Report of the Comptroller and Auditor General of India

for the year ended 31 March 2011

(Report No. 2)

GOVERNMENT OF SIKKIM

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PREFACE

1. This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

2. The Report deals with the findings of performance reviews and audit of transactions in various departments, audit of autonomous bodies and departmentally run commercial undertakings.

3. The Report also contains the observations arising out of audit of Statutory Corporations, Boards, Government Companies and revenue receipts.

4. The cases mentioned in the Report are among those which came to notice in the course of test-audit of accounts during the year 2010-11 as well as those which had come to notice in earlier years, but could not be dealt with in previous Reports. Matters relating to the period subsequent to 2010-11 have also been included, wherever necessary.

5. Audit observations on matters arising from the examination of Finance Accounts and Appropriation Accounts of the State Government, for the year ended 31 March 2011, are included in a separate Report on State Government Finances.

6. The audits have been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

This Report contains 21 audit paragraphs (including 3 general paragraphs) and 4 Performance Reviews. There is also a separate chapter on Integrated Audit of Urban Development and Housing Department. According to the existing arrangements, copies of the draft audit paragraphs and draft performance reviews were sent to the Secretary of the Department concerned by the Accountant General (Audit) with a request to furnish replies within six weeks. Replies were not received from the departments concerned in respect of 4 paragraphs.

1. Performance Reviews (Civil Departments)

1.1 Elementary Education in Sikkim

The Right to Education was reckoned as a fundamental right by amendment of the Constitution in 2002 which expected the State Governments to provide free and compulsory education to all children between six and fourteen years of age and early childhood care and education to children upto the age of six years.

The State had accorded highest priority to the education sector by providing a considerably high outlay leading to highest per capita expenditure in the country. However, the State Government had neither formulated a state policy on Education nor spelt out any vision statement. While the Perspective Plan was not finalised, Annual Plans were prepared merely for the purpose of availing budgetary grants. The Gross enrolment ratio declined from 118 in 2007 to 115 in 2011 for primary level and Net enrolment ratio from 58 to 36 in case of upper primary level during the same period highlighting the need for encouraging children to join school as per appropriate age. Out of 40 schools visited by Audit 2 schools (Shipgyer PS and Rolu-Manpur PS) were not fit for holding classes, toilets at Jarong PS, Lingzya JHS, and Yalli PS, were unusable. The ceilings and classrooms were worn out at Pathing JHS, Goam JHS, Yalli PS, Jaron PS and Panthang PS. While 112 teachers (out of 324 in the forty schools test checked) did not possess the minimum prescribed educational qualification and were still untrained, irrational deployment of teachers led to concentration of excess teachers in easily accessible areas at the cost of remote areas affecting quality of education in rural areas. While majority of students fell under average and below average category; teachers were graded under C and D category indicating average quality of teaching-learning process in the State. The important Committees (State Advisory Committee and State Quality Education Committee) were not constituted as of November 2011. In the absence of these Committees, expert opinion and suggestions from the Committees could not be obtained and therefore, the important aspects of quality education remained neglected.

(Paragraph 1.1)

1.2 Acquisition and Allotment of Land

The requirement of land for developmental activities in Sikkim increased manifold over the

past few decades due to increase in human population and a paradigm shift of social and economic development from primarily agriculture to industrial and service based sectors.

The Land Revenue and Disaster Management Department had not formulated any policy relating to acquisition and management of Government land till date. There was no perspective plan relating to acquisition of land by Government for developmental activities. Acquisition was done on piece meal basis as and when requisitioned by Government Departments. There was loss of Government revenue of ₹ 82.16 lakh due to short realisation of site salami. Government sustained revenue loss of ₹ 11.42 lakh due to collection of site salami at concessional/pre-revised rate. Erroneous assessment due to simple calculation errors in nine cases resulted in extra expenditure of ₹ 22.14 crore. Government incurred unnecessary and avoidable expenditure of ₹ 3.62 crore towards solatium (incentive payable to unwilling land owners) although land owners were willing to sell their land. Arbitrary enhancement of Government rate of land resulted in undue favour to land owners and consequent extra expenditure of ₹ 1.79 crore on purchase of 22.2694 hectare of land at high rates. Government had not formulated any policy for allotment of land (house sites) till date. The allotment was based on an Act which did not provide any firm criteria for selection of beneficiaries and ceiling for allotment. The allotment was therefore, done arbitrarily. Centralised databank of all the land purchased by the Government so far had not been maintained. It was not clear how much land Government owned as on date.

(Paragraph 1.2)

2. Audit of Transactions (Civil Departments)

Failure of the Department to effectively monitor the execution of a project resulted in the intended benefit of providing potable water not reaching the population of Tashiding for two and half years. Besides, there was a loss of ₹ 76.35 lakh to the Government.

(Paragraph 2.1)

Non-compliance with statutory regulations not only caused an avoidable expenditure of ₹ 21.32 lakh but also resulted in the extension of undue financial benefit to that extent to the breweries/distilleries.

(Paragraph 2.2)

Adoption of rate without proper survey, analysis and investigation resulted in excess expenditure of ₹ 3.74 crore towards establishment of rural connectivity under PMGSY- Phase V.

(Paragraph 2.3)

Injudicious selection of inept contractor, unsuitable site and inexplicable apathy towards execution of the project resulted in price escalation of ₹ 5.20 crore, delay of more than 13

years, infructuous expenditure of ₹ 79.41 lakh, besides frustrating the basic objective of providing electricity to the intended beneficiaries of the locality.

(Paragraph 2.4)

Absence of detailed survey and investigation of the land profile to identify its suitability for construction of jail at Omchung ultimately led to abandoning of structure and infructuous expenditure of ₹ 5.90 crore, besides denying accommodation to the jail inmates of West district.

(Paragraph 2.5)

Expenditure of ₹ 1.06 crore incurred on the work, "Restoration and Re-construction of Water Conductor System of Upper Rongnichu Hydel Project (Nimtar II)" remained infructuous as the Power House could not be re-commissioned till date due to shifting of responsibilities from Energy and Power Department to RMDD and hence, the Department failed to achieve the envisaged objective of harnessing the power potential in Sikkim.

(Paragraph 2.6)

Procurement of HDPE pipes beyond the scope of Calamity Relief Fund led to inadmissible expenditure of ₹ 99.46 lakh besides blocking up of funds of ₹ 24.96 lakh in stock materials intended for immediate relief.

(Paragraph 2.7)

Expenditure of ₹ 80 lakh from CRF on the works of permanent and routine nature led to inadmissible expenditure not covered within the ambit of CRF norms.

(Paragraph 2.8)

3. Integrated Audit of Urban Development and Housing Department

Urban Development and Housing Department (UDHD) is responsible for development and improvement of Bazaars and Municipal areas in Sikkim, control over all building construction, bazaars and stalls along the roads in the State.

The Department had taken some effective steps such as banning of plastic carry bags, door to door collection of garbage, creation of footpath along the NH 31A, construction of multi-storeyed parking, establishment of ULBs, etc. However, there were certain areas of concern requiring remedial action like non-preparation of Annual Action Plan incidental to Master Plan, inadequate budgetary management, irregular permissions for construction of buildings, unabated traffic congestion, absence of basic facilities in shopping complexes/ parking places, absence of quality control in execution of works, non-utilisation and non-maintenance of assets created, inept revenue management, etc. Despite expenditure of ₹ 4.09 crore on maintenance and sanitation of Gangtok town, the maintenance of the town left much to be desired as dilapidated roads, open potholes, throwing of litter in public areas, cluttered

drains could be seem at many places. There was debris lying near children park, Gangtok and the electric wiring in shopping complex at Singtam was in a dilapidated condition. Basic facilities were not available for passengers waiting in taxi/jeep stand at Deorali. Garbage was disposed of in the open area at Martam Plant, Sipchu and Jorethang causing hazard to human beings and animals. The housing complex for sweepers was built at Lingding without approach road and the car parking cum shopping complex at Pakyong was lying idle since August 2005.It was also seen that a private agency was collecting parking fees at rates higher than those fixed by the Department near MG Marg, Gangtok.

(Paragraph 3.1)

4. Revenue Receipts

4.1 Utilisation of Declaration Forms in Inter State trade and Commerce

The Division did not maintain data bank of dealers involved in Inter State trade and commerce. The Division got printed declaration forms long back during 1983 without assessing its requirement taking into account the pace of issue of declaration forms, which could not be fully utilised even after 28 years and the Division did not also maintain the clear position of stock available with them. The Division continued to issue declaration forms to the dealers without ensuring submission of details of utilisation of declaration forms issued earlier and issue register of declaration forms was also not being maintained properly. The Division has not installed a system of verification of each and every declaration form submitted by the dealers with the database available in the TINXSYS website before allowing exemption/concession of tax. The Division has also not installed a system of picking up samples of declaration forms and taking them up for further verification with the concerned States and also a system of uploading the details of utilisation of declaration forms in the TINXSYS website.

The Division did not ensure submission of CST returns by each and every dealer and failed to assess all dealers involved in Inter State trade and commerce as out of 75 dealers, only 14 dealers were assessed during 2007-08 to 2009-10. The assessments of dealers were completed without cross verification of declaration forms submitted and forms were not on record in some cases pointed out by us. Demands raised were not realised for long periods.

4.2 Audit of Transactions (Revenue)

Irregular grant of exemption and non-assessment/non-payment of CST dues of ₹ 6.41 crore : The Government granted exemption of Central Sales Tax under repealed notification to M/s Akshay Ispat Ferro alloys Private Limited and neither assessed the dealer under the CST Act, resulting in unrecovered CST dues of ₹ 6.41 crore.

(Paragraph 4.6.15)

Undue financial benefit: Non-assessment of M/s Sikkim Distilleries Limited (SDL) by Commercial Tax Division provided undue financial benefit to it with consequential non-

realisation of SST/CST of ₹ 46.40 crore over a period of three to 11 years.

(Paragraph 4.6.16)

Non-realisation of Environment Cess : Non-registration of industrial dealers under Environment Cess Act and concealment of sales turnover by other dealers led to non/short realisation of Cess of ₹ 11.43 crore.

(Paragraph 4.6.17)

5. Government Commercial & Trading Activities

5.1 Overview of State Public Sector Undertakings

The Government Companies in Sikkim are registered under the 'Registration of Companies Act, Sikkim 1961'. The Indian Companies Act, 1956 is not extended to the State of Sikkim. The accounts of these Companies are audited by the Statutory Auditors (Chartered Accountants) who are directly appointed by the Board of Directors (BoDs) of the respective companies. Audit of these Companies had also been taken up by the Comptroller and Auditor General of India on the request of the Governor of the State under Section 20(1) / 20(2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. There are three Statutory Corporations in the State, viz. Sikkim Mining Corporation (SMC), State Bank of Sikkim (SBS) and State Trading Corporation of Sikkim (STCS) established under the proclamations of the erstwhile Chogyal (King) of Sikkim. The accounts of these Corporations are also audited by Chartered Accountants, directly appointed by the BoD of the respective Corporations. Audit of these corporations was taken up by CAG under Section 19(3) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 on the request of the State Government.

As on 31 March 2011, the State had 15 PSUs (including four non-working) which employed 881 employees. The State PSUs registered a turnover of ₹ 42.81 crore for 2010-11 as per the latest finalised accounts. This turnover was equal to 0.76 *per cent* of State GDP. The state working PSUs incurred a loss of ₹ 11.40 crore and had accumulated losses of ₹ 56.78 crore as per their latest finalised accounts.

Investment in PSUs

As on 31 March 2011, the investment (capital and long-term loans) in 15 PSUs was ₹ 492.99 crore. It grew by 285.75 *per cent* from ₹ 145.36 crore in 2005-06. The thrust of PSUs investment was mainly in power and finance sectors during the six years 2005-06 to 2010-11. The investment in power sector has grown by 181.50 *per cent* from ₹ 53.41 crore in 2005-06 to ₹ 150.35 crore in 2010-11. The finance sector had also registered increase by 174.26 *per cent* from ₹ 17.33 crore in 2005-06 to ₹ 47.53 crore in 2010-11. The increase shown in infrastructure sector was mainly due to loan of ₹ 210.77 crore given during the year 2009-10 to Sikkim Industrial Development and Investment Corporation Ltd. (SIDICO) to facilitate the development of infrastructure including the acquisition of land and development of area

around the upcoming airport in Sikkim.

Performance of PSUs

During 2010-11, out of 11 working PSUs, seven PSUs incurred a loss of ₹ 13.72 crore whereas four PSUs earned a profit of ₹ 2.32 crore during the year 2010-11. The major profit was earned by SBS and STCS which stood at ₹ 1.30 crore and ₹ 0.62 crore respectively.

The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the State working PSUs incurred losses to the tune of ₹ 3.45 crore. There is tremendous scope to improve the functioning of PSUs and reduce losses. The PSUs can discharge their role efficiently if they are financially self reliant. There is a need for professionalism and accountability in functioning of PSUs.

Arrears in accounts

The 11 working PSUs had arrear of 22 accounts as of September 2011. The arrears are due to delay in compilation / adoption of accounts by the Board of Directors of the respective PSUs. The Government may impress upon the respective PSUs to expedite the process of finalisation of accounts.

5.2 Performance Audit of Power Distribution Utilities

The Energy & Power Department (EPD), as part of power sector reforms, was to be unbundled into various category of companies viz., generation co, transmission co and distribution co. However, unbundling was not carried out in the State of Sikkim, although a separate Corporation was formed during 1998 to look after the generation aspect.

The increase in transformation capacity to 162.90 MVA in 2010-11 could not match the pace of growth in consumer demand (175.73 MVA) which led to overloading of network and consequential rotational cuts in distribution of electricity.

The Rajiv Gandhi Grameen Vidyutikaran Yojna (RGGVY) was belatedly commenced from 2008-09 onwards due to delayed release of funds by Rural Electrification Corporation (REC). Out of 443 villages in the State, till date (October 2011), 386 villages were electrified which constituted 87.13 *per cent*. The GOI also launched the Restructured APDRP (R-APDRP) in July 2008 and sanctioned ₹ 26.30 crore for Part A work of which ₹ 7.89 crore (30 *percent* of the project cost) was released for implementation. There was delay in completion of the scheme and inability to spend the loan received from GOI.

