50:50. While no separate fund was to be available for implementation of this component, upto 20 per cent of ARWSP funds were to be earmarked and utilised for new projects designed to address water quality and sustainability issues.

4.2.49 On the proposal of the State Government (August 1994), the GOI sanctioned (November 1994) Rs. 1.54 crore for execution of 4 Rain Water Harvesting projects in the State for completion within December 1995. The sanction included Rs. 61.72 lakh towards water supply programme under these 4 projects intended for a design population of 20,331 spread over 18 villages. Out of the central share of Rs.1.16 crore, only Rs. 77.15 lakh was released by the GOI (February 1995). The execution of these projects was plagued by the following shortcomings:

Time and cost over-runs

i) Against the strict stipulation for completion within December 1995, the projects were completed after delays of 1 year 11 months, 2 years 3 months, 3 years 4 months and 4 years 5 months mainly due to non-availability of materials to be supplied by the Department.

The departmental reply that most of these schemes were located in remote and inaccessible areas where transportation of material took longer period than

* 3 taps @ Rs.21/- per month for 12 months

earlier estimated was not tenable as the date scheduled for completion was after taking into account the remoteness and inaccessibility of the areas.

ii) No cost escalation was admissible under any circumstances. However, there was total cost escalation of Rs. 37.30 lakh due to increase in cost of materials and execution of additional works not covered under the sanction accorded by the GOI.

The departmental reply that cost escalation was inevitable as the works included brake lining and laying of agro-film was indicative of defective estimation.

Target villages under two projects undertaken with water supply work already had separate water supply schemes

iii) Although all the 4 projects were to be completed with water supply works, only the projects at Tamley and Yangyang were undertaken with water supply work. However, there was nothing on record to indicate successful completion of these 2 projects with water supply facilities. On the other hand, all the 9 villages for which these projects were intended had separate water supply schemes provided by the Department. Therefore, the very purpose for which these two projects were undertaken at a total expenditure of Rs. 60.39 lakh was *ab initio* invalid.

Water harvesting lakes constructed under other two projects remained dry

iv) The other two projects at Aritar and Nagi Maneydara were completed without the water supply work. The project at Nagi Maneydara needed an additional sanction of Rs. 18.90 lakh during February 1999 for construction of water supply scheme. Since the lake constructed was dry and its future utility was doubtful, the scheme for water supply was not sanctioned. The lake constructed at Aritar also remained dry during November to June every year and hence a proposal to link it with an additional water source was moved. An estimate for Rs. 68.79 lakh was prepared (August 1996) for this supplementary work. This proposal for feeding the lake with additional rainwater from the other source was not sanctioned leaving this lake dry and defunct. Therefore, the total expenditure of Rs. 1.03 crore for these two projects yielded no benefits.

The departmental reply that these projects were not completely successful due to depletion of rainfall in these areas was indicative of defective survey and planning before taking up of the projects.

v) The condition of sanction for the 4 projects was that these Rain Water Harvesting Projects were the only alternative for rural water supply in the project areas. However, all the projects were intended for conversion of PC

habitations to FC habitations which established the fact that these were not the only sources of water supply.

The contention of the Department that these projects were sanctioned to augment the existing water supply for the target population was contrary to what was contained in the relevant sanction orders.

Hydrological and geophysical survey not done

vi) As required under the condition of sanction, expert opinion/recommendation of Central Ground Water Board (CGWB) on hydrological and geophysical conditions was to be obtained for ensuring the suitability of the rainwater harvesting structure. This was not done.

Non-furnishing of Utilisation Certificate blocked further release of funds from GOI

vii) Against the actual expenditure of Rs. 1.63 crore in the 4 projects, the Department reported the expenditure as Rs. 1.16 crore to the GOI. However, till date (April 2000) the utilisation certificate against the receipt from the GOI had not been furnished by the Department as a result of which the GOI did not release the balance amount of its share after the initial release of Rs. 77.15 lakh in February 1995.

4.2.50 Although 20 per cent of the ARWSP fund was to be expended for new projects designed to address water quality and sustainability issues, no expenditure other than the expenditure relating to the 4 projects mentioned above had been incurred in the State for tackling these issues.

