

FOLLOW UP OF AUDIT OBSERVATIONS

CHAPTER V FOLLOW UP OF AUDIT OBSERVATIONS

5.1 Follow up action on earlier Audit Reports

Audit observations on financial irregularities and deficiencies in maintenance of initial accounts noticed during local audit and not settled on the spot are communicated to the audited departments and to the higher authorities through Inspection Reports (IRs).

Serious irregularities noticed in audit are included in the Report of the Comptroller and Auditor General of India (Audit Reports) and presented to the State Legislature. According to the instructions issued by the Finance, Revenue and Expenditure Department (FRED), Government of Sikkim, all the concerned administrative departments were required to furnish explanatory notes on the paragraphs/Performance Audits included in the Audit Reports within one month from the date of issue of the Audit Reports.

It was, however, noticed that as of September 2016, in more than 82 *per cent* cases, the concerned administrative departments had not submitted the explanatory notes on the paragraphs/Performance Audits included in the Audit Report pertaining to the year 2011-12. In respect of Audit Report for the year 2012-13, 2013-14 and 2014-15 explanatory notes had not been submitted by concerned departments in 43, 92 and 94 *per cent* cases respectively.

5.2 Response of the departments to the recommendations of the Public Accounts Committee

The FRED issued instructions to all departments to submit Action Taken Notes (ATNs) on various suggestions, observations and recommendations made by Public Accounts Committee (PAC) for their consideration within 15 days of presentation of the PAC Reports to the Legislature. The PAC Reports/recommendations are the principal medium by which the Legislature enforces financial accountability of the Executives to the Legislature and it is appropriate that they elicit timely response from the departments in the form of ATNs.

As of September 2016, ATNs had been received in respect of all 598 recommendations of the PAC, made for the Audit Reports for the years between 1990-91 and 2008-09. However, ATNs were not received for three recommendations in respect of Audit Report 2009-10.

5.3 Follow up audit on PAC recommendations on land degradation in and around Gangtok

The PAC in its 82nd Report made three recommendations to Urban Development and Housing Department (UDHD), Government of Sikkim in connection with the

Performance Audit Report on 'Land degradation in and around Gangtok' featured in the Audit Report for the year 2006-07. A Review on compliance to the PAC recommendations is presented below.

URBAN DEVELOPMENT AND HOUSING DEPARTMENT

5.3.1 Introduction

Performance Audit of 'Land degradation in and around Gangtok' covering the period from 2002-03 to 2006-07 was included in the Comptroller and Auditor Generals (CAG's) Audit Report (Civil) for the year ended 31 March 2007, Government of Sikkim. Based on findings, Audit made six recommendations for implementation. The Report was laid in the State Legislature on March 2008 and the PAC submitted its Report on 30 March 2010 which *inter-alia* contained recommendations on three audit paragraphs (Paragraph Nos. 3.3.9.4, 3.3.9.9 and 3.3.10.1) pertaining to 'Land degradation in and around Gangtok'. Action Taken Report (ATR) was submitted to the PAC by Urban Development and Housing Department. The Report of the PAC was presented in the House on 29 March 2011. The Performance Audit of 'Land degradation in and around Gangtok' covered three Departments (i) UDHD (ii) Forest, Environment and Wild Life Management Department and (iii) Health Care, Human Services and Family Welfare Department. However, Audit recommendations and PAC recommendations were directed towards UDHD only. Hence, follow up audit was undertaken in UDHD only.

The relevant highlights of audit findings were as follows:

- Despite being aware of the factors responsible for land degradation, the State Government did not formulate comprehensive policy encompassing various aspects of prevention and control of land degradation in the State.
- The State Government did not conduct any study to assess the extent of land degradation in urban areas especially in and around Gangtok caused due to unrestrained construction in violation of seismic zonation norms, Sikkim Building (Construction) Regulations and inadequate waste disposal, etc.
- The UDHD failed to enforce the Sikkim Building (Construction) Regulations, 1991 leading to failure in restriction of buildings heights within the permissible limit, non-adherence of Bureau of Indian Standards (BIS) norms relating to disaster resistant features and non-provision of gully between two buildings for facilitating air circulation and reducing the impact of earthquake.
- Management of solid wastes was characterised by inherent defects of partial collection, non-identification of landfill sites and setting up of waste disposal facilities with lesser capacity than the requirement besides delayed commissioning of treatment plant.

5.3.2 Audit objective

The 'Follow up' of Audit was conducted with the objective of assessing whether the UDHD had implemented the Audit and PAC recommendations and adequately addressed the deficiencies pointed out in audit and undertook remedial measures thereon.