Sub-transmission and distribution losses ranged between 28.89 and 31.68 *per cent* during the last five years due to which EPD sustained a revenue loss of ₹ 90.50 crore. The failure of DTRs ranged between 6.82 *per cent* to 8.85 *per cent* which was in excess of norms due to inadequate steps for preventive maintenance and over-loading.

EPD did not adopt the LT less system by replacing the LT lines with HT lines to minimise the

distribution losses as envisaged by GOI.

The realisation per unit decreased (8.33 *per cent*) from ₹ 1.56 to ₹ 1.43 during review period, the cost per unit decreased (44.34 *per cent*) from ₹ 3.09 to ₹ 1.72 during the corresponding period due to increase in share of free power. The EPD was not able to recover its cost of operations. The decrease in revenue gap has been mainly due to decrease in purchase of power, increased cost of O&M expenses and establishment expenditure and high percentage of AT & C losses.

The EPD has not set up the SERC and fixed the tariff on its own. The assessed sales had increased from 1.72 MUs to 2.50 MUs over a period of five years ending March 2011. However, the free supply was showing decreasing trend with overall reduction in assessed sales to total sales from 21.70 *per cent* in 2006-07 to 9.77 *per cent* in 2010-11 indicating an improvement in the energy billed. Instances of undue favour to consumers to the tune of ₹ 2.22 crore were noticed. The revenue realisation has decreased from 52.49 *per cent* in 2006-07 to 36.70 *per cent* in 2010-11 resulting in outstanding dues to the extent of ₹ 94.85 crore.

5.3 Audit of Transactions (Commercial)

Transaction audit observations included in this Report highlight deficiencies in the management of PSUs which have financial implications. The irregularities pointed out are broadly of the following nature:

Loss of interest income of ₹ 51.78 lakh due to imprudent investment.

(Paragraph 5. 3)

Blocking of funds to the extent of ₹ 35.47 crore due to lack of monitoring and non-recovery of loan.

(Paragraph 5. 4)

Avoidable financial loss of ₹ 2.27 crore due to non-levy of Service Tax.

(Paragraph 5. 5)

CHAPTER – I

PERFORMANCE REVIEWS (CIVIL DEPARTMENTS)

HUMAN RESOURCE DEVELOPMENT DEPARTMENT

1.1 Elementary Education in Sikkim

Elementary Education (Class I–VIII) is the base on which the foundation of secondary and higher education depends. Realising its importance, the State Government accorded high priority to the Sector by incurring highest per capita expenditure in the country for better infrastructural facilities to schools and favourable Pupil Teacher ratio. 'Right of Children to Free and Compulsory Education (RTE) Rules, 2010' was also promulgated (August 2010) by the State Government as a sequel to Right to Education (RTE) Act, 2009, inter-alia covering all important aspects of the Act. The Department did fairly well in organising special training (March 2010) for never enrolled children, introducing Comprehensive and Continuous Evaluation system, prohibiting detention in same classes, expulsion and corporal punishment, constituting State Level Advisory Board and School Management Committees, etc. State however, lacked in policy pronouncements and implementation as the Education Policy was not formulated, vision not spelt out, Perspective Plan not finalised, Annual Plans perfunctorily prepared for availing budgetary grants, etc. While considerable funds were blocked in incomplete school buildings, extra expenditure was incurred on payment of salary of panchayat education assistants not involved with Elementary Education. Shortage of teachers in rural areas, ineffective and partial implementation of innovative steps such as Comprehensive Quality Vision and Framework, State Council of Education Research and Training, State Quality Monitoring Committee, etc. affected the quality of education in the State.

The State Government had neither formulated a state policy on Education nor spelt out any vision statement. While the Perspective Plan was not finalised, Annual Plans were prepared merely for the purpose of availing budgetary grants.

(Paragraph 1.1.8.1 to 1.1.8.4)

The State had accorded highest priority to the education sector by providing a considerably high outlay leading to highest per capita expenditure in the country.

(Paragraph 1.1.9.1 and 1.1.9.2)

Financial management of Sarva Shiksha Abhiyan revealed short release of ₹ 54.27 crore, delayed release of ₹ 16. 93 crore and irregular expenditure of ₹ 3.45 crore.

(Paragraph 1.1.9.3 to 1.1.9.6)

A declining trend in Gross enrolment ratio (GER) and Net enrolment ratio (NER) was noticed in case of primary and upper primary level respectively during 2007-11 despite incurring highest per capita expenditure. The GER declined from 118 in 2007 to 115 in 2011 for primary level and NER from 58 to 36 in case of upper primary level during the same period highlighting the need for encouraging children to join school as per appropriate age.

(Paragraph1.1.10.1 and 1.1.10.2)

While the drop-out rate rose by 1.75 percentage point from 4.73 to 6.48, children belonging to out-of-school (2,130) and Children with Special Needs (298) were not brought to school as of March 2011 despite State's promise of 100 *per cent* retention in school by 2010.

(Paragraph1.1.10.4 to 1.1.10.6)

While 112 teachers (out of 324 in the forty schools test checked) did not possess the minimum prescribed educational qualification and were still untrained, irrational deployment of teachers led to concentration of excess teachers in easily accessible areas at the cost of remote areas affecting quality of education in rural areas.

(Paragraph 1.1.11.2)

The performance of students were far from satisfactory as only 40 to 50 *per cent* children of class V could do simple division and could read standard II text; 30 to 40 *per cent* of class III students could do subtraction and could read standard I text. While majority of students fell under average and below average category; teachers were graded under C and D category indicating average quality of teaching-learning process in the State.

(Paragraph 1.1.11.2 & 1.1.11.5)

Absence of strict supervision and monitoring by Department led to incomplete school buildings beyond stipulated date of completion and blocking of Government funds of ₹ 5.12 crore.

(Paragraph 1.1.12.1)

Implementation of Mid Day Meal Scheme was characterised by short lifting of 2,179 MT of foodgrain costing ₹ 1.23 crore and excess depiction of cooking cost by ₹ 4.94 crore .

(Paragraph 1.1.12.10)

The important Committees (State Advisory Committee and State Quality Education Committee) were not constituted as of November 2011. In the absence of these Committees, expert opinion and suggestions from the Committees could not be obtained and therefore, the important aspects of quality education remained neglected.

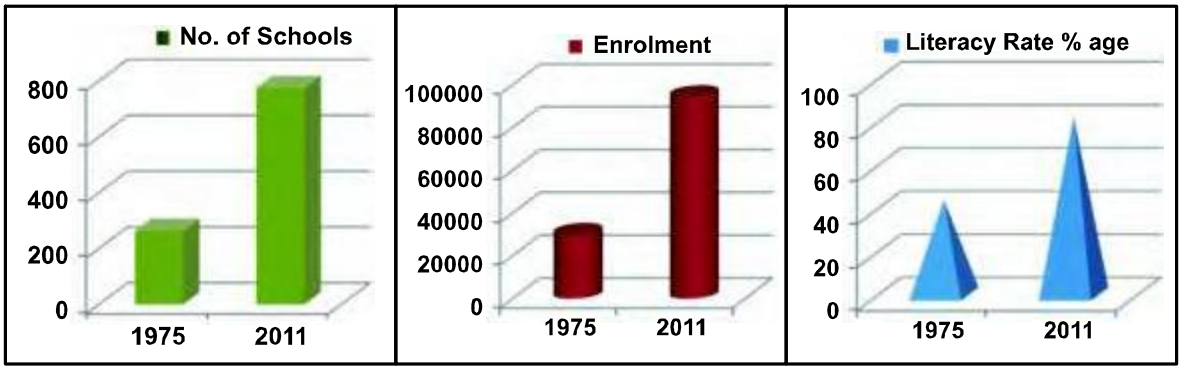
(Paragraph 1.1.13)

1.1.1 Introduction

The Constitution of India provides for imparting of education to all its citizens through the State and Central Government. While the Central Government is broadly responsible for the planning, co-ordination and providing guidance in respect of educational activities in the country[1]; State Governments are responsible for its effective implementation. The National Policy of Education, 1986 (updated in 1992), envisaged improvement and expansion of education, elimination of disparities in access and laying greater access on improvement in the quality and relevance of education at all levels. The Right to Education was reckoned as a fundamental right by Amendment (86th) of the Constitution in 2002. The Amendment expected the State Governments to provide free and compulsory education to all children between six and fourteen years old (Article 2.1) and early childhood care and education to children upto the age of six years (Article 45). The movement for education for all (EFA) received a major fillip through the enactment (August 2009) of the Right of Children to Free and Compulsory Education Act, 2009.

Elementary Education (class I to VIII) occupied an important place and was a thrust sector in Sikkim reckoned by the fact that in 2011, 1/5th of the population (one lakh students and 6,500 teachers) were involved with the teaching - learning process in Sikkim and that a sizeable amount of financial inputs (₹ 400 crore) was given by Government of Sikkim, which not only constituted more than 10 *per cent* of the total budget and 7.29 *per cent* of the GSDP but was the highest per capita expenditure on education in the country. The importance attached to the sector resulted in considerable progress in the spread of education in Sikkim since merger (1975) to Indian Union in terms of growth of educational institutions - both Government and private, enrolment, girls' participation, etc. Educational Institutions grew from 264 in 1975 to 778 in 2011, literacy ratio from 43.67 (1975) to 82.20 (2011) enrolment from 0.30 lakh (1975) to 0.94 lakh (2011) as shown in the graphs below:

Chart – 1.1.1



Source : Departmental records

The major schemes under Elementary Education included Sarva Shiksha Abhiyan (SSA) and Mid-day-Meal scheme (MDM), both funded by GOI to the extent of 90 *per cent*. The SSA was

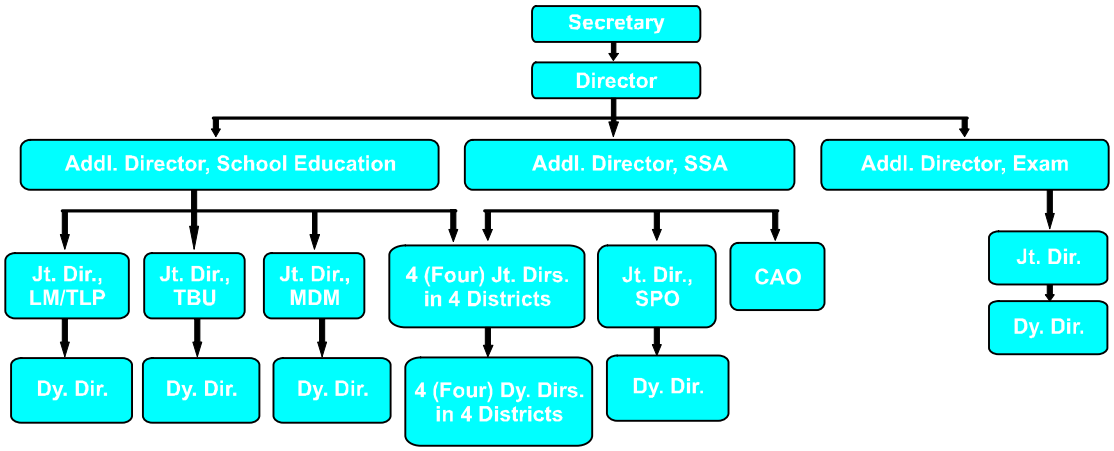
[1] *As per Article 246 of Indian Constitution, Entries 63 to 66 in list 1 (Central List) and Entry in list III (Concurrent List).*

implemented in the State to provide universal elementary education, access, retention, bridging gender and social gaps and to enhance the learning levels of the children. Similarly, MDM was implemented with the aim of improving the nutritional status of elementary school children and to encourage poor and disadvantaged sections of children to attend schools more regularly.

1.1.2 Organisational set-up

The overall responsibility for effective implementation of EE in the State rests with the Secretary, Human Resource Development Department (HRDD). He is assisted by Director (1), Addl. Directors (3), Joint Directors (5) in the Head Office and four Joint Directors in the District offices besides a host of officers and staff as shown in the chart below:

Chart – 1.1.2



1.1.3 Scope of Audit

The Performance Audit on Elementary Education in Sikkim for a period of five years (2006-11) was conducted in the office of the Secretary, HRDD, Directorate of School Education, all the four Joint Directors office located in district headquarters and 96 schools spread over the four districts.

1.1.4 Audit Objectives

The Performance Audit was undertaken with the primary objective of assessing the status of Elementary Education (EE) in Sikkim with regards to access, equity and quality. In the process, the following were assessed in Audit:

- Efficacy of policy and planning for implementation of EE;
- Adequacy and efficacy of financial management;
- Efficacy in bringing about qualitative improvement in educational institutes;
- Economy, efficiency and effectiveness in implementation of various schemes/ programme; and
- Adequacy and effectiveness of monitoring and evaluation of the EE in the State.

1.1.5 Audit Criteria

Following criteria were used to assess the status of implementation of EE in Sikkim:

- National Policy on Education;
- Right to Education Act 2009;
- Right to Education Rules 2010;
- Sikkim Financial Rules;
- Sikkim PWD Code and Manual;
- Guidelines, instruction, Notification and Circulars issued by Government of India and the State Government;
- Quality parameters prescribed by NCERT for Elementary Education;
- Prescribed monitoring mechanism; and
- Survey and study reports published by reputed NGOs (Pratham), District Information System for Education (DISE), etc.

1.1.6 Audit Methodology

The status of Elementary Education in the State in respect to policy, planning, implementation of various schemes and programmes, etc. for the period 2006-11 was examined in audit. The audit examination commenced with an entry conference (May 2011) with the Secretary of the Department, a mid-term appraisal with the Department (July 2011) and concluded with an exit conference (November 2011). Records maintained at the Departmental headquarters at Gangtok were examined followed by test check of records in three District offices –East at Gangtok, West at Gyalshing and South at Namchi. 96 schools (out of 778) were selected on two stage sampling basis, the first stage consisted of Complex school[2] on systematic sampling basis and the second stage, the schools from amongst the selected complexes were selected on simple random sampling basis without replacement (SRSWOS). Besides, joint physical inspection of 40 sampled schools was conducted in the presence of departmental officers and headmasters of schools and the findings incorporated suitably in the report.