Solar Photovoltaic Pumping System

Solar photovoltaic pumps were installed even though the initial survey had pointed to their unviability

4.2.51 Due to non-availability of electricity, motor pumps, prohibitive cost of transportation of conventional system and equipments, five Solar Photovoltaic (SPV) pumps were supplied to the State Government by GOI for tapping solar energy and converting it into electricity for lifting water from greater depths. The dates of issue and receipt of the equipment were not on record. Only 3 out of these 5 pumps were installed at Namthang (1991-92), Phalidara phase I (1994-95) and Phalidara phase II (period of completion not on record) at a total expenditure of Rs. 21.51 lakh which excluded the cost of pumps provided by the GOI. All these 3 schemes were declared unviable during January 1992 because of the low discharge of 14 litres per minute supplied by the solar pumping system which was not sufficient to lift the ground water to the

required head for distribution to the beneficiaries. It was however noticed that the initial survey for preparing the estimates of these schemes itself indicated the discharge as 9.03 to 14.13 litres per minute. Therefore, these schemes were not viable from the very beginning and execution of these projects resulted in an infructuous expenditure of Rs. 21.51 lakh.

4.2.52 The departmental reply that these schemes were not found economically viable in the hills due to huge maintenance cost of pumps, reduction in the availability of ground water and remoteness of the areas was not acceptable as these factors should have been taken into account before incurring expenditure.

Provision of Drinking Water in Rural Schools

Failure to provide drinking water in schemes

4.2.53 According to the guidelines of ARWSP, drinking water facilities were to be provided to all the rural schools by the end of the 9th Plan (2001-2002). A part of the fund required for this purpose was to be met from the 10th Finance Commission allocations and the balance amount from rural water supply programme. The Department was required to fix target for coverage of rural schools on an yearly basis and this activity was required to be carried out in coordination with Departments of Social Welfare and Education.

4.2.54 While consultation with these Departments was never made in this context, details of rural schools with/without drinking water facilities were also not available with the Department and neither were targets ever fixed for coverage of such schools. However, during 1997-98 to 2000-2001, 7 schools under MNP and 1 school under ARWSP were covered under the programme. In a review carried out by Audit in May 2000, out of a sample of 146, 45 schools (31 per cent) did not have drinking water facility.

4.2.55 The Department stated that priorities for coverage of rural schools were being done at the initial project formulation stage at the field levels. As Education Department had its own programme, to avoid duplication, targets for coverage of schools were made in due consultation with Education Department. While no other documentary evidence in support of the Department's contention could be produced to Audit, the letter from RDD to Education Department produced as evidence of consultation was issued on 22 August 2001.

Management Information System (MIS)

Non-implementation of IT based MIS

4.2.56 For affective planning, monitoring and implementation of various schemes under different programmes, IT based MIS was to be provided. The funding pattern of the component was as under:

Table-4.19

Sl. No.	Items	Central share	State share
1.	Computer hardware and application software	80%	20%
2.	Training	100%	-
3.	Development of MIS software	100%	-
4.	Consumable and recurring	-	100%

4.2.57 The Ministry of Rural Areas and Employment (MRAE), GOI sanctioned and released (March 1998) Rs. 95.00 lakh under MIS component as central share towards purchase of computers hardware application software training and development of MIS software. The amount was credited to the Government account (May 1998). The hardware was to be purchased during 1997-98 from the vendors shortlisted by the Ministry. However, due to non-allocation of provision in the State budget during 1997-98 and 1998-99, non-finalisation of requirement of hardware by the State with reference to the specification intimated by the Ministry, non-release of State's share under the component, neither this component had been implemented in the State nor the funds received from GOI refunded.

4.2.58 The entire amount of Rs. 95.00 lakh was transferred to STCS (31 March 2000) for avoiding lapse of budget sanction and till date (April 2001) no computers were supplied by STCS. In the meantime, an additional amount of Rs.4.78 lakh was received from the GOI (March 2001) towards procurement of automation package for the computerisation project. The amount was credited to the Government account (March 2001) but no expenditure had yet been incurred towards implementation of MIS in the State.

4.2.59 The Department replied (September 2001) that the programme was delayed due to some administrative matter between NIC and the Department. The matter has since been sorted out and necessary orders placed with the manufacturers through STCS.