5.3.3 Audit criteria

Audit recommendations accepted by the State Government were benchmarked as criteria in the pursuit of 'Follow up' of Audit.

5.3.4 Scope and methodology of Audit

Follow up of Audit Report on Performance Audit on 'Land degradation in and around Gangtok' with focus on recommendations made by Audit and PAC was undertaken in the Office of the UDHD from June to August 2016. Audit made six recommendations whereas PAC made recommendation on three audit paragraphs. ATR was submitted to the PAC.

Audit process included issue of requisition for records, scrutiny of records, analysis of data/information, discussion on subject, issue of observation and finalisation of draft.

5.3.5 Audit findings

5.3.5.1 Audit recommendation

(A) Policy on land degradation

Previous Audit recommendation: The State Government should frame specific policy on land degradation and initiate steps to appoint a focal agency within the Government to monitor and oversee the activities for prevention of land degradation.

Reply to PAC: The Department stated that Forest, Environment and Wildlife Management Department had policies for counteracting land degradation. The UDHD had building byelaws that did not allow construction on areas having scars or sign of landslides. The Mines and Geology Department was the primary agency responsible for assessing the stability of the land for the purpose of construction. The Department issued construction orders after the stability of land was assessed.

Follow up Audit: Till the date of audit (August 2016), the State Government had neither framed specific policy on land degradation nor initiated any steps to appoint a focal agency within the Government to monitor and oversee the activities for prevention of land degradation. The UDHD replied (August 2016) that new building regulation in accordance to the Model Building Bylaws 2016 was under draft stage wherein various issues on land degradation had been addressed.

(B) Master Plan for Gangtok

Previous Audit recommendation: Master Plan for Gangtok town with a perspective of 25 years should be prepared with techno-legal framework for its effective implementation.

Follow up Audit: In October 2009, Surbana International Consultants Pvt. Ltd. led by Building and Construction Authority of Singapore prepared and submitted a master plan for Gangtok. However, details of its implementation were not produced to Audit.

(C) Unauthorised construction

Previous Audit recommendation: Building byelaws may be amended to restrict floor limit in line with seismic zonation norms and ensure its strict enforcement. All unauthorised constructions beyond the norms should be demolished immediately.

Gist of Paragraph considered by PAC: The Act of 1985 (Sec 8) read with Rule 26 of Regulations 1991 authorised the Secretary, UDHD to demolish any construction which contravened the provisions of the Act or the Regulation made there under at the cost of the person concerned, on issue of 15 days' notice. In fact, the Department did not demolish even one such structure in the five years period covered by Audit. Twelve cases (33 per cent) against 36 unauthorised constructions were regularised in accordance with notification dated 15 October 2001. The Department issued (28 June 2007) notification *inter-alia* stating that such vertical unauthorised construction would not be regularised any further and unauthorised construction on Government allotted land would henceforth be liable for demolition.

PAC recommendation: The PAC took a serious view on the matter of land degradation in urban areas including in and around Gangtok caused due to unrestrained construction in violation of seismic zonation norms, Sikkim Building Constructions Regulations and owing to inadequate waste disposal management. The Department should henceforth be more stringent on unauthorised constructions in all urban areas including Gangtok along with its vicinity.

Action Taken Report: The Department in its ATR to PAC stated that 32 unauthorised constructions at various locations at Gangtok (9), Rangpo (22) and Singtam (1) had been demolished.

Follow up Audit: The Department stated that 32 (Gangtok: 9, Rangpo: 22 and Singtam: 1) unauthorised constructions were demolished. The records regarding details of demolition were not produced to Audit. Further, since data was not compiled from individual construction files into a master information, the Department was not in a position to state the total construction vis-à-vis the number of unauthorised construction in the State. Thus, Audit could not ascertain actual number of cases of unauthorised construction existing in the State and its action/response from the Department.

(D) Waste disposal

Previous Audit recommendation:

- Waste hierarchy of 3 R's (Reduce, Reuse and Recycle) should be adopted and waste disposal mechanism be strengthened.

- Result oriented robust awareness drive should be put in place.

Reply to PAC: The Department stated that it had initiated steps by conducting awareness programmes in co-ordination with Non-Government Organisations and Community Development Societies. Steps were being taken to clear the jhoras at regular intervals. Sign boards were being installed restricting dumping of garbage in the jhoras indicating imposing of fines, imprisonment, etc. to anyone found dumping garbage in the jhoras.