1.1.7 Acknowledgement

The office of the Accountant General appreciates and acknowledges the support and cooperation extended by the Secretary, HRDD; the Director and other senior officers and staff in the Secretariat office and the Joint Directors and their teams in the District Education Offices. Thanks are also due to the Headmasters of various schools who not only co-operated during the inspection process but also enlightened the Audit Team on a variety of core issues governing EE.

[2] *Usually a Senior Secondary School which functions as guardian school for Secondary, Junior, Upper Primary and Primary Schools attached under it.*

Audit findings

Audit findings are enumerated in succeeding paragraphs.

1.1.8 Policy and Planning

Policy making is the first step in any planning process. This is more so for education as a successful education policy forms the bedrock of all fields of development. Issues, policies, strategies, measures, output and outcomes should ideally be clearly delineated through policy framework and must be backed by robust planning to attain the expected output and outcome. The position in respect of policy and planning in respect of EE in Sikkim is given below:

1.1.8.1 Vision and goals

The Department had not set any vision or issued any vision statement. Only as recently as in August 2010, the Chief Minister set out Total Literacy Mission–2015 with a vision to transform Sikkimese people into total quality people through equitable, holistic, inclusive and globally competitive education.

Audit scrutiny revealed that the Department had neither ingrained these mission statements into their annual plans (2011-12) nor initiated any action to achieve the goals within the stipulated timeframe. In four (*viz.* Teacher Training, special grievance cell, special pension cell and Teacher Transfer Policy) cases, there was no initiation while in the rest (*viz*. Computer Literacy and English spoken course for teachers, Internet facility to all schools, Computer Aided Learning in all schools, SCERT) progress was not commensurate with the vision as of October 2011 as detailed in **Appendix – 1.1.1**.

1.1.8.2 State Policy

It was imperative on the part of the Department to frame a State Policy on Education in line with the National Policy on Education (1986) duly reflecting the specific needs and requirements of the State. The State Government, however, had not articulated any State Policy on Education. Thus, the benefit of policy directions for effective and proper execution of programme could not be availed of.

The Department stated (June 2011) that the process of formulating State policy of Education had been initiated duly incorporating the promises mentioned in RTE Act 2009. As of October 2011, the Department had neither come out with the State Education Policy nor substantiated the spadework done towards framing of the Policy.

1.1.8.3 Perspective Plan

A long-term perspective plan (PP) should ideally be prepared duly involving professionals and academicians for charting out the plan of action for the Department to facilitate focused attention on important areas of concern and judicious utilisation of scarce resources both human and financial.

Though the Department prepared (May 2003) PP through Educational Consultants India Ltd.,

New Delhi by incurring ₹ 6.57 lakh for development of education in Sikkim, neither was any action initiated by the Department to obtain the approval of Government nor were the suggestions in the PP incorporated in the annual plans. The prominent suggestions were 100 *per cent* enrolment of children for elementary education (actual 67 *per cent*) and training of teachers of primary schools (actual 68.14 *per cent*) by 2010; upgradation of the competence of teachers at all levels; strengthening of District Institute of Education and Training and State Institute of Education; adequate infrastructure; and internal quality review mechanism in each institution for monitoring quality of the educational process; etc.

Thus, the action of the Department only led to unfruitful expenditure of ₹ 6.57 lakh with little to show in terms of long term strategy for planned growth in a mission mode to ensure high quality education to the children.

The Department stated (November 2011) that PP would be analysed in detail by experts and would be submitted for approval of Government.

1.1.8.4 Annual Plans

As mentioned above, the annual plans should ideally flow from perspective plan. The annual plans were, however, prepared by the Secretary, HRDD for the State as a whole without obtaining inputs from the District Education Officers (DEOs). The annual plans of the Department did not contain any targets or strategies to ensure universal retention, improvements in education, inspection and supervision of schools, etc. The plans were essentially meant for availing budget outlay on year to year basis.

The Department while not addressing core issues such as strategies towards universal retention, improvements in education, etc. stated (June 2011) that the inspection and supervision of schools by concerned officers was mandatorily done. Audit however, noticed that no corrective measures were initiated on the comments/shortfalls mentioned in the reports indicating that the inspections served little purposes (*indicated in detail at paragraph 1.1.13*).

1.1.8.5 Right of Children to Free and Compulsory Education Act, 2009

Government of India enacted (August 2009) the Right of Children to Free and Compulsory Education Act, 2009 *inter alia* providing for right of children to free and compulsory education; special provisions for children not admitted/completed elementary education; formation of School Management Committees (SMC) and School Development Plan; and constitution of State Advisory Council (SAC). The Act empowered the State Government to make rules for carrying out the provisions of this Act.

Audit noticed that the Right of Children to Free and Compulsory Education Rules, 2010 was notified (August 2010) by the State Government which *inter alia* covered all important aspects reflected in the Act as shown in **Appendix – 1.1.2**. The State Government also did a commendable job in organising special training (March 2010) for the children who had never attended elementary schools, constituted (March 2010) State Level Advisory Board and SMCs. In addition, the Government also prohibited retention of students in the same class,

expulsion of students, corporal punishment, etc. Audit however, noticed weak follow up in case of special training and SAC as indicated at *paragraph 1.1.13*.

1.1.9 Financial management

The budget size and the corresponding expenditure during the five year period 2006-11 in respect of the Human Resources Development (Elementary Education) Department were as under:

Table - 1.1.1

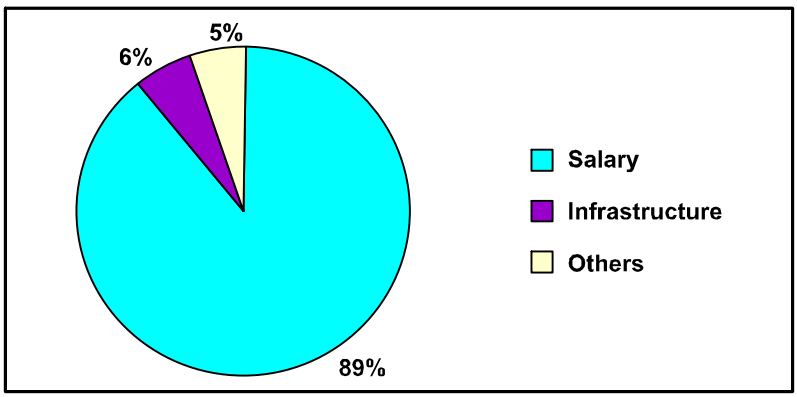
(₹ *in crore*)

Year	Plan/ Non-plan	Final Grant Appropriation		Actual expenditure		Excess(+)/Savings(-)	
		Capital	Revenue	Capital	Revenue	Capital	Revenue
2006-07	Plan	8.70	36.52	8.70	34.76	0	-1.76
	Non Plan		60.01		60.33		0.32
	Total		**96.53**		**95.09**		-1.44
2007-08	Plan	6.92	46.02	6.87	45.44	-0.05	-0.58
	Non Plan		66.74		66.85		0.11
	Total		**112.76**		**112.29**		-0.47
2008-09	Plan	11.22	49.47	11.22	49.32	0	-0.15
	Non Plan		79.14		78.64		-0.5
	Total		**128.61**		**127.96**		-0.65
2009-10	Plan	10.01	41.53	10.00	50.40	0	8.87
	Non Plan		130.18		127.92		-2.26
	Total		**171.71**		**178.32**		6.61
2010-11	Plan	14.57	103.33	9.47	103.08	-5.1	-0.25
	Non Plan		154.63		154.63		0
	Total		**257.96**		**257.71**		-0.25
TOTAL	Plan	**51.42**	**276.87**	**46.06**	**283**		
	Non Plan		**490.7**	**0**	**488.37**		
	Total	**51.42**	**767.57**	**46.06**	**771.37**		

Source : Detailed Appropriation Accounts

The above table shows that the year-wise allocation and expenditure for both Plan and Non-Plan revenue expenditure was within the allotted funds except for 2009-10 when there was excess expenditure of ₹ 8.87 crore (2 *per cent*) in Plan sector. Analysis revealed that expenditure incurred towards salary during the period under review was 89 *per cent*, infrastructure 6 *per cent* and others 5 *per cent* as shown in the pie chart below:

Chart - 1.13



1.1.9.1 Highest per capita revenue expenditure on Education

Analysis of revenue expenditure of the education sector revealed that the State had accorded highest priority to education by providing a considerable high outlay leading to highest per capita expenditure in the country:

Table - 1.1.2

Year	Amount (₹ in crore)	State per capita expenditure(₹)	National per capita expenditure(₹)	State per capita to national per capita
2007-08	241.67	3,984	905	4.4
2008-09	289.21	4,750	1,080	4.4
2009-10	404.75	6,667	1,337	5.0
2010-11	411.89	NA	NA	NA

Source : Detailed Appropriation Accounts

1.1.9.2 Higher per capita expenditure

The average per school and per child expenditure during 2010-11 was ₹ 34 lakh and ₹ 0.27 lakh respectively which was even higher than the per child expenditure in one of the best private schools in the State as shown below:

Table – 1.1.3

(₹ *in crore*)

Year	No. of schools	No. of children	Total expenditure	Average Per school expenditure	Average Per child expenditure
2006-07	782	1,09,564	103.79	0.13	0.009
2007-08	784	99,420	119.16	0.15	0.012
2008-09	767	94,205	139.18	0.18	0.014
2009-10	777	75,279	188.32	0.24	0.025
2010-11	778	98,631	267.18	0.34	0.027

Source : Detailed Appropriation Accounts, monthly expenditure statements and Annual Reports of the Department.

1.1.9.3 Short release of funds under Sarva Shiksha Abhiyan

The expenditure under SSA was financed by the GOI (90 *per cent*) and the State Government (10 *per cent*). As against the requirement to release ₹ 136.85 crore and ₹ 15.12 crore, the actual release was ₹ 87.19 (69.10 *per cent*) crore and ₹ 10.51 (63 *per cent*) crore by GOI and State Government respectively leading to short release of ₹ 54.27 crore during 2006-11. Audit analysis revealed that failure of the State Government to release the funds in full and in time led to curtailment of allocated funds by GOI. The State Government neither kept adequate provision in the budget nor gave written commitments as required under guidelines and continued to release inadequate resources.

1.1.9.4 Delayed release of funds under SSA

In spite of clear stipulation in the SSA guidelines to release first instalment by GOI by 15 April and subsequent instalments after the release of matching share to the State Implementing Society by the State Government, funds were released belatedly by both the Central and the State Government. GOI and the State Government released its share of ₹ 14.38 crore (2006-

08) and ₹ 2.55 crore (2006-07, 2009-11) respectively towards the end of the year. Non-availability of required funds in time affected programme implementation.

The Department while accepting the audit observation stated (November 2011) that Government was asking for release of sufficient funds for the 12th Five Year Plan.

1.1.9.5 Irregular diversion of fund under SSA

The Department had 314 School Mothers on its roll to take care of the small children in the elementary schools. The State Government notified (August 2010) transfer of all the School Mothers to various Gram Panchayat Wards as Panchayat Education Assistant (PEA) to impart education to illiterate adults. The decision of the Department to pay a portion of their salary (₹ 5,000 per month) from SSA funds was irregular as their assignment was not relevant to elementary education. This resulted in diversion of funds of ₹ 1.88 crore per annum.

The Department stated (November 2011) that a proposal had been moved to debit the expenditure to the State Plan from the next financial year.

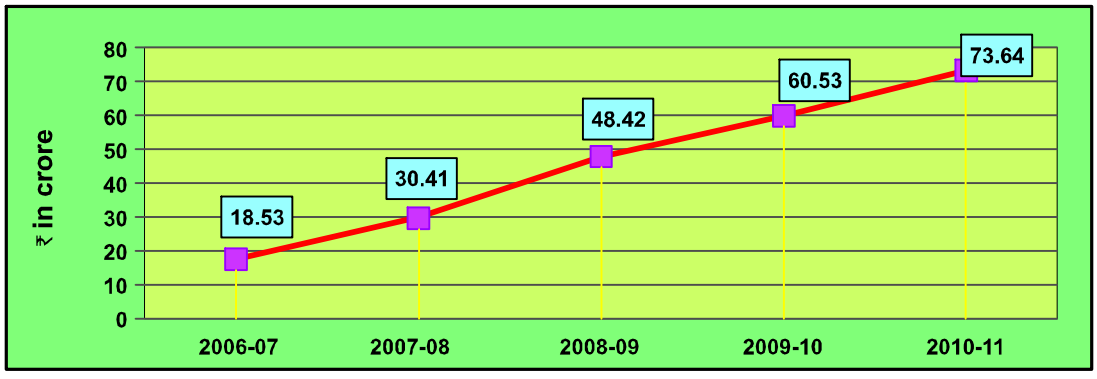
1.1.9.6 Irregular expenditure

Audit noticed that ₹ 1.57 crore was incurred from SSA funds for the academic session 2010 and 2011 towards procurement of text books (₹ 1.07 crore) and uniforms (₹ 50.16 lakh) despite the fact that the State Government was already implementing these programmes. The financing of these schemes by SSA funds was not only unwarranted but also resulted in irregular expenditure of ₹ 1.57 crore as the SSA guidelines categorically forbade utilisation of SSA funds for ongoing programmes of the State Governments. Further, out of ₹ 1.07 crore spent on text books ₹ 52.60 lakh was incurred towards procuring books pertaining to classes IX to XII which was not permissible under the SSA guidelines as the SSA is primarily meant for EE (upto class VIII).