Monitoring and Investigation Unit (MIU)

Non-availability of specialist staff

4.2.60 GOI was providing assistance to States to establish and continue special investigation divisions to carry out investigations, planning and

feasibility study of the schemes. The MIU at the State headquarter was to be responsible for collecting information from the executing agencies through prescribed reports and returns, maintenance of data and timely submission of reports/returns to GOI, besides monitoring the execution of works in the field level. The MIU was to have hydrologists, geophysicist, computer specialist, data entry operators etc. The expenditure under this component was to be shared between Centre and State on 50: 50 basis.

4.2.61 An amount of Rs. 19.38 lakh was received from the GOI during 1997-98 to 2000-2001 against which an expenditure of Rs. 20.34 lakh was incurred during the same period towards salaries of AE, JE, Steno to CE, Draughtsman, LDC, Peon (one each). No hydrologist, geophysicist, computer specialist etc., was appointed for effective implementation of the programme. Further, although the programme was 50 per cent CSS, the budget of the State exhibited it as 100 per cent CSS and almost the entire expenditure under this component was met from the receipts from GOI.

4.2.62 The Department replied (September 2001) that due to smallness of the State and the Department, it was not felt necessary to maintain separate Investigation Cell. The Planning and Design Cell of the Department also performs as a Monitoring Cell. However, the Department will seek the permission of the GOI to utilise the existing manpower.

Purchase and Issue of Materials

Improper material management and payment of advances at the end of the years

4.2.63 In all the 131 works (executed in 4 districts/divisions) test checked in Audit, there were delays ranging from 1 month to more than 3 years in completion of works that were attributed to non-availability of materials at stores. The reason for delay on the ground of non-availability of materials was not tenable as the Department procured material worth Rs. 23.04 crore (72 per cent of the total expenditure under ARWSP) during the 4 years under review as detailed below:

Table-4.20

(Rupees in lakh)

Year	Cost of material purchased for ARWSP	Total expenditure on ARWSP	Percentage of expenditure on material purchase
1997-98	388.11	408.82	95
1998-99	553.64	715.30	77
1999-00	1106.84	1374.34	81
2000-01	255.29	715.02	36
TOTAL	2303.88	3213.48	72

Expenditure on material purchased was far above the norm

4.2.64 Considering the average material component in water supply works at 60 per cent, the expenditure on material as a percentage of total expenditure during the first 3 years as above, was abnormally on the higher side. Therefore, the reason attributed for the delay was not convincing.

4.2.65 The Department replied that it did not purchase additional material for increase in the scope of works and at times it was also compelled to issue materials for emergent works not contemplated earlier leading to a situation where materials were not available for the works for which materials were purchased. However, the Department has stopped the practice of issuing materials to works for which purchase had not been made.

Huge amounts advanced to STCS were pending reconciliation

4.2.66 An amount of Rs.15.69 crore was paid to STCS as advance during October 1997 to March 2001 for purchase of cement, steel, GI pipes, fittings etc. Out of this amount, Rs. 3.49 crore was paid on 31 March 1999, Rs. 3.07 crore on 31 March 2000 and Rs. 1.86 crore was paid on 13 and 29 March 2001. Despite the fact that the advances were not adjusted pending reconciliation with STCS, the entire amount was shown as final expenditure by the Department. Payment of advances on the last day/month of any financial year to avoid the lapse of budgetary provision was highly irregular.

4.2.67 The Department replied that at times the funds were received at the very end of the financial years. The Department will do away with this practice if the funds are received in time.

Accelerated Urban Water Supply Programme

Implementation

Delay in implementation after receipt of funds from GOI

4.2.68 The provision and expenditure under AUWSP (implemented during 2000-2001 only) was as under:

Table-4.21

(Rupees in lakh)

Year	Provision	Expenditure
2000-2001	57.84	57.84

4.2.69 Under AUWSP, 25 per cent of the funds required for individual scheme were to be released by the GOI on selection of schemes by the State Government and approval of the GOI. Although the GOI launched the

programme during 1993-94 for implementation throughout the country, the State Government proposed (November 1999) for approval of 2 projects at Mangan (North District) and Singtam (East District) to GOI. While the proposal for Mangan was rejected on the ground that the population intended to cover under it was much higher than the population reflected in the Census Book published by the Director of Census, the project for Singtam (Augmentation of Water Supply Programme for Singtam Bazar Area) at an estimated cost of Rs.1.16 crore to cover 3880 beneficiaries in 7 agglomerations was approved in 1999 and Rs. 28.92 lakh was released (March 2000) by the GOI.