Follow up Audit: The UDHD till May 2010 [i.e. prior to handing over of function to Gangtok Municipal Corporation (GMC)] had not initiated any action as committed in its reply to PAC. However, after transfer of sanitation/solid waste management function to GMC, various awareness programme on waste management were conducted as detailed below:

- The ‘Engage 14’ was conducted during January 2014 to inspire school students to change their habits and attitude towards solid waste management and inspire them to engage in the three R’s for better urban sanitation
- ‘An Inter School Solid Waste Management Race’ was conducted on World Environment Day (5 June 2015) with the objective of providing an opportunity for school students to know about the various aspects of solid waste management, and
- ‘Swachh Bharat Mission’ was conducted on 28 August 2016 in collaboration with Indian Army.

The GMC also erected sign boards at various places restricting dumping of garbage in the jhoras and also conducted cleaning drive of the jhoras from time to time. Further, India Today Group declared (October 2015) Gangtok as the cleanest hill station in the country for which Hon’ble Prime Minister presented the ‘Safaigiri Award’ to Gangtok.

However, the State Government had not adopted the waste hierarchy of 3 R’s. The GMC in its reply (August 2016) stated that the distribution of household dustbin along with segregation awareness programme ward-wise was in progress and scientific landfill at Martam was also on the verge of completion. Once these process get completed, the system for minimising of waste 3R’s would be adopted. But it was noticed in Audit that the landfill at Martam had not been completed against the scheduled date for completion of September 2015. With regard to distribution of dustbins (two dustbins for each household one for degradable and another for non-degradable waste), it was noticed in Audit that against the target coverage of 15 municipal wards, only three wards had been covered as of date of Audit (August 2016) that too partially.

(E) Fine for degrader

Previous Audit recommendation: The State should prescribe rules envisaging “degraders must pay”.

Reply to PAC: The Department stated that the recommendation of CAG had been noted and rules envisaging “Degraders must pay” would be incorporated in the existing rules.

Follow up Audit: Though the Department could not produce any Act/Rule on imposition of penalties on the degraders, it was noticed that the GMC had imposed fines (ranging from ₹ 100 to ₹ 6,000) on 20 degraders from February 2013 to February 2016. However, the basis for imposition of the fines could not be produced to Audit.

5.3.5.2 PAC recommendation

(A) Non erection of guard wall (Paragraph 3.3.9.9)

Gist of Paragraph considered by PAC: In a hilly terrain, the hill side of road was to be supported by a guard wall to safeguard against land slide and consequent damage to the road. It was noticed that in and around Gangtok, the hill side of National Highway was not protected by guard walls and eventually led to landslides/slips at many places.

PAC recommendation: After necessary verbal clarifications given by the Chief Engineer, Border Roads Organisation (BRO) and the Principal Chief Engineer-cum-Secretary, Roads and Bridges Department (RBD) on evidence to the PAC, the PAC observed that the UDHD may explore the possibility of constituting a Committee involving the BRO and the RBD with a view to identify the areas to be covered for protective works along the Indira By-Pass and National Highway from Ranipool to Burtuk which would ensure availability of necessary additional funds required for such identified works.

Action Taken Report: The Department in its ATR stated that a letter had been issued to the Secretary, RBD (Designated Authority) in compliance with the observation of the PAC.

Follow-up Audit: Information pertaining to constitution of Committee was not furnished to Audit despite repeated reminders, in absence of which, it may not be incorrect to construe that the Committee to identify the areas to be covered for protective works along Indira By-Pass and National Highway from Ranipool to Burtuk was not constituted at all.

(B) Assessment of waste and risk associated therewith (Paragraph 3.3.10.1)

Gist of Paragraph considered by PAC: Although the State Government had recognised waste as a threat to environment in the 'Land Use and Environment Policy' and also adopted Central Acts for implementation in the State, none of the departments responsible for waste management had initiated any action for assessment of total waste currently being generated in the State. Assessment for future generation of waste had also not been made to facilitate creation of new capacity for management of waste, so that its deleterious effects could be minimised on the environment and health of the public.

Concerned departments and also the Land Use and Environment Board (LUEB) had not initiated (October 2007) any steps to analyse the risks arising out of indiscriminate waste disposal in contamination of soil and water and thereby to the environment and possible health risks. The LUEB while accepting the audit contention stated that they were unable to initiate the requisite steps due to constraint of manpower and financial crunch.

PAC recommendation: Inadequate management and handling of waste was one of the factors causing not only pollution but also land degradation. The PAC reiterated that the waste management must include proper collection, transport, recovery and disposal,

including supervision of such operation and after-care of disposal sites. Municipal solid waste, hazardous wastes and biomedical wastes were the most common waste generated in and around Gangtok. Therefore, the Department should speed up its efforts in co-ordination with LUEB so that the desired mechanism on adequate waste management could be worked out and minimise its deleterious effects on environment and health of the general public.