1.1.9.7 Staggering committed liabilities

The unplanned and indiscriminate sanction of infrastructure projects coupled with shrinking plan allocations led to huge committed liabilities over the period 2006-11 as depicted in the graph below:

Chart – 1.1.4



Source : Departmental records

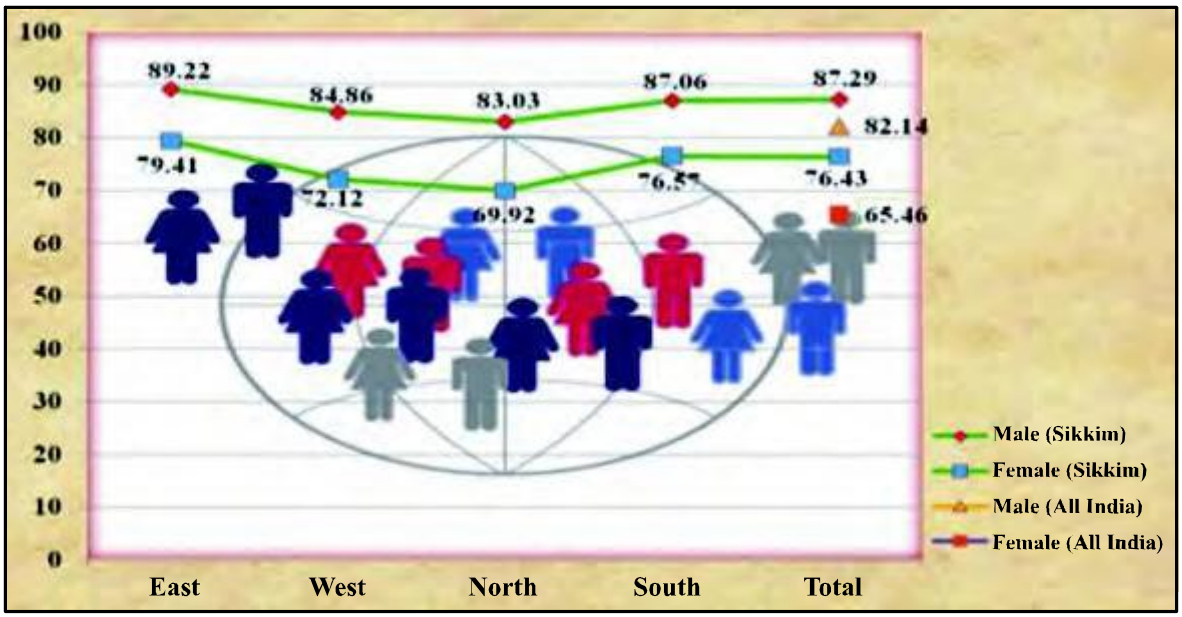
The liabilities increased by almost 400 *per cent* from ₹ 18.53 crore to ₹ 73.64 crore over a period of five years (2006-11), which was very high. Against the requirement of funds of ₹ 37 crore per year the Plan allocation was far lower at ₹ 28.44 crore in the preceding two years (2009-11) and at the same time new projects were also sanctioned leading to increased liability.

1.1.10 Access and equity

The three pillars of education are expansion, inclusion and excellence or in other words access, equity and quality. It is important that access and equity go together in order to make Universal Elementary Education (UEE) a reality. Successive Governments aimed at bridging gender and social gaps in enrolment, retention and learning achievement at the primary stage through special interventions and strategies to include girls, SC/ST children, children with special needs, and children living below the poverty line.

Analysis of data in respect of enrolment and participation of various socio-economic groups disclosed that the State had achieved considerable progress in access and equity. While all the 866 habitations were provided with upper primary schools, 865 habitations were provided with primary schools and students (37) of one un-served habitation were enrolled in nearby primary schools. The literacy rate of 82.20 was above the national average of 74.04 by 8 percentage point as per 2011 census. The literacy rate of both male (87.29) and female (76.43) was above the national average of 82.14 (male) and 65.46 (female) as shown in the graph below:

Chart – 1.1.5



Source : Census 2011

1.1.10.1 Gross Enrolment Ratio

Gross Enrolment Ratio (GER)[3] denotes the total enrolment in primary education, regardless of age, expressed as a percentage of the eligible school-age (6-14) population corresponding to primary education in a given school year[4].

The gross enrolment progressively declined from 1,03,699 in 2007 to 94,451 in 2011 session as shown in **Appendix – 1.1.3.** Based on this gross enrolment, the GER of Primary and Upper Primary level of both Government and private managed schools of the State for 2007-11 are given below:

Table – 1.1.4

District	Pry/ UPS	2007			2008			2009			2010			2011		
		B	G	T	B	G	T	B	G	T	B	G	T	B	G	T
East	Pry	115	121	118	119	122	120	113	124	118	110	118	114	116	118	117
	UPS	101	100	101	97	124	110	95	110	103	94	108	101	89	107	98
West	Pry	103	104	104	99	100	100	138	135	135	143	138	140	112	102	107
	UPS	106	107	106	95	101	98	118	110	114	116	112	114	98	110	104
North	Pry	109	100	105	116	107	111	127	117	122	128	124	126	138	124	131
	UPS	64	85	74	71	88	79	72	81	76	70	81	75	86	98	92
South	Pry	140	148	144	143	148	146	159	158	159	164	156	160	133	131	132
	UPS	55	66	60	60	72	66	58	69	64	62	73	68	66	72	69
Total	**Pry**	**117**	**118**	**118**	**119**	**119**	**119**	**134**	**134**	**134**	**136**	**134**	**135**	**112**	**118**	**115**
	UPS	**82**	**90**	**85**	**81**	**96**	**88**	**86**	**93**	**89**	**86**	**93**	**89**	**84**	**96**	**90**

Source : Annual Reports of the Department

While the GER of primary level declined from 118 in 2007 to 115[5] in 2011, GER in Upper Primary rose from 85 to 90 in the corresponding period. The highest decrease in Primary was recorded by South district (8 *per cent*). In Upper primary level the highest increase was recorded by North district (24 *per cent*).

1.1.10.2 Net Enrolment Ratio

Net enrolment ratio (NER)[6] is the age specific enrolment in the appropriate class. It denotes the enrolment of students in the appropriate class according to specified age group. The increase in net enrolment is indicative of universalisation of education and the decrease thereof suggests that more effort is needed. The position of net enrolment in respect of all the four districts, gender-wise, year-wise for both Primary and Upper primary level is reflected below:

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[3] *GER = Number of children enrolled in primary school / Number of children of primary school age*

[4] *ISCED level 1, UNESCO Institute for Statistics*

[5] *Enrolment includes both under age and over age children.*

[6] *NER = Number of children of primary school age enrolled in primary school / Number of children of primary school age*

Table -1.1.5

District	Pry	2007			2008			2009			2010			2011		
	UPS	B	G	T	B	G	T	B	G	T	B	G	T	B	G	T
East	PS	80	79	79	91	93	92	83	93	88	82	92	87	75	73	**75**
	UPS	64	61	62	45	59	52	43	52	48	46	54	50	44	39	**42**
West	PS	67	68	67	99	100	99	78	80	79	79	77	78	65	65	**65**
	UPS	93	94	94	96	92	94	75	77	76	76	78	77	60	58	**59**
North	PS	64	60	62	84	78	81	71	69	70	70	68	69	74	73	**74**
	UPS	37	46	41	88	96	92	42	46	44	44	46	45	23	23	**23**
South	PS	98	98	98	103	105	104	95	95	95	92	94	93	92	94	**93**
	UPS	35	37	36	29	37	33	29	32	30	20	21	20	20	21	**20**
Total	**PS**	**77**	**76**	**77**	**95**	**94**	**94**	**82**	**84**	**83**	**80**	**84**	**82**	**77**	**77**	**77**
	UPS	**57**	**59**	**58**	**65**	**71**	**68**	**47**	**52**	**50**	**46**	**50**	**48**	**37**	**35**	**36**

Source : Annual Reports of the Department

NER ranged from 77 to 94 and 36 to 68 for Primary and Upper primary level respectively. Analysis revealed while NER of PS remained static at 77, in case of UPS it dipped down from 58 to 36 during the period 2006-11. Further, district-wise analysis revealed that North District had lowest NER of 62 (2007) followed by West District (65 during 2011) for PS. Similarly for UPS the lowest was recorded by South District (20 during 2010 and 2011) and highest by West District (94 during 2007 and 2008). However, the West District could not maintain the NER and the figure dropped down to 59 during 2011. NER below 100 highlighted the need for initiating intensive effort by the Department to enrol the children to the school as per appropriate age and retain them in the education system.

1.1.10.3 Gender Parity Index

Gender parity index (GPI) for gross enrolment in primary education is the ratio of the female-to-male/male-to-female values of the gross enrolment ratio in primary education. A GPI of 1 indicates parity between male and female[7].

Audit analysis revealed that the State fared well in terms of GPI and provided equal opportunities to the girls as that of the boys in elementary education. In fact, the share of girls was more as compared to boys in South and West districts for PS and UPS. The East had also caught up and maintained the ratio. The North was slightly behind by 4 percentage points in UPS. Thus, in terms of GPI the State was successful in providing equitable access to elementary education to girls.

1.1.10.4 Out-of-School Children (OoSC)

Enrolment of out-of-school children (OoSC) in regular schools was one of the major objectives of the State after the inception of SSA. The targeted group of OoSC was identified by child census once in two years, commencing from 2006 in the review period. The OoSC and their coverage during 2006-11 is indicated below:

[7] *Calculated by Arab World Education Performance Indicators Team based on UNESCO Institute for Statistics.*

Table -1.1.6

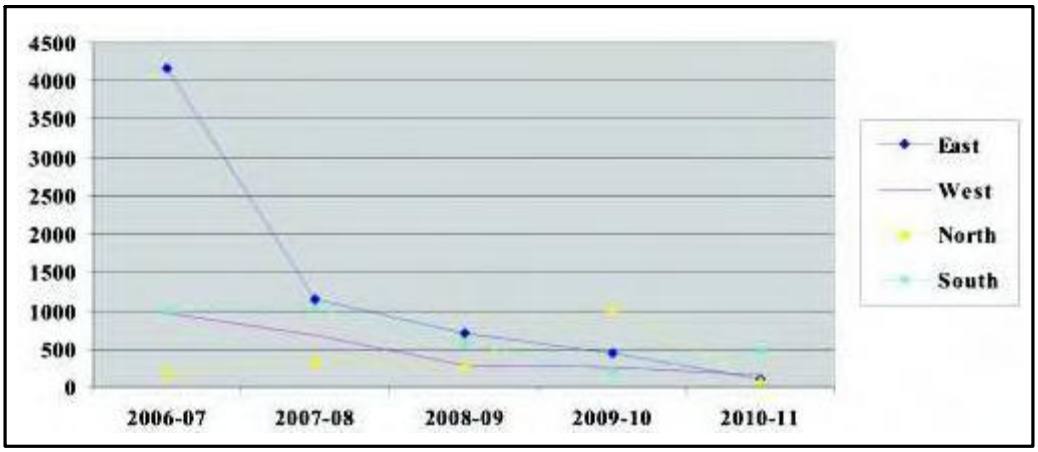
District	OoSC			OoSC- remaining 2009-10	OoSC as per Household Survey 2010 to be covered 2011-12
	2006-07	2008-09	Covered 2009-10		
East	4159	442	342 (77.38)	100	766
West	975	256	88 (34.38)	168	738
North	190	179	105(58.66)	74	215
South	986	1,033	561(54.31)	472	411
Total	**6,310**	**1,910**	**1,096**	**814**	**2,130**

Source : Annual Reports of the Department. Figure in bracket indicates percentage

The OoSC was reduced from 6,310 to 1,910 between 2006-07 and 2008-09 and from 1,910 to 814 between 2008-09 and 2009-10. However, details of the coverage indicating name of the child, fathers/ guardians name, place, reasons for remaining out-of-school, etc. were not available with the Department. The OoSC again rose to 2,130 at the end of 2010-11 indicating that considerable number of OoSC existed in the State.

Further, the coverage of out-of-school children in 2009-10 was 57.38 *per cent* which was not impressive considering the State's promise of achieving 100 *per cent* retention in school system and Universal Primary Education goals by 2010. Analysis revealed that the coverage was reduced due to low coverage in West district, followed by South where the number of OoSC was highest (472) as shown in the graph below:

Chart – 1.1.6



Source : Departmental records

The Department stated (November 2011) that OoS children primarily belonged to migratory parents working in various project sites in Sikkim and added that efforts would be initiated to reduce the OoSC through residential bridge courses.

1.1.10.5 Children with Special needs (CWSN)

Inclusive education is one of the important parameters for achieving universal elementary education. Considering the importance, Government accorded priority to these children through special education, outlay, etc. Out of 1,12,019 children (6-14 years), the State Government identified 1,045 CWSN as late as 2009-10. The position of identification of

children with special needs and their enrolment to school system is given below:

Table -1.1.7

District	No. of CWSN identified	No. of CWSN enrolled
East	381	263
West	187	167
North	48	39
South	429	278
STATE	**1,045**	**747**

Source : Annual Report 2010-11

The State Government appointed caregivers, involved NGOs (2), distributed aids and appliances (74) and constructed barrier free access in schools (40) but the progress was not encouraging as 298 (30 *per cent*) children with special needs were still not enrolled despite fund availability of ₹ 9.65 lakh (₹ 8.68 lakh only spent) during 2009-10. The Department had spent 94 *per cent* of the available funds towards assessment camps but the assessment of the number of CWSN was grossly incorrect as the subsequent survey (2010-11) revealed the number of CWSN as 2,200. The State needs to initiate intensive efforts to bring the CWSN not enrolled so far to the school system and keep a tab over the CWSN attendance in the school system and maintain the progress of the student achievement to ensure their productive participation in the education system.