4.2.70 Despite the receipt of fund in March 2000, due to non-provision in the budget, the PHED could implement the programme from January 2001 and an expenditure of Rs. 57.84 lakh was incurred till March 2001. It was seen that out of Rs. 57.84 lakh, Rs. 45.89 lakh (79 per cent) was paid to STCS as advance during February– March 2001 for procurement of materials for the project. However, no material was received (March 2001). Therefore, only Rs. 11.95 lakh was expended towards implementation of the programme. Delay in implementation deprived the intended beneficiaries from getting drinking water for 7 years.

Very high per-capita cost

4.2.71 The per capita cost of the project worked out to Rs. 2981 (Rs.1.16 crore for 3880 beneficiaries), which was second highest amongst the 25 States implementing the programme. This was against the normal permissible limit of Rs. 1000 as envisaged in the guidelines. The cost recovery of these services was also very low as the tariff for supply of urban water was fixed at Rs. 21 (for first 3 taps with additional charge of Rs. 1.50 per each extra tap) which worked out to only Rs. 252 per year for a full household.

4.2.72 The Department replied (July 2001) that the perennial source of water for the project was at a far distance from the town. The cost of pipes and fittings enhanced the per capita cost. It was further stated that the tariff for urban water supply was being increased for full recovery of cost at a shorter time.

Evaluation

4.2.73 Evaluation of the impact of the programme was essential to judge its success or failure and for taking remedial action to eliminate shortcomings/ weakness in the implementation. Since the AUWSP was being implemented since January 2001, it was not required to be evaluated as yet. However, despite the implementation of ARWSP over 24 years the success or otherwise of the programme was never evaluated by any agency/authority till date (October 2001).

CHAPTER-IV
WORKS EXPENDITURE
SECTION – B
(AUDIT PARAS)

BUILDING AND HOUSING DEPARTMENT

4.3 Avoidable expenditure due to incorrect adoption of rates

Adoption of incorrect rates in the estimate resulted in an avoidable expenditure of Rs. 13.50 lakh.

4.3.1 The work for construction of a guest house at Bodh Gaya, Bihar was awarded (March 1997) to a contractor at 8 per cent below the estimated cost of Rs. 2.38 crore which was subsequently revised to Rs.2.86 crore due to addition and change in the scope of some items of work. The estimate had been prepared by the Divisional Engineer (Project) on the basis of Schedule of Rates (SOR) 1994 except for the item of ‘sand filling’. As against the Schedule rate of Rs. 207 per cubic metre (cu.m) of sand filling (including carriage charge of Rs.115 per cu.m), the estimate included this item at the rate of Rs.300 per cu.m. There were no reasons on record for this deviation.

4.3.2 The total quantity of ‘sand filling’ executed was 15775.08 cu. m. for which the contractor was paid Rs.43.54 lakh (June 1999) instead of Rs.30.04 lakh which would have been payable had the correct rate been applied. This resulted in an avoidable expenditure of Rs.13.50 lakh $\{(300-207) \times 92\% \times 15775.08\}$.

4.3.3 The Departmental reply (May 2001) that the additional element of Rs.93 per cu.m. was allowed for hiring of machinery, extra labour, water charges, extra tools and plants, miscellaneous overheads and contractor’s profit was not acceptable as these elements were already included in the rates fixed for the purpose.

4.4 Non-recovery of Sales Tax

Non-recovery of Sales Tax from contractors’ bills resulted in undue benefit of Rs.11.40 lakh to the contractors.

4.4.1 Estimates for civil works are prepared on the basis of Schedule of Rates (SOR) approved by the Government of Sikkim. Each item of work in

the SOR includes sales tax in respect of departmentally issued materials like cement, steel etc. This is charged at 6 per cent of the issue price of the concerned material and forms a part of the estimate irrespective of whether the material is issued from the departmental stores or procured on his own by the contractor. As such, this amount is to be deducted from the bills of the contractor when materials like cement, steel etc. are issued departmentally. Sales tax is also to be recovered in cases of self-procurement of stock materials where the contractor has not paid it at the time of original purchase.