Action Taken Report: The Sanitation Wing of the UDHD in collaboration with the newly constituted GMC was primarily responsible for the safe collection, transport, treatment and disposal of solid waste in accordance with Municipal Solid Waste Rule, 2000. An integrated approach to solid waste management was under way through a proposed project funded by the Asian Development Bank (ADB). The UDHD had already undertaken discussion with the Hon'ble Mayor and Municipal Councillors to mobilise public awareness on the need for safe disposal of solid waste. Bio-medical waste were disposed off through incineration by the hospitals and medical clinics.

Follow-up Audit: Neither the UDHD nor LUEB had conducted any analysis of risks arising out of indiscriminate waste disposal in contamination of soil and water and thereby to the environment and possible health risks. Integrated approach to solid waste management through funding by ADB included distribution of dustbins, provision of mechanical vehicles for waste collection, composting of bio-degradable waste and construction of landfill at Martam. However, the landfill at Martam commenced in September 2013 and was scheduled to be completed by September 2015 but had not been completed. With regard to distribution of dustbins (two dustbins for each household; one for degradable and another for non-degradable waste), it was noticed in Audit that against the target coverage of 15 municipal wards, only three wards had been covered as of date of Audit (August 2016), that too partially. Moreover, the composting of bio-degradable waste had not been initiated. Only procurement of vehicles, steel bins, household bins, excavator, etc. had been achieved.

5.3.6 Conclusion

The recommendations made in paragraph 3.3.14 of CAG's Audit Report for the year ended 31 March 2007, Government of Sikkim and the recommendations offered by the PAC were partially implemented/complied with.

5.4 Monitoring

The following Committees had been formed at the Government level to monitor the follow up action on Audit related matters:

Departmental Audit and Accounts Committee: Departmental Audit and Accounts Committee (DAAC) had been formed (November 2010) by all departments of the Government under the Chairmanship of the departmental Secretary/Head of Department to monitor the follow up action on Audit related matters. The DAAC's function was to monitor the response and corrective action on findings reported in the IRs issued by the

Accountant General (Audit). It was to hold meetings once in three months and send quarterly action taken report on the issues to the State Audit and Accounts Committee. The information in this regard was not furnished though called for.

State Audit and Accounts Committee: State Audit and Accounts Committee (SAAC) had been formed (June 2010) at the State level under the Chairmanship of the Chief Secretary to monitor the response and corrective action on the findings reported by Audit, to review and oversee the working of DAAC and also to hold meetings once in three months. The information in this regard was not furnished though called for.

After formation of DAAC and SAAC by the State Government, Human Resource Development Department and Animal Husbandry, Livestock and Fisheries Development Department approached the Office of the Accountant General, Audit (AG) to settle outstanding paragraphs and IRs during 2011-12 and 2015-16 respectively. However, during 2013-14 and 2014-15, not a single Department approached to settle outstanding paragraphs and IRs.

5.5 Outstanding Inspection Reports

The AG conducts periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up by issue of IRs incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the Heads of the Offices inspected with copies to the higher authorities for taking prompt corrective action. The Heads of the Offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the AG within one month from the date of the issue of the IRs. Serious irregularities are reported to the Heads of the departments and the Government.

The position of outstanding IRs pertaining to Civil (Expenditure audit including that of Works, Forest and Autonomous Bodies), Revenue (Audit of Revenue departments) and Commercial (Audit of State Public Sector Undertakings) audit as of March 2016 is shown below:

Table 5.1

Year	Civil (including works, Forest and Autonomous Bodies)		Revenue		Commercial	
	No. of IRs	Paragraphs	No. of IRs	Paragraphs	No. of IRs	Paragraphs
Upto 2011-12	614	1,049	72	158	26	51
2012-13	57	182	6	16	6	21
2013-14	114	369	2	9	11	32
2014-15	132	525	13	51	10	64
2015-16	164	829	10	56	10	85
Total	1,081	2,954	103	290	63	253

This large pendency of IRs was indicative of inadequate action by the Heads of offices and departments towards the remedial measures that should have been taken on the irregularities pointed out by Audit through the IRs.

5.6 Departmental Audit Committee Meetings

The position of Audit Committee Meetings for the year 2015-16 are detailed below:

Table 5.2

Sector	No. of meetings	Discussed		Settled	
		IR	Paragraph	IR	Paragraph
Civil (<i>including Works, Forest and Autonomous Bodies</i>)	7	86	329	58	252
Revenue	-	-	-	-	-
Commercial	-	-	-	-	-
Total	7	86	329	58	252

During 2015-16, seven Audit Committee Meetings were held, wherein 86 IRs and 329 paragraphs were discussed out of which 58 IRs and 252 paragraphs were settled.

Gangtok
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