1.1.10.6 Dropout Rate

The drop-out rates ranged between 1.88 and 7.15 for Primary (2.43 to 6.48) and Upper primary level (1.88 to 7.15) and showed an increase of 1.75 percentage point from 4.73 (2006-07) to 6.48 (2009-10) at primary and 0.22 percentage point from 6.93 (2006-07) to 7.15 (2009-10) at upper primary stages as shown below:

Table -1.1.8

District	PS	2006-07			2007-08			2008-09			2009-10		
	UPS	B	G	T	B	G	T	B	G	T	B	G	T
East	PS	9.80	10.10	10.00	7.10	7.90	7.50	0.50	6.00	6.00	1.00	0.90	1.00
	UPS	7.40	6.30	6.90	7.30	6.20	6.80	0.70	0.60	0.60	1.00	0.90	1.00
West	PS	5.80	4.20	5.00	3.20	2.40	2.80	2.10	2.30	2.20	3.20	2.50	2.80
	UPS	9.50	3.40	6.50	2.70	3.00	2.80	2.20	2.40	2.30	1.40	1.30	1.30
North	PS	2.50	3.10	2.80	2.40	3.00	2.70	0.60	0.60	0.60	10.40	8.60	9.50
	UPS	12.30	6.60	9.40	9.20	6.60	7.90	1.60	1.80	1.70	10.70	8.70	9.70
South	PS	1.10	1.00	1.10	1.00	0.90	1.00	0.80	0.90	0.90	9.50	15.60	12.60
	UPS	5.90	3.90	4.90	3.20	3.90	3.60	2.80	3.00	2.90	21.70	9.50	16.60
Total	**PS**	**4.80**	**4.60**	**4.73**	**3.43**	**3.55**	**3.50**	**1.00**	**2.45**	**2.43**	**6.03**	**6.90**	**6.48**
	UPS	**8.78**	**5.05**	**6.93**	**5.60**	**4.93**	**5.28**	**1.83**	**1.95**	**1.88**	**8.70**	**5.10**	**7.15**

Source : Annual Report of the Department

A further analysis revealed that a high percentage of dropout children was recorded in south District both at Primary (12.60 *per cent*) and Upper Primary levels (16.60 *per cent*). The boys prominently figured in the drop-outs both in Primary and Upper Primary levels. The problem

was persisting in North district as well and the drop-out rate hovered around 9 *per cent* during 2010. The Department was yet to identify the reasons for such large number of average annual dropouts especially in South district to ensure that gains in enrolment are not eroded by high levels of dropout.

The State was successful in providing access for elementary education to all in most equitable manner. While the average GER of 118 and 115 was reasonably good and was ahead of all India average but NER at 67 and 96 for PS and UPS respectively was grossly inadequate to realise the full potential of the State and was far below the Upper-Middle Income group countries reference of 99.9 per cent[8]. The equitable access to boys and girls, rural and urban children were laudable. The State however, continued to suffer from high drop-out rate, high proportion of out of school children and coverage of children with special needs was only 70 per cent, which must be addressed in a focused manner.

1.1.11 Quality education

The National Curriculum Framework-2005 and United Nations Millennium Declaration's commitment to achieve Universal Primary Education (UPE) by 2015 stressed upon quality education for all children.

Quality education is contingent upon institutional climate of the schools; the teachers' professional qualifications and commitment, adequate and effective learning tools; attitude and aspiration of the students; financial and administrative support from the Government; and community and civil society participation, etc. The Education For All Global Monitoring Report 2005[9] also stipulated government spending on education, pupil-teacher ratios, teacher qualifications and commitment, test scores and the length of time pupils spent in school as indicators of quality education.

Audit checks of status of implementation of above parameters in the State are enumerated below:

1.1.11.1 Institutional climate of the schools

Institutional climate includes both external and internal climate of the schools, *viz.* school building and other infrastructure such as toilet facilities, drinking water, laboratory, library, computer, electricity, playground, barrier free access, etc. and internal climate such as class size, learning time, teachers' motivation, innovative techniques, etc.

Audit noticed that the State generally fared well in terms of school building and other infrastructure as pucca school building, toilet facilities (83 *per cent*) and availability of drinking water (98 *per cent*) to schools was quite good. The infrastructure in terms of library and electricity was available in 46 and 51 *per cent* of schools respectively. The dearth of

[8] *US and 35 other developed countries are categorised as Upper-Middle Income group countries by World Bank for assessing socio-economic status of the countries on worldwide basis.*
[9] *Published by the United Nations Educational, Scientific and Cultural Organisation (UNESCO)*

infrastructure in schools however, was noticed in case of barrier free access (94 *per cent*), boundary wall (78 *per cent*) and playground (34 *per cent)*. The children were fortunate to have a small class size corresponding to favourable PTR of 16:1 and 14:1 for PS and UPS respectively, learning time of 200 and 220 days and 800 and 1,000 instructional hours per academic year for Primary and Upper Primary levels respectively in line with the RTE Act.

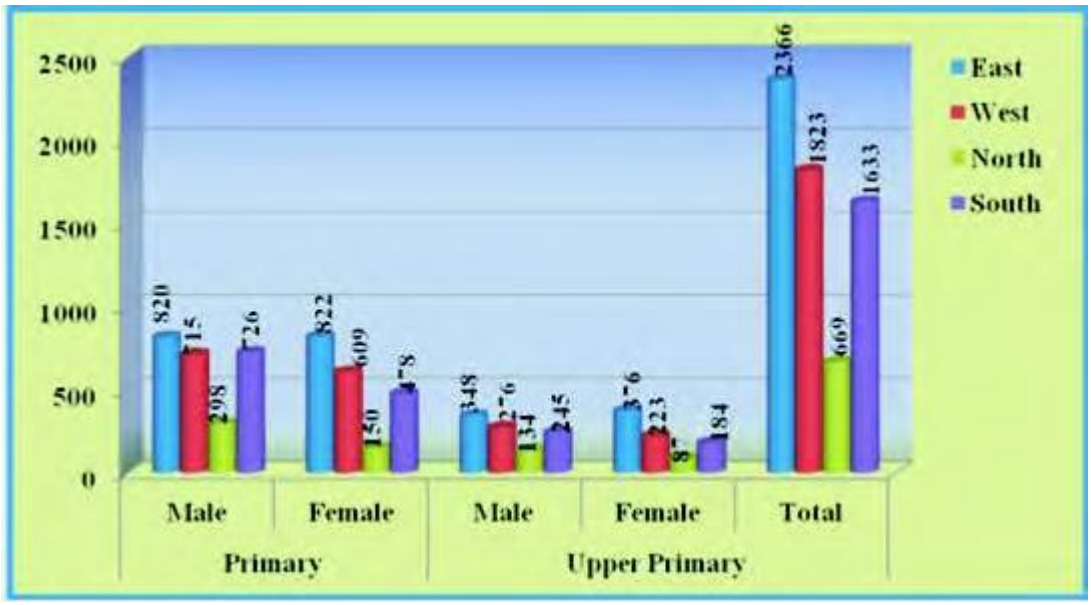
1.1.11.2 Teachers' professional qualifications and commitment

Teachers are the backbone of the teaching learning process and therefore availability of adequate number of well-qualified and trained teachers is the key to educational development. Professional qualification and commitments of the teachers play a vital role in ensuring quality education. The position is discussed below:

➢ ***Availability of teachers***

Analysis of availability of teachers in Sikkim revealed that the State had ample number of teachers for both PS and UPS. The district-wise and gender-wise availability of Teachers in Government schools as of March 2011 was as given in the graph below:

Chart – 1.1.7

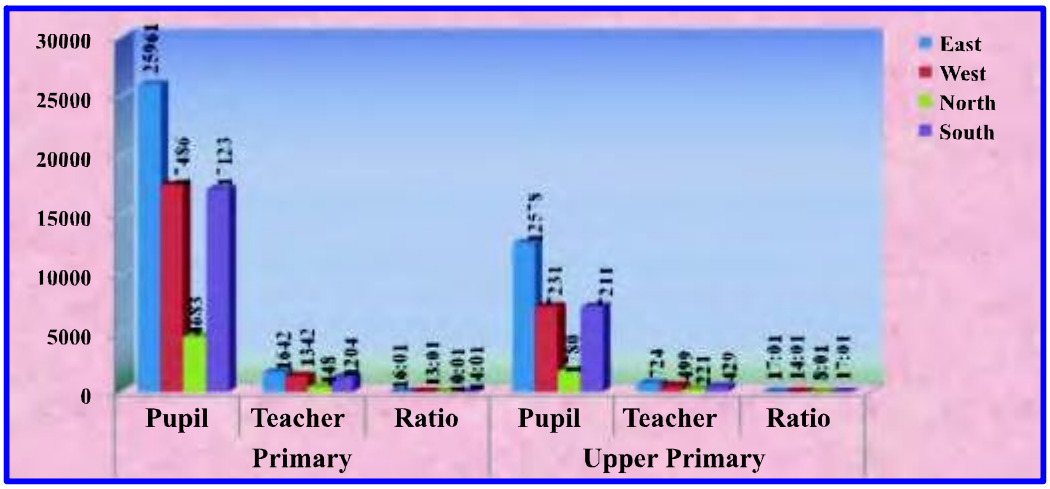


Source : State Annual Report of 2010-11 issued by State Project Office of Sarva Shiksha Abhiyan

➢ ***Pupil-Teacher ratio***

Analysis of availability of teachers vis-à-vis number of students as of March 2011 revealed that the pupil-teacher ratio (PTR) ranged between 1:10 (North District) and 1:16 (East District) in the Primary Schools and 1:08 (North District) and 1:17 (East and South Districts) in Upper Primary schools of Sikkim as shown in the graph below:

Chart – 1.1.8



Source : State Annual Report of 2010-11 issued by State Project Office of Sarva Shiksha Abhiyan

The position was confirmed during the physical verification (July 2011) of 40 schools by Audit. The PTR in the verified schools ranged between 1.13 and 1:08 which was favourable as compared to the stipulated ratio of 1.40 in the RTE Act.

➢ ***Irrational deployment of teachers***

While the Department was not able to provide a comprehensive list of teachers indicating their deployment, records in respect of South District revealed that 42 (out of 107 upto JHS) schools were having excess number of teachers (63) and 18 schools suffered from dearth of teachers (25) indicating irrational deployment. Excess teachers were concentrated in the schools nearer to the towns and the District Headquarters while the schools in the remote localities faced acute shortage of teachers in the schools. The position was confirmed by a physical verification by the Audit team in the presence of departmental officers and the Head Master of the respective schools. Out of 40 schools physically verified all over the State, in 32 schools there were excess teachers (87) while 02 schools faced shortage of teachers (08). This was despite department's own notification (February 2010) to transfer the excess teachers to the schools having shortages.

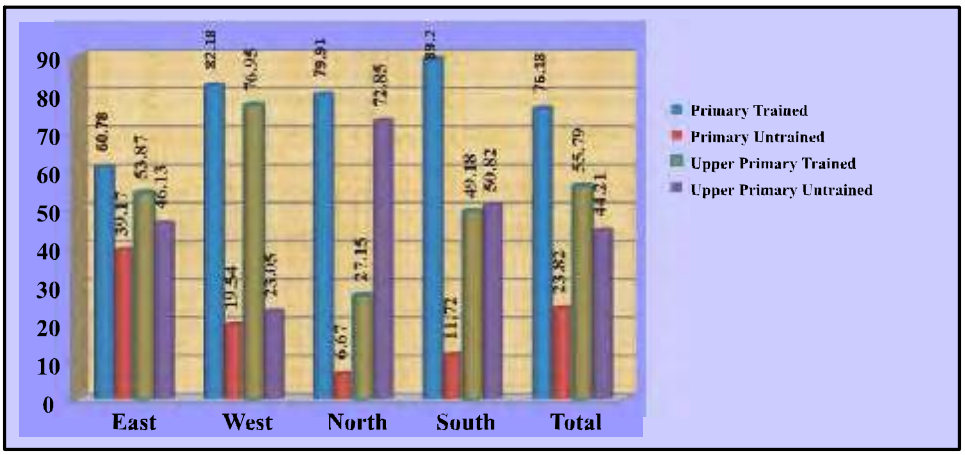
➢ ***Minimum qualifications for teachers***

The State Government amended (October 2009) the Teachers Recruitment Rules, 2008 and prescribed minimum qualification as Senior Secondary pass with professional training of two years in DIET or equivalent for Primary teachers. Scrutiny of records in 40 schools revealed that 112 teachers *(out of 324 in the 40 schools test checked)* did not possess minimum educational qualification of Senior Secondary and were still untrained as on 31 March 2011.

➢ ***Trained/Untrained Teachers***

In service training of teachers is the key determinant of quality input in the education system to eradicate pedagogical inadequacies among teachers and also to update their competencies. Percentages of trained and untrained teachers as of March 2011 are shown below:

Chart – 1.1.9



Source : State Annual Report of 2010-11 issued by State Project Office of Sarva Shiksha Abhiyan

The percentage of trained teachers was comparatively better in the PS (76 *per cent*) than the UPS (56 *per cent*). District wise analysis revealed that the North District had the highest concentration of untrained teachers in UPS (72.85 *per cent*) and the best position was of East district (23.05 *per cent*). The position of untrained teachers also affected the PTR which was otherwise better than the national average and also RTE stipulation as the effective PTR in terms of PTTR (pupil trained teacher ratio) taking into consideration only trained teachers in PS and UPS was only 18:01 and 30:01 respectively.

The Department stated (November 2011) that teachers training were being organised through DIET and SIE and the result would be known in near future.

➢ ***Appointment of unqualified Art/Music teachers***

The State Implementing Society for SSA appointed (April 2011) 216 teachers (108 each for Art and Music teachers) for various schools at consolidated monthly pay of ₹ 10,000. Audit noticed that the teachers did not possess essential qualification as only 5 Music teachers (out of 108) possessed certificate in music and none of the Art teachers possessed diploma/degree in Art education. The Department had shown undue haste and displayed recruitment notice only on departmental notice board. The notice also did not contain criteria like age bar, essential academic qualification, desired qualification, etc. This led to appointment of unsuitable candidates for Music/Art teachers.

While accepting the fact, the Department stated (November 2011) that henceforth the recruitments would be advertised in all leading local newspapers to recruit qualified teachers.

➢ ***Performance benchmark for teachers***

The State Government implemented (September 2010) Advancement of Educational Performance through Teacher Support (ADEPTS) survey in 18 schools covering 267 teachers of Elementary schools for gauging the performance of teachers on various parameters. The results indicated that while none of the teachers scored 'A' grade; 80 *per cent* scored 'B' and 'C' grades and remaining 20 *per cent* scored 'D' grade. Similarly, as regards students' performance

in the subject taught by the particular teacher, the indicator of effectiveness of teacher's performance showed that maximum students (94 *per cent*) scored either 'C' or 'D' grade and the rest (6 *per cent*) scored B grade indicating average performance by the teachers.