4.4.2 A test check of all the ten major works exceeding the value of Rs.10 lakh executed by the East, West and South Divisions revealed that sales tax in respect of self-procurement of materials was not recovered in any of the cases (December 2000). In all these cases of self-procurement of materials, for which payments were made during March 1999 to August 2000, sales tax amounting to Rs. 11.40 lakh had not been recovered even though the tax had not been paid at the time of initial procurement. This amount was also not paid subsequently as these contractors had never been assessed for sales tax.

4.4.3 The Department's contention (August 2001) that it had been insisting on production of original cash memos from all contractors involved in self procurement of materials and sales tax had been collected from the dealers supplying stock materials as they had already issued cash memos to the buyers (contractor) was not tenable as sales tax had not been deducted in any of the above cases and the Department also did not insist upon "Sales Tax Clearance Certificate" from the sales tax authorities before making final payment. This was particularly relevant as no contractor had ever been assessed for Sales Tax in the State and the above cases indicated a systems defect in ensuring collection of Sales Tax from them.

POWER DEPARTMENT

4.5 Avoidable loss due to non-repair of hydel power generation units

Lackadaisical approach of the Department towards the repair of defective power generation units resulted in the shut-down of a hydel power plant for 44 months till date with consequential loss of energy and payment of idle salaries of Rs.41.64 lakh and Rs.32.70 lakh respectively.

4.5.1 Rimbi Microhydel Scheme (Stage-I) with an installed capacity of 600 KW (3X200 KW), served as the main source of back-up power and feeder for the local areas. Two out of its three units went out of operation (February

1997 and October 1997) due to damage to Servometer and heat-exchanger and failure of the bearing housing respectively. The two units were sent (May 1997 and June 1998) to a Faridabad based firm for repairs, which quoted a price of Rs.6.34 lakh for the rectification and replacement of the defective parts. No further action was taken by the Department. As a result of the breakdown of the two units, the third unit also could not be put into operation as the load was more than the generation of a lone unit. Rimbi Microhydel Scheme (Stage-I), therefore, closed down in October 1997.

4.5.2 As of date (May 2001), the two units are still in Faridabad awaiting a decision of the Department regarding their repair. In the meantime, the State continues to lose valuable energy which would have been available had timely action been taken to repair the units. During the 44 months of the plant's downtime so far, the Government has suffered a loss of net potential revenue of Rs.41.64** lakh on the sale of energy. In the absence of any power generation, the staff employed on the project are also being paid idle salaries, the amount of which worked out to Rs.32.70 lakh for the period October 1997 to May 2001.

4.5.3 The matter was referred to the Government/Department (February 2001); no reply was received (October 2001).

4.6 Infructuous expenditure on overhauling of Diesel Generating sets

Department incurred an expenditure of Rs.15.11 lakh on overhauling two Diesel Generating sets, which were immediately replaced by new sets and never put to use thereafter.

4.6.1 Four new Diesel Generating (DG) sets, each of 1 M.W. capacity, were installed (October 1997) and commissioned (January 1998) in Diesel Power House Complex, Gangtok, by replacing the four existing DG sets. Just prior to this replacement, two of the four old DG sets had been overhauled (July 1997) at a total cost of Rs. 15.11 lakh. None of the four old sets were put to use after removal and overhauling.

** $Energy\ loss = Capacity \times hours\ available \times PLF = 600 \times 24 \times 30 \times 44 \times 12.62 / 100$
 $= 2398810\ units$
Gross revenue loss = 2398810 X Rs.2.00 = Rs.47.98 lakh
Cost of repair of the two units = Rs. 6.34 lakh
Net loss = Rs. 47.98 – 6.34 = Rs.41.64 lakh

4.6.2 The Department stated (November 2000) that utilisation of these sets was not advisable, as they required thorough repair which was not economical. Thus, undertaking major overhauling work of two DG sets and immediately thereafter replacing them with new sets rendered the amount of Rs. 15.11 lakh spent on overhauling infructuous.