1.1.11.3 Learning assessment system

The Department was yet to put in place regular learning assessment system except for terminal examinations. After the implementation of RTE Act, Comprehensive and Continuous Evaluation system was in vogue which captured pupil progress on half yearly basis. No effort was initiated by the Department to evaluate the actual progress achieved by the pupils to gauge the quality of teaching-learning process in the class rooms except once (February 2011) through Baseline Achievement Survey of 112 schools. The survey revealed that while maximum students (82 to 97 *per cent*) fell in average and below average category in mathematics, 59 to 69 *per cent* students scored less than average in EVS/Science and Technology indicating inadequacy of quality teaching in the classrooms. Even in excellent category, the percentages of students were very low ranging between 2 and 16 for all the subjects. The detailed position is reflected in **Appendix – 1.1.4**

1.1.11.4 ASER survey

The nation-wide survey undertaken by Pratham, an NGO at the behest of the Government of India popularly known as Annual Assessment of Education Report (ASER), consecutively for three years (2007-10) for rural areas of the country (including Sikkim) revealed that the children of classes IV to VIII did not fare well in various parameters such as proficiency in language, mathematics, etc. While only 40 to 50 *per cent* children of class V could do simple division and could read standard II text during 2007-10, 30 to 40 *per cent* of class III students could do subtraction and could read Standard I text in Sikkim in all the years during 2007 to 2010. The detailed position is given in **Appendix – 1.1.5**

1.1.11.5 Learning Evaluation Programme

The Department initiated Learning Evaluation Programme (LEP) and Computer Aided Learning (CAL) to bring about qualitative changes in elementary education. Audit analysis revealed that the LEP was not accorded any priority in implementing stage as not only was a meager fund of ₹ 5 lakh earmarked for the development of language reading material and mathematics & Science kits but that too was not spent, thus depriving the students of the envisaged benefit.

Similarly, for Computer-aided Learning (CAL) ₹ 50 lakh per district was earmarked under SSA for training of the teachers, creation of infrastructure, development and production of State specific e-teaching/learning material and sensitisation of the State-level statutory bodies like Board of Education and SCERT. Audit analysis revealed that during the period 2006-11, a total of 426[10] computers with accessories costing ₹ 1.12 crore were purchased. While the

[10] *38 computers in 2005-06; 38 in 2007-08 and 350 in 2008-09 and 2009-10*

computers with accessories were delivered to the schools, the Department was yet to develop the course curriculum and software applications for the implementation of CAL in the State. Even the training module for teachers for the implementation of CAL had not been developed. Hence, no teacher could be trained for execution of CAL so far in any of the schools.

The State fared well in terms of institutional climate of schools with pucca schools buildings, playgrounds, free text books, mid-day meal, adequate number of teachers and favourable PTR. The performance of students however, were far from satisfactory as only 40 to 50 per cent children of class V could do simple division and could read standard II text; 30 to 40 per cent of class III students could do subtraction and could read standard I text. ADEPTS study also revealed that maximum students were graded under average and below average category and teachers were graded between C and D grade indicating average quality of teaching-learning process in the State.

1.1.12 Infrastructure and other facilities

Infrastructure such as school building, playground, toilet, drinking water, fencing, etc. and other facilities such as free text books, uniforms and mid-day meal, etc. were some of the major interventions for ensuring retention and providing quality education. In overall terms, all the schools in Sikkim possessed buildings (100 *per cent*), playground 516 (66 *per cent*), separate toilet for girls 624 (80 *per cent*), common toilet 643 (83 *per cent*), as detailed below:

Table – 1.1.9

District	Total schools	School buildings	Common toilets	Girls toilets	Electricity	Playground	Drinking water
East	236	236*(100)*	205*(87)*	215*(91)*	117*(50)*	128*(54)*	236*(100)*
West	226	226*(100)*	190*(84)*	159*(70)*	71*(31)*	156*(69)*	223*(99)*
North	84	84*(100)*	34*(83)*	71*(85)*	63*(75)*	51*(61)*	80*(95)*
South	232	232*(100)*	178*(77)*	179*(77)*	143*(62)*	181*(78)*	220*(95)*
Total	778	778*(100)*	643*(83)*	624*(80)*	394*(51)*	516*(66)*	759*(98)*

Source : Information furnished by the Department. Figures in bracket represent percentage.

National University of Educational Planning and Administration (NEUPA) study (2009-10) also revealed that the schools of Sikkim fared well in terms of infrastructural facilities as 97 *per cent* of Elementary Schools had access to safe drinking water facilities, 92 *per cent* schools had functional common toilets and 75 *per cent* schools had separate toilets for girls. The schools however, lacked infrastructure for barrier free access, boundary walls and kitchen sheds as only 6 *per cent* schools had barrier free access, 27 *per cent* schools had boundary walls and 31 *per cent* schools had kitchen sheds as of March 2010.

Audit checks of records followed by Physical verification of 40 schools in the presence of School Headmasters and departmental authorities revealed that 17 (42 *per cent*) schools did not have drinking water facilities, 05 (13 *per cent*) schools lacked separate toilet for girls and 38 (95 *per cent*) schools were devoid of fencing.

Besides, following were also noticed:

1.1.12.1 Incomplete school buildings: Out of ₹ 36.59 crore incurred towards infrastructure creation in schools, ₹ 5.12 crore remained blocked in 65 incomplete school buildings primarily owing to unavailability of stock materials, change in scope of works, revision of estimates, unavailability of suitable land, time extension by contractors, etc. as detailed below:

Image - 1.1.1



Name of work : 5/R/S/B at Labdang JHS

Sanctioned cost : ₹ 26.42 lakh

Expenditure : ₹ 8.74 lakh

Date of commencement : 18.06.09

Scheduled date of completion : 17.03.10

Reasons for delay: Slow progress by Contractor

Image - 1.1.2



Name of work : 5/R/S/B at Melli Thathang PS

Sanctioned cost : ₹ 27.69 lakh

Expenditure : ₹ 9.33 lakh

Date of commencement : 13.08.10

Scheduled date of completion : 14.8.11

Reasons for delay: Want of stock material

Image - 1.1.3



Name of work : 8/R/S/B at Uttarey Sec. School

Sanctioned cost : ₹ 60 lakh

Schedule date of commencement : October 2010

Scheduled date of completion : October 2011

Expenditure: Nil (work not commenced)

Reasons for delay: Delay in finalisation of site.

Image - 1.1.4



Name of work : 12/R/S/B at Mangalbaria SSS

Sanctioned cost : ₹ 173.00 lakh

Expenditure: ₹ 10.42 lakh

Date of commencement : 14.06.2009

Scheduled date of completion : 13.12.2010

Reasons for delay: Want of stock material and fund constraint

1.1.12.2 Inappropriate design: Out of 40 schools visited by Audit, 2 schools (Shipgyer PS and Rolu- Manpur PS) were not fit for holding classes. The four Room School Building at Shipgyer PS completed (March 2008) at a cost of ₹ 21.78 lakh was unsuitable as rain water was entering the class rooms and corridor owing to defective design as shown in the photograph.

Image - 1.1.5



Rain water in the classroom of Shipgyer PS

Image - 1.1.6



Rain water in the corridor of Shipgyer PS

In case of Rolu-Manpur Primary school, classes were held at dilapidated erstwhile building of Vanaspati factory as two Room School Building of Rolu-Manpur constructed (March 2007) at a cost of ₹ 6 lakh was insufficient to accommodate the enrolled children (43). Toilet and drinking water facilities were also not available in the school.

Image - 1.1.7



Newly constructed Rolu-Manpur Primary School

Image - 1.1.8



Classes in progress at dilapidated building of Vanaspati factory

1.1.12.3 Unhygienic toilet: Toilets of three schools were not suitable for use owing to non-availability of water and deteriorating condition as shown in the photographs below:

Image - 1.1.9



Unhygienic/unusuable toilet of Jarong PS, SOUTH

Image - 1.1.10



Unusable toilets of Lingzya JHS, NORTH

Image - 1.1.11



Unusable toilets of Yalli PS, EAST

1.1.12.4 Worn out ceiling: In two cases, ceiling was found to be poor and worn out as seen in the photograph below:

Image - 1.1.12



Worn-out ceilings of Classrooms of Pathing JHS, South

Image - 1.1.13



Worn-out ceiling of Goam JHS, South

1.1.12.5 Worn out class room: In two cases, class rooms were found to be very poorly maintained as can be seen in the photographs below:

Image - 1.1.14



Damaged flooring due to leakage of rainwater in Yalli PS, East

Image - 1.1.15



Pathetic condition of class room of Jaron PS, South

Image - 1.1.16



Rain water leakage in the class of Panthang PS, East

1.1.12.6 Closure of non-viable schools

Considering the low enrolment of students in the schools, 18 schools were closed down vide Department's notification (February 2008). Audit scrutiny revealed that while the students were transferred to nearby schools, teachers were posted to other existing schools but the school buildings and other infrastructure were lying idle since closure. No effective steps were initiated to utilise the existing infrastructure such as school building, furniture, etc. All the buildings were lying in an abandoned condition as shown in the following images.

Image - 1.1.17



Aifaltar PS, South Sikkim

Image - 1.1.18



Theng LPS, North Sikkim

Image - 1.1.19



Middle Baluthang LPS, West Sikkim

1.1.12.7 Irregularity in designing and construction of Kitchen Sheds

The Kitchen Shed was one of the important infrastructures under Mid-Day Meal (MDM) Scheme to provide safe and hygienic meals to the children. Under Mid-Day Meal scheme, a total of 859 kitchen sheds were sanctioned by the GOI of which 96 remained incomplete as of March 2011. While the material for roofing structure (GCI sheet and tubular truss) were centrally procured by the Department, funds for constructional work of kitchen sheds were released to schools for execution. The details are shown in **Appendix – 1.1.6.**

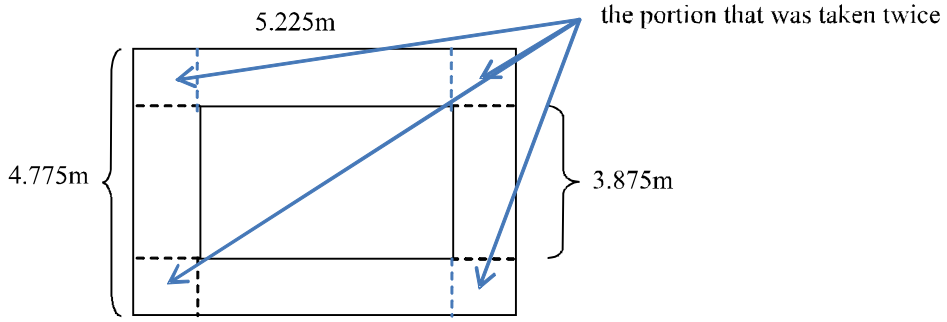
Audit examination of estimates revealed that two different amounts for the roofing structures was provided for first lot of Kitchen Sheds (245) as shown in the **Appendix – 1.1.7,** which was irregular and indicative of lackadaisical approach of the Department.

Further the estimated quantity was also faulty as the item 'Earthwork in excavation for foundation trenches in mixed soil' was estimated at 4.05 cum instead of 3.69 cum leading to enhancement by 0.36 cum per structure with an aggregated excess expenditure of ₹ 3.63[11] lakh

[11] *₹ 28.5 in item 'Earthwork in excavation for foundation trenches in mixed soil' of the estimate (0.36 cum excess @ ₹ 790/10) + ₹ 447.8 of item 'P/L hand packed stone soling' of the estimate (0.36 cum excess @ ₹ 1,244) = ₹ 476 for one kitchen and ₹ 3,61,188 for 763 kitchens*

for 763 kitchens already completed. This was owing to reckoning of corner portion twice, both in the length and breadth portion as shown below:

Chart – 1.1.10



The drawing of the roofing structure was faulty as AB and AD (as detailed in **Appendix – 1.1.8)** indicated to be of three metre size was contrary to Pythagoras Theorem of Trigonometry. This indicated unprofessional approach of the Department in implementation of such an important programme having a bearing on quality education.

As against the requirement of 16 GCI Sheets based on the design and drawings, the Department utilised 22 GCI Sheet leading to excess expenditure of ₹ 5,475 per kitchen on inflated use of 8 extra GCI sheets aggregating to an excess expenditure of ₹ 47.03 lakh for 859 kitchens.

Audit noticed that 23 kitchen sheds shown as constructed in equal number of schools under MDM programme involving ₹ 19.16 lakh as detailed in **Appendix – 1.1.9** were already having kitchens previously constructed under SSA funding. This not only led to unfruitful expenditure of ₹ 19.16 lakh but also indicated absence of coordination in the two wings of the Department located under the same roof. Besides, fictitious expenditure also cannot be ruled out.

1.1.12.8 Text Books, Uniforms and Exercise-books

Text books, exercise books and uniforms were provided free of cost to all children at Primary level in the State with a view to realise the goal of UEE. During the last five years, ₹ 5.34 crore was incurred towards procurement and distribution of text books as shown below:

Table – 1.1.10

Academic Year	Date of initial proposal	Amount sanctioned *(₹in crore)*	Date of issue of Supply Order	Date of opening of Session	Final date of receipt of text book at Store
2007	21.09.06	1.04	16.12.06	11.02.07	15.05.07
2008	18.10.07	0.99	14.02.08	18.02.08	15.05.08
2009	12.09.08	1.26	01.11.08	16.02.09	01.05.09
2010	17.06.09	1.02	14.12.09	15.02.10	25.06.10
2011	22.06.10	1.03	06.04.11	16.02.11	NA

Source : Information compiled from departmental records.

As would be seen from the above table, there was an abnormal delay in supply of text books to various schools ranging between three and four months. This not only deprived the students of the facilities but also hampered the completion of syllabus in time. The delay in timely supply of text books was mainly due to delay in processing the files in the Directorate and Secretary's office followed by delayed supply by the firm and finally by the school in-charges who were supposed to deliver the text books to the students.

Audit analysis revealed that every year the work was awarded to M/s Kwality Stores, Gangtok without following any NIT procedures and thereby restricting the transparency in violation of SFR.