**POWER DEPARTMENT
AND
RURAL DEVELOPMENT DEPARTMENT**

4.7 Non-recovery of establishment, tools and plant charges

Despite PAC's recommendation to levy the establishment, tools and plant charges and the assurance of the Department, the Department failed to recover the specified charges amounting to Rs.9.42 lakh.

4.7.1 Mention was made in Audit Report 1992-93 regarding non-recovery of establishment, tools and plant charges and pensionary contributions at prescribed rates in cases where works were executed on behalf of other Departments/Governments. The Public Accounts Committee (PAC) in its 27th Report had recommended that the requirement of levying the charges should be kept in view in future. Despite the Power Department's assurance in the 37th Report on Action Taken Report (ATR) that the matter had been noted for future guidance, it executed deposit works on behalf of Doordarshan Kendra (Rs.17.52 lakh) and Defence (Rs.32.42 lakh) for Rs. 49.94 lakh but did not recover the departmental charges as above amounting to Rs. 6.69 lakh. In another case, Rural Development Department (RDD) executed (1998-99) a work at a cost of Rs.19.84 lakh on behalf of the Indo Swiss Project Sikkim, a non-Government body, without realising Rs. 2.73 lakh towards departmental charges. This indicated absence of suitable controls in the Government Departments to ensure recovery of all receivables, from its clients.

4.7.2 While the Power Department accepted (March 2001) the audit observation, the reply of the RDD (May 2001) that augmentation of Water Supply Scheme did not require tools and plants was not relevant as the non-recovery related to construction of bull shed etc. and out of 13.75 per cent charges to be recovered, only 0.75 per cent were related to the cost of tools and plants.

**SIKKIM PUBLIC WORKS DEPARTMENT
(ROADS AND BRIDGES)**

4.8 Infructuous expenditure in executing the work of strengthening of a helipad

Starting the work of extending an Army helipad without waiting for a formal clearance from the Army Headquarters resulted in an infructuous expenditure of Rs. 10.33 lakh.

4.8.1 With a view to boost tourism in the State, the Government of Sikkim decided to construct 7 numbers of helipads in different parts of the State under a special grant recommended by the 10th Finance Commission. One of the proposals under this scheme was to renovate and strengthen the existing earthen helipad at Changu at an estimated cost of Rs.22.71 lakh. This involved construction of an approach road, amenities and security buildings besides increasing the size of the helipad. The matter was taken up by the State administration with the army in the Civil-Army Co-ordination Committee (January 2000) meeting in which an in-principle approval was given by the Army to the use of the helipad for civil flights on a case to case basis on specific clearance by the local Army Headquarters. There was no approval either for the extension of the existing helipad or for the construction of permanent assets there.

4.8.2 Despite this, Roads and Bridges Department took up the work of construction of helipad at Changu departmentally which was stopped by the Army (February 2000). The Army Headquarters at Gangtok again communicated to the State Government (June 2000) that their 'Standard Operating Procedures' (SOP) did not allow any change in the size of the helipad or construction of any permanent assets due to security considerations. The Department still went ahead and awarded the construction work to a contractor (September 2000). This work too was finally stopped by the Army in November 2000. Till the date of closure of the work an amount of Rs.10.33 lakh had been spent which proved to be infructuous.

4.8.3 The matter was reported to the Department and the Government (April 2001); no reply was received (October 2001).

4.9 Blockage of funds in incomplete works

Works that should have been completed between December 1994 and April 1997 remained incomplete till date thereby blocking Rs. 36.47 lakh besides causing a loss of Rs.15.67 lakh on cost of blocked funds to the Government.

4.9.1 The work of construction of Bhaluthang-Chumbung road (km. 3rd and 4th) under West Division, was sanctioned by the Cabinet (October 1994) at an estimated cost of Rs. 12.53 lakh. The work was awarded to a Panchayat nominee (May 1995) for completion by February 1996. The estimate was first revised to Rs.17.64 lakh (August 1997) due to increase in cost of land compensation and a proposal for further revision to Rs. 21.15 lakh was moved (June 1999) on the ground of execution of excess quantities of one item as well as additional items of work. Although an amount of Rs. 16.63 lakh was expended during February 1996 to October 1999, neither was the work completed nor the revised estimate of Rs. 21.15 lakh sanctioned (May 2001).