Similarly, quotations in respect of uniforms were also not called for. The work was awarded to 7[12] different firms at previous years rate. The procurement, receipt and distribution of uniforms for the last five years are as below:

Table – 1.1.11

Academic Year	Date of initial proposal	Amount sanctioned *(₹ in crore)*	Date of issue of Supply Order	Date of opening of Session	Final date of receipt of uniforms at Store	Final date of dispatch of uniforms at schools	Delay
2007	19.08.06	5.73	28.09.06	11.02.07	29.03.07	26.07.07	5 months
2008	23.06.07	5.80	14.02.08 22.08.08	18.02.08	09.11.08	17.11.08	9 months
2009	15.10.08	5.33	05.11.08	16.02.09	29.03.09	04.08.09	6 months
2010	05.10.09	4.65	14.12.09	15.02.10	19.01.10	05.06.10	4 months
2011	22.06.10	5.49	13.06.11	16.02.11	*Not supplied as of 08/11*		

Source : Information compiled from departmental records.

As would be seen from the above table, there was an abnormal delay in supply of uniforms to various schools ranging between 4 and 9 months. So much so that during 2008 the uniforms were supplied at the end of the academic session thereby depriving the students of intended benefit. No penalty was imposed to the firm against delay.

The Department stated (November 2011) that penalty clause was incorporated with effect from 2011 session.

1.1.12.9 Loss due to fire accident at departmental store

A fire broke out (January 2010) at Tashi Namgyal Secondary School Compound, Gangtok and destroyed uniforms worth ₹ 94.19 lakh. The one man commission (Shri D. Anandan, District Collector, East) in its report (March 2010) cited accidental short circuit as the cause of fire and recommended for construction of an appropriate and exclusive store room with modern facilities of storage, adequate space and lighting with provision for fire-fighting equipment. Audit scrutiny revealed that even the barest minimum precaution to install fire fighting equipment had not been taken by the Department to salvage the material in the eventuality of

[12] *1. M/s Naresh Commercials, 2. M/s Kalimpong Stores, 3.M/s Ashim Enterprises, 4.M/s Yessir Collections, 5. M/s Variety Corner, 6. Chirinjilal Banwarilal and 7. M/s North East Agencies, Gangtok.*

fire. This was despite occurrence (2007-10) of losses in the store worth ₹ 2.62 lakh due to damp and dilapidated condition of the store. The Department had not complied with the recommendations of the Committee as on date to ensure safety of stock material and recurrence of such incidents in future.

1.1.12.10 Utilisation of foodgrain

Provisioning of mid-day meal under National Programme of Nutritional Support to Primary Education (NPNSPE) was one of the important means for ensuring compulsory enrolment, retention and extending nutritional support. Accordingly, under the programme, foodgrain were allocated to the State Government for providing cooked meal to the EE children. Audit analysis revealed that:

- The quantity of foodgrain allocated was not lifted leading to short lifting of 2,179 MT costing ₹ 1.23 crore as indicated in **Appendix – 1.1.10**.
- There was a mismatch between the meal served and the foodgrain shown as utilised as detailed in the **Appendix – 1.1.11**. During the last five years the number of meals served was shown as 8,61,36,904 as against the actual of 7,68,73,352 resulting in inflated reflection of 92,63,552.
- Similarly, mismatch of cooking cost with the utilisation of foodgrain were also noticed as detailed in **Appendix – 1.1.12**. The cooking costs were inflated by ₹ 1.93 crore in two years (April 2008 to December 2008 and April 2009 to December 2009) leading to excess payment and were shown less by ₹ 6.87 crore during April 2006 to December 2010 indicating that the cooking cost claimed by the school authorities and admitted by the Department was devoid of any references to actual usage.

The Department stated (November 2011) that proper planning would be done to lift the entire quantity of foodgrain in future. Regarding mismatch of figures, the Department stated that the schools would be instructed to rectify the position.

1.1.13 Monitoring and Evaluation

Monitoring and Evaluation is the pre requisite for success of any programme/scheme as it facilitates identification of shortcomings and bottlenecks as the implementation of the schemes and programmes and, also, the initiation of remedial measures in time.

Audit noticed that the monitoring system in the Department was neither prescribed nor put in place till recently. Department devised monitoring mechanism as late as 2010 for the inspection of the schools by the Assistant Directors. Six schools each were to be inspected by the Assistant Directors every month and reported to Headquarters office through the Joint Director of respective districts. The abstract of the report was discussed in the Coordination meeting of the Department and remedial action, if any, was to be initiated. However, test check of the abstract compiled by the Head Office indicated shortage of drinking water and shortage of teachers only. No action was initiated on the report especially with regard to the posting of teachers in deficient schools. Besides, following issues were also noticed:

- ***State Advisory Committee:*** RTE Act (Section 34) read with RTE Rules (Section 26) prescribed (August 2010) the constitution of State Advisory Committee (SAC) consisting of Chairperson (Minister, HRDD) and fourteen members (four SC/ST and minorities, one each from specialised knowledge and practical experience of education of children with special needs and specialised knowledge in pre-primary education and two with specialised knowledge in Teacher Education). Audit noticed that SAC was yet to be constituted as of October 2011 in the absence of which expert opinion and suggestions from the Advisory Committee was not forthcoming for effective implementation of the RTE Act in the State.

- ***State Quality Education Committee:*** A seven member State Quality Education Committee (SQEC) was constituted (January 2010) by the State Government to oversee the quality aspects of education in close coordination with the State Academic Core Group, TSG (Pedagogy) and Ed.CIL, New Delhi. The duties and responsibilities of the Committee included (i) conduct Baseline Assessment Survey at the elementary level; (ii) prepare Training modules for teachers; (iii) organise training programmes for teachers; (iv) prepare Perspective Plan on Quality Education for three years with effect from 2010; and (v) prepare Annual Work Plan and Budget for Financial Year 2010-11.

  Audit checks however, revealed that the Committee had not been constituted as of October 2011 and thus the important areas of quality education remained neglected. This also affected preparation of PP, training modules for teachers, baseline survey except one by State Institute of Education under SSA in February 2011.

- ***SCERT as academic consultant:*** The RTE Act (Section 29) envisaged upon the State Government to appoint Academic Authority for laying down the curriculum and evaluation procedure for elementary education. While the Central Government appointed (March 2010) the National Council of Education and Research and Training (NCERT) as the academic authority to lay down the curriculum and evaluation procedure for elementary education, the State Government appointed (September 2010) State Council of Education Research and Training as the academic authority with stipulation to lay down curriculum and evaluation procedure; formulate the relevant and age appropriate syllabus and text books and other learning materials; develop in-service teacher training design, prepare guidelines for putting into practice CCE; prepare bench marking of academic achievement in schools, diagnose classroom transactional analysis and hard spots and develop relevant support system for schools. The academic authority shall also design and implement a process of holistic school quality assessment on regular basis.

  Audit scrutiny revealed that the SCERT was not formed as of July 2011. Pending its operationalisation, the SIE (assigned to discharge the function of SCERT) had not addressed the issue of developing in-service teacher training design, bench marking of academic achievement in schools, diagnosis of classroom transactional analysis and hard spots and developing of relevant support system for schools, etc. As a result, the holistic school quality assessment design purported to be developed by the SCERT

remained only partially fulfilled.

Absence of full time academic body also led to non-initiation of any work towards Learning Improvement Programme (development of language) taken up since 2008-09 under Comprehensive Quality Vision and Framework (CQVF). This was despite fund availability of ₹ 10 lakh and Department's own perception that learning outcomes of government schools' children needed improvement.

- ***Text books and uniforms:*** Text books and uniforms were provided free of cost to all children at Primary level in the State. For timely distribution of the text books, exercise books and uniforms, proper monitoring was important which should have been developed by the Department. The Department however, had not formulated any monitoring mechanism for timely distribution of text books, exercise books and uniforms due to which complete books were not provided to the schools at the commencement of the new sessions in any of the years under review. The uniforms for the academic session 2011 were not yet distributed (September 2011) except shoes and shirts during July-August 2011.

- ***Sarva Shiksha Abhiyan:***Monitoring of the implementation of the SSA programme was to be done at two levels, i.e., local level and State level. Professional institutes were also required to be involved with supervision and monitoring of SSA. To facilitate effective monitoring, quarterly and six-monthly reports were to be obtained from District Project Officers (DPO), etc. for consolidation at the State level. It was noticed in Audit that the monitoring was severely lacking as local level monitoring by Village Education Committees was almost absent and SPO had not attempted any evaluation of quality improvement of education as envisaged in the SSA guidelines. No report indicating any monitoring ever conducted by the professional institute (University of North Bengal) was produced to Audit. No Action Plan was ever drawn for monitoring of SSA activities by the DPOs and SPO. Even General Body and Executive Committees had not attempted any evaluation studies to gauge the success of the programme. This was indicative of the fact that emphasis was more on spending than monitoring the progress of SSA in bringing down number of out-of-school children and improving quality of education, etc.

- ***Mid-Day Meal:*** The programme (MDM) guidelines *inter-alia* stipulated (Paragraph 3.2) setting up of Steering-cum-Monitoring Committees for proper implementation of the programme, assess its impact, take corrective steps and provide policy advice to State Government. Audit noticed that not only the State Steering-cum-Monitoring Committee was constituted belatedly in September 2009 as against the stipulation of September 2006; only one meeting of the Committee was held (November 2010) which was also not followed up as the monthly feedback on monitoring by the Committee was not adhered.

- ***Special provision for children not attending elementary education:*** Based on the stipulation in the Right to Education (RTE) Act, the Rules framed by the State

Government provided for special training to the children who did not attend the EE. Accordingly, training was imparted to 230 (out of 814) children for six months between 14 November 2010 and 08 May 2011 involving an expenditure of ₹ 23 lakh (₹ 10,000 per child). It was seen that the students were imparted training and inducted into classes appropriate to their age. However, the special attention required to be given after admission into the appropriate class was not forthcoming as a result, 159 students discontinued their studies. The Department had not taken up any study to gauge the progress and performance of the students admitted in the appropriate class considering their ages. Thus, while the State did commendable job in identifying the children with special requirement and trained them to enable them to be admitted into the class appropriate to their age, absence of continuous support and special attention by the respective schools led to discontinuation of 159 students.

- ***Quality monitoring format:*** The National Curriculum Framework 2005 articulated the need for substantial improvement in the quality of education through monitoring formats prescribed by MHRD (September 2005) for adherence by all the State Governments. The format was partially implemented by the Department through Cluster Resource Centres. While the quality monitoring formats were not filled up in full, no action was ever initiated to address the issue of qualitative improvement in schools despite being reported in the quality formats.

- ***Civil Works:*** Monitoring mechanism in place for expeditious execution of works relating to construction of school buildings, water supply, toilets, etc. was inadequate. The schedule of inspection by Divisional Engineers, Superintendent Engineers, etc. were neither drawn up nor the inspection report ever submitted to higher authorities for ensuring expeditious and qualitative execution of works. Only monthly progress reports were submitted by the Divisions to the Chief Engineers through their Circle offices. However, no effective step was taken to ensure timely completion of works. As a result, a number of works remained incomplete as pointed out in paragraph 1.1.12.1.

- ***Evaluation:*** Department had not conducted any evaluation of the education system in the State of Sikkim for gauging the success or failure of the various efforts initiated by the Government for improving access, equity and quality elementary education.

1.1.14 Conclusion

The State was relatively successful in providing access for elementary education to all, equitable access to boys and girls and rural and urban children. Despite high priority accorded to education sector in budgetary allotment, small class size and availability of large number of teachers leading to favourable PTR; the performance of students were far from satisfactory as only 40 to 50 per cent class V children could do simple division and read standard II text; 30 to 40 per cent of class III students could do subtraction and could read standard I text. Maximum students fell under average and below average category and teachers were graded between C and D as per ADEPTS study indicating average quality primarily owing to lack of desired qualification and training and low commitment of the

teachers. The other areas of concern were high drop- out rate, considerable number of out-of-school children, children with special needs and concentration of teachers in urban areas which needs to be addressed by the Government in a more focused manner.

1.1.15 Recommendations

- State Education Policy duly reflecting the specific needs and aspirations of the State Government should be prepared expeditiously;
- Special emphasis should be accorded to bring back all Out of School Children and Children with Special Needs to formal educational system and contain the drop-out rate;
- Intensive efforts should be initiated to enroll the children to the school as per appropriate age and retain them in the education system to improve the Gross and Net Enrolment Ratio;
- Appropriate steps should be initiated to improve the performance of students and grading of teachers to ensure quality teaching-learning process in the State.
- Rational deployment of available teachers and their training should be completed expeditiously;
- Timely completion of the infrastructure such as School buildings should be ensured to avoid blockage of fund and accrual of intended benefits to the children;
- Monitoring mechanism should be further strengthened by efficacious utilisation of Advisory and Monitoring Committees at all levels to ensure imparting of quality education to the children.

LAND REVENUE & DISASTER MANAGEMENT DEPARTMENT AND URBAN DEVELOPMENT & HOUSING DEPARTMENT

1.2 Acquisition and Allotment of Land

The requirement of land for developmental activities in Sikkim increased manifold over the past few decades due to increase in human population and a paradigm shift of social and economic development from primarily agriculture to industrial and service based sectors. Proper management of available land for habitation and infrastructure building was therefore of paramount importance for the State which had only about 15[13] per cent of the total land surface available for human use. More than ₹ 50 crore was spent by the State Government every year for acquisition of land. The Central Government did not extend any financial assistance towards acquisition of land for creation of infrastructure. Careful use of the State's scarce financial resources was of equal importance considering the State's poor revenue base

[13] *15 per cent (1,100 sq. km) habitable land. 85 per cent (5,996 sq.km) of the State's land being located in inhospitable climatic zones, forest areas, water bodies, rocky mountainous surface, etc. is not habitable.*

as Central transfers constituted more than 80 per cent of the State's receipts. Hence, a judicious policy and a well thought-out strategy was called for towards acquisition, management and appropriate use of available land and sensible use of the State's meagre financial resources. Performance audit on acquisition of land by the Land Revenue & Disaster Management Department and allotment of house sites by Urban Development & Housing Department was undertaken bearing in mind the above facts and with a view to examine the robustness of existing land policy and the economy and effectiveness of planning and execution processes for acquisition / allotment, utilisation and management of Government land. Major audit findings are highlighted below:

The Land Revenue and Disaster Management Department had not formulated any policy relating to acquisition and management of Government land till date. There was no perspective plan relating to acquisition of land by Government for developmental activities. Acquisition was done on piece meal basis as and when requisitioned by Government Departments.