4.9.2 The construction of 5 km (km 1st to km 5th) long link road from Kongri to Labdong under West Division, was awarded to 3 contractors during March 1994 to June 1996 for completion between December 1994 and April 1997 at a total estimated cost of Rs. 24.31 lakh. An expenditure of Rs. 19.84 lakh was incurred during December 1994 to February 2001 but none of the four stretches of work had been completed (May 2001). The Department attributed (March 2001) the non-completion of work to the original estimate not being realistic due to the classification of soil varying widely and the consequent demand of the contractors for revision of the estimate, and the delay in supply of blasting material to the contractors. It further stated that the revised estimates had been framed and works would be completed if the revised estimates were sanctioned.

4.9.3 Thus, the Department failed to get both the works completed within the stipulated period. The unusual delay resulted in depriving the users of the intended benefits besides blocking Government money to the tune of Rs. 36.47 lakh over a period ranging from more than 4 years to nearly 7 years. This involved a further cost of Rs.15.67 lakh* to the Government on blocked funds.

4.9.4 The matter was reported to the Government/Department (April 2001), no reply was received (October 2001).

* Calculated on the basis of periodical expenditure vis-à-vis the applicable interest rate on market borrowing.

4.10 Undue benefit to contractor and cost overrun

Repeated upward revisions of estimate without sound justification and extension of undue benefit to the contractor took the cost of construction of a 6 km. stretch of road from Rs. 32.70 lakh to Rs.1.16 crore.

4.10.1 The work of extension of Chuba-Parbing Road (Km 3rd to 8th) with an estimated cost of Rs.32.70 lakh was sanctioned by the Chief Minister in April 1995. The work, which commenced in January 1996, was completed in April 1997 at a total cost of Rs.1.16 crore. The execution of work was characterised by the following developments:

(i) The original estimate was prepared on the basis of Schedule of Rates (SOR), 1994 of Roads and Bridges Department. Prior to award of work, this was revised (December 1995) to Rs. 61.35 lakh on the basis of SOR of the Building and Housing Department. This increase of Rs. 28.65 lakh prompted by the adoption of SOR of another department was unwarranted.

(ii) The works, split up into six numbers for each kilometer stretch of the road, were awarded to three contractors, two kilometers each, at rates varying from 14.25 per cent to 15 per cent above the estimated cost. No open public tenders had been floated for these works in order to get the benefit of competitive bidding. None of the three contractors awarded the works was actually entitled to execute these works as all three of them were Class III contractors and the values of these works exceeded their monetary limits. Therefore, they were to be treated as nominees and the works awarded to them at 'Par' SOR rates. The award of works at percentages above SOR resulted in an additional expenditure of Rs. 21.00 lakh.

(iii) After the issue of work order in January 1996, one special class contractor submitted (March 1996) a power of attorney from all the three contractors for execution of works on their behalf, which was approved by the Principal Chief Engineer. Since the work was executed on power of attorney, this contractor should also have been treated as a nominee and work executed at 'Par'.

(iv) The estimate was again revised by incorporating new items of work like construction of culvert and causeway, and land compensation. The approval to this revision, which took the total cost of the work to Rs. 1.16 crore, was accorded post-facto by the Cabinet in October 1997, much after the completion of the work. As per codal provisions, the new items should have been negotiated with the contractor for execution at 'Par' as had been done by the Department in other cases. Thus, the expenditure of Rs. 4.04 lakh due to allowing percentage rate over SOR on new items of work was avoidable.

(v) Bull dozers were used for the work by hiring them from the Department for 140 days. However, payment was made for the work of hill cutting at manual rates instead of applying the mechanical rates. This resulted in excess payment of Rs.28.96 lakh for 2.03 lakh cu.m of hill cutting in mixed soils.

(vi) A total amount of Rs. 13.81 lakh was paid as land compensation by the Department. This included an amount of Rs.10.43 lakh towards cost of existing trees, bamboos etc. These were to be exploited and sold after the acquisition and sale proceeds credited to Government account. This was not done resulting in a loss of Rs. 10.43 lakh to the State exchequer.

4.10.2 To sum up, the repeated and unjustified upward revisions of estimate for the work of extending the Chuba-Parbing road resulted in a steep escalation of Rs. 69.80 lakh (excluding land compensation of Rs. 13.81 lakh) with reference to the original sanction besides bestowing undue benefit to the contractor.

4.10.3 The matter was reported to the Department and Government (April 2000); no reply was received (October 2001).

4.11 Extra expenditure on construction of a road

The work of construction of a road, undertaken departmentally, which should have been carried out on the basis of the Schedule of Rate 1994, was executed at rates which were even higher by Rs.66.30 lakh than the Schedule of Rate 1997.

4.11.1 With a view to provide an alternate route necessitated by frequent land slides on National Highway 31A, the Government approved (November 1997) the widening and carpeting of 14 km. Singtam - Chewribotey road (Rs. 89.51 lakh), construction of 3 km. long Chewribotey - Duga Maneydara road (Rs.56.08 lakh) and improvement and carpeting of 8 km. Duga Maneydara – Rangpo road (Rs. 45.90 lakh) at a total estimated cost of Rs. 1.91 crore. This estimate was prepared on the basis of Schedule of Rate (SOR) 1994, applicable at the time of preparation of estimates. SOR 1994 was revised as SOR 1997 in 1998 and the revision was made effective from December 1998.

4.11.2 The cost of the above work was revised (October 1999) to Rs. 4.80 crore on the plea that the SOR 1994 rates were not workable. After accounting for additional quantities required to be carried out and other sundry payments like crop compensation, cost of compensatory afforestation etc., the rates thus allowed were not only higher by Rs. 1.41 crore from SOR 1994 but also exceeded the SOR 1997 by Rs. 66.30 lakh.

4.11.3 The reason of non-workability of SOR 1994 put forth by the Department was without merit as another work of construction of motorable road from Sombaria to Singtam, approved by the Cabinet on the same day as the above work, was executed contractually to the satisfaction of the Department 'At Par' SOR 1994.

4.11.4 Thus, the Department incurred an extra expenditure of Rs. 66.30 lakh, even with reference to SOR 1997 as the base, which lacked justification.

4.11.5 The matter was reported to the Government and the Department (April 2001); no reply was received (October 2001).

URBAN DEVELOPMENT AND HOUSING DEPARTMENT

4.12 Avoidable expenditure

Failure to assess the requirement at the time of initial acquisition of land and then further purchase without any requirement resulted in an avoidable expenditure of Rs. 40.66 lakh.

4.12.1 Urban Development and Housing Department moved a proposal (August 1997) to purchase 7 acres of land for dumping garbage, adjacent to the existing 3.14 acres of land acquired barely 18 months earlier (February 1996) at the rate of Rs. 10 per sq. ft. for the same purpose. The requirement for additional land was felt as the existing land-fill was found inadequate to accommodate future generation of garbage and also for construction of store and staff quarters. The District Collector assessed (November 1998) the rate of the land proposed for acquisition as Rs. 13.60 per sq. ft. However, the landowner insisted on a price of Rs. 20.00 per sq. ft., which was finally agreed to by the Department and approved by the Cabinet in March 1999. The land was acquired (September 1999) at a total cost of Rs. 63.03 lakh - including 2.5 percent establishment cost and Rs.1030 towards land rent. Had its requirement been properly assessed at the time of initial purchase in February 1996 when the rate was only Rs. 10 per sq. ft., the Government could have avoided extra expenditure of Rs. 31.52 lakh.

4.12.2 Subsequent to this acquisition, the Department acquired (November 1999) another piece of land (44563 sq.ft.) adjoining the land purchased in September 1999, on the request of the landowner at the same rate of Rs. 20 sq. ft. without any requirement. The Department paid Rs. 9.14 lakh for this transaction.

4.12.3 Thus, failure of the Department to accurately assess its requirement of land for dumping garbage at the time of initial purchase and then acquiring further land without any requirement resulted in an avoidable expenditure of Rs. 31.52 lakh and unnecessary payment and locking up of fund to the tune of Rs. 9.14 lakh.

4.12.4 The Departmental reply (June 2001) that necessity for acquiring more land was not felt at the time of initial purchase as the project was limited to dumping of garbage for open yard bio-degradation was not tenable as the Department failed to anticipate its requirement at the initial stage leading to the avoidable expenditure.