(Paragraph 1.2.6.1)

There was loss of Government revenue of ₹ 82.16 lakh due to short realisation of site salami. Government sustained revenue loss of ₹ 11.42 lakh due to collection of site salami at concessional/pre-revised rate.

(Paragraphs 1.2.7.2 & 1.2.10.10)

Erroneous assessment due to simple calculation errors in nine cases resulted in extra expenditure of ₹ 22.14 crore.

(Paragraph 1.2. 8.2)

Government incurred unnecessary and avoidable expenditure of ₹ 3.62 crore towards solatium *(incentive payable to unwilling land owners)* although land owners were willing to sell their land.

(Paragraph 1.2.8.3)

Arbitrary enhancement of Government rate of land resulted in undue favour to land owners and consequent extra expenditure of ₹ 1.79 crore on purchase of 21.2694 hectare land at high rates.

(Paragraph 1.2.8.4)

Government had not formulated any policy for allotment of land (house sites) till date. The allotment was based on an Act which did not provide any firm criteria for selection of beneficiaries and ceiling for allotment. In the absence of above, allotment was done arbitrarily.

(Paragraphs 1.2.10.2 to 1.2.10.5)

Centralised databank of all the land purchased by the Government so far had not been maintained. It was not clear how much land Government owned as on date.

(Paragraph 1.2.11.3)

1.2.1 Introduction

Government is in constant and increasing need of landed area for implementation of various developmental schemes like construction of roads, bridges, buildings, educational institutions, hospitals, airports, industrial hubs, etc. Land for these purposes is usually acquired from the public after paying compensation in lieu of losses incurred by the land owners due to surrendering their land. In Sikkim, the Land Revenue and Disaster Management Department (LRDMD) is the nodal Department for acquisition of land on behalf of the Government. Land is acquired at rates notified by the LRDMD from time to time if the land owner agrees to sell his/her land willingly. However, in the event any land owner is not willing to sell his/her land, acquisition is effected after paying compensation of land and standing properties and additionally, a solatium[14] as cash incentive in terms of provisions of the Land Acquisition Act, 1894. During the five year period 2006-11, Government incurred ₹ 354 crore towards land acquisition. The total area of land purchased during 2006-11 as also the total ownership of Government land, however, could not be ascertained in audit due to non-maintenance of proper records and absence of organised data bank of land under the possession of the Government.

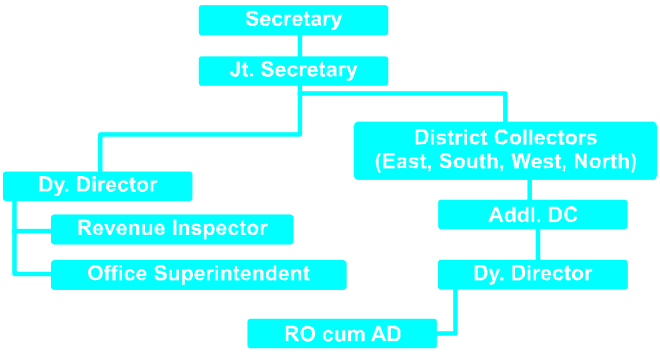
To provide for allotment of house sites, regularisation of construction, alterations and repair of buildings and to bring about equitable and proper distribution of house sites and promote planned, organised and systematic growth of towns and bazaars in Sikkim and matter connected therewith, *the Sikkim Allotment of House Sites and Construction of Building (Regulation and Control) Act, 1985* was notified by the Government of Sikkim on 28 June 1985. In terms of the provisions of the said Act, Government allotted sites in notified urban areas to applicants on payment of *site salami*[15] as notified by the Government. Allotment of sites was restricted to one site per family only. The Urban Development and Housing Department (UDHD) is the nodal department for allotment of house sites and its regularisation.

1.2.2 Organisational structure

The Land Records, Reforms and Land Acquisition Cell of the Land Revenue and Disaster Management Department (LRDMD) is responsible for acquisition of land in the State. The Department is headed by a Commissioner-cum-Secretary and assisted by a Joint Secretary and Revenue Officer at the State level, 4 District Collectors, 5 Sub-Divisional Magistrates and a number of Revenue and other officers at District and Sub-Divisional levels as depicted below:

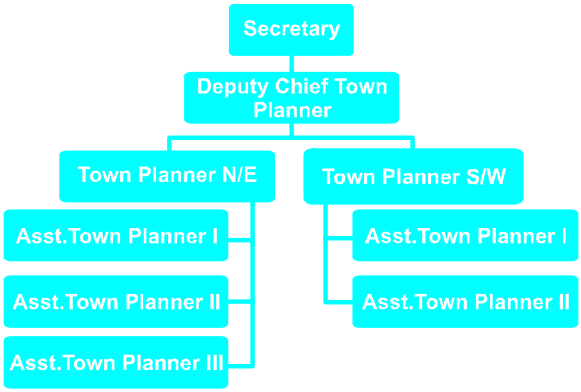
[14] *Solatium is a cash incentive amounting to 30 per cent of the market value of land paid to unwilling land owners.*
[15] *Site salami – Amount payable by a person in lieu of allotment of site under provisions of the Sikkim Allotment of House Sites and Construction of Buildings (Regulation & Control) Act 1985.*

Chart – 1.2.1



The Urban Development and Housing Department (UDHD) is responsible for allotment of house sites in the State. The Department is headed by Commissioner-cum-Secretary and assisted by one Deputy Chief Town Planner, two Town Planners and five Assistant Town Planners as shown below:

Chart – 1.2.2



1.2.3 Audit Objectives

Performance audit on acquisition and allotment of land by Government was undertaken with the objectives of:

- Examining the existence of land management policy and assessing its adequacy and effectiveness in acquisition, allotment and subsequent utilisation;
- Assessing the efficiency and economy in assessment of land compensation;
- Assessing the process of registration, mutation and handing over of acquired/allotted land;
- Assessing effectiveness of implementation of provisions of *the Sikkim Allotment of House Sites and Construction of Buildings (Regulation and Control) Act, 1985;*
- Assessing the adequacy and effectiveness of the processes for inspection, reporting, monitoring and evaluation for the lands acquired / allotted.

1.2.4 Audit Criteria

The audit observations were benchmarked against the following criteria:

- Land Acquisition Act, 1894 and Rules made thereunder;
- Government Rules/orders relating to acquisition and allotment of land;
- Supreme Court Rulings in determining compensation for acquired land;
- Provisions of the Sikkim Allotment of House Sites and Construction of Buildings (Regulation and Control) Act, 1985;
- Provisions of the Sikkim Agricultural Land Ceiling and Reforms (Amendment) Act, 1978.

1.2.5 Scope of Audit and Methodology

Records maintained at the Office of the Secretary, Land Revenue and Disaster Management Department (LRDMD) including the four District Collectorates *(East, South, North and West)* and the Urban Development and Housing Department (UDHD) for the period 2006-07 to 2010-11 were examined in audit. Performance Audit commenced in May 2011 with an entry conference with the Departmental authorities and concluded in August 2011 with an exit conference. A sample of 82 land acquisition cases (30 *per cent*) was selected for examination in audit out of the total of 272 cases during 2006-11, following a stratified simple random sampling[16] method without replacement. Similarly, out of the 281 cases of allotment of house sites during 2006-11, a sample of 40 *per cent* of the cases (112 cases) were selected and examined in audit.

1.2.6 Policy and Planning

1.2.6.1 Land Management Policy

The Land Revenue & Disaster Management Department (LRDMD) despite being specifically mandated to deal with all matters relating to settlement of all Government lands *(excluding Forest and UDHD)*, regulation of land tenure, assessment and disbursement of land compensation, maintaining land records including mutation, land reforms, land revenue administration, land requisition & acquisition and disaster management had not formulated any policy relating to acquisition and management of Government lands till date. There was no long-term planning relating to acquisition of lands keeping in perspective the mission of the Government for overall development of the State. Land acquisition was done on piece meal basis as and when requisitioned by the indenting Departments. The LRDMD did not even have a consolidated databank of all lands possessed by the Government essential for development planning and framing of policy initiatives. Even the classification of land for determining cost per unit area at various points of time was outdated as it was done solely on the basis of agricultural productivity although the State had made tremendous strides in industrialisation

[16] *272 cases stratified into 3 groups based on money value. Stratum 1- cases above ₹ 1 crore (30 cases selected), Stratum 2 - ₹ 50 lakh to ₹ 1 crore (26 cases selected), Stratum 3 – below ₹ 50 lakh (26 cases selected)*

and urbanisation over the past few decades.

1.2.6.2 Determination of rate of compensation

The LRDMD normally applied the following methodology for determining the rates for acquisition of land - (i) rate notified by the Government (LRDMD) from time to time based on agricultural productivity, where the land owner agreed to sell his land willingly (ii) in the event the land owner was not willing to sell land at the Government notified rate, acquisition was effected after determining the prevailing market rate in terms of Section 23 of the Land Acquisition (LA) Act, 1894. For the purpose of determining Government rate, land was classified into three broad categories: paddy field, cardamom field and banjho land (barren land). There was no prescribed formula or methodology for determining Government rates of these three types of land. No norms had been laid down for regular and periodical revision of the rates. Audit scrutiny revealed that Government rate was not updated regularly at fixed intervals of time. The rates were enhanced and reduced arbitrarily without following any rationale or established procedure.

1.2.6.3 Unjustified fixation of land rates for PMGSY road construction

For construction of rural connectivity road under PMGSY, the LRDMD applied the uniform rate of ₹ 1.00 lakh per acre (₹ 2.47 lakh /hectare) fixed by the Rural Management & Development Department (RMDD) irrespective of the circle and classification of land, as mentioned above. This uniform rate was much less than the Government approved rates and prevailing market rate resulting in protests from land owners from time to time. It was not known how and on what basis this uniform rate was arrived at. The rate of ₹ 1.00 lakh per acre was neither based on any Government notification nor on prevailing market rate of the locality. The LRDMD was the nodal agency for land acquisition, fixation and implementation of the market rate of land in the State. Acceptance and adoption of the rate proposed by the indenting department was therefore irregular and beyond the provisions of the LA Act which resulted in deprival of just and fair land compensation to the land owners in the State.

1.2.6.4 Absence of disaster management policy

The State of Sikkim is located in the young Himalayan belt with fragile land mass, high seismicity and heavy annual precipitation. In terms of the seismic zoning map of India, Sikkim is located in zone IV where earthquakes of intensity above 5 in the Richter scale are expected to occur. The State receives torrential rains almost throughout the year totalling 3,800 mm annually. Although the State is prone to frequent disasters resulting from landslides, flash floods and earthquakes, the aspects relating to land stability and vulnerability to disasters were not addressed at the time of acquisition of lands by the LRDMD. No disaster management policy and plan and vulnerability index of different areas of the State to different types of calamities resulting from fragility of land mass had been framed although the Department had been specifically mandated by the Government to address the disaster management aspects. This led to acquisition of unsuitable and unstable lands at substantial costs time and again as elucidated below.

1.2.6.5 *Absence of system for ensuring land suitability*

The Department of Information Technology, Government of Sikkim initiated (November 2006) a proposal for establishment of an Information Technology (IT) Hub / Park in Sikkim at an estimated cost of ₹ 25 crore for creating all infrastructure required for development of IT Industries in the State with the ultimate mission of developing the State into a world class IT hub. The IT Department requested (February 2009) the District Collector, East to identify and acquire 4-5 acres land in and around Gangtok and advanced (March 2009) ₹ 40 lakh to the LRDMD for the purpose. The DC (East) forwarded (September 2009) details of 2.4380 hectares of land identified for acquisition at the cost of ₹ 1.63 crore and accordingly requested the IT Department to release payment of ₹ 90.53 lakh so that 80 *per cent* advance could be made to the land owners. The IT Department transferred (March 2010) another instalment of ₹ 40 lakh to the LRDMD totalling ₹ 80 lakh towards advance for acquisition of the land. The LRDMD had not determined the suitability of the land till that time for establishment of the IT hub. The IT Department on its own initiative approached the Mines and Geology Department (MGD) for examining the suitability of the identified site for establishment of the IT hub. After conducting survey the MGD reported (May 2010) that the identified site was unsuitable for establishment of the IT Park and advised the IT Department to look for an alternate site. As of October 2011, the matter was lingering in a state of inaction and uncertainty as no further steps had been taken while funds of ₹ 80 lakh were lying idle with the LRDMD, outside Government Account. Had there been a system to ascertain land stability at the very outset simultaneously with identification of site, the uncertainty and consequent delay could have been avoided. The proposal for establishment of IT Park in the State initiated as early as November 2006 was thus delayed by more than 4 years due to non-existence of policy for determination of site stability simultaneously with acquisition of land. The delay resulted in non-accrual of timely benefits, besides blocking of funds.

1.2.6.6 *Acquisition of land invoking urgency clause without plan for immediate utilisation*

Considering the completion of Airport at Pakyong in near future, the State Government decided to create industrial infrastructure mainly of agro based industries, information technology and other services like education and hospitality in and around the proposed Pakyong Airport. Accordingly, Government decided (November 2009) to acquire 1,000 acres land for developmental purposes in the area and instructed the LRDMD to complete acquisition by December 2009. The LRDMD identified total 782.85 acres land *(396.13 acres in phase-I and 386.72 acres in phase-II)* involving compensation of ₹ 103.28 crore for which final payment was made to the land owners by June 2010. However, neither any detailed project report (DPR) nor any plan for utilisation of the acquired land had been prepared (October 2011) although the acquisition had been done invoking urgency clause (Section 17) under the LA Act. Thus, the acquisition of 782.85 acres land involving ₹ 103.28 crore was done without any detailed plan or prospects for its urgent utilisation.

1.2.6.7 *Holding of land in excess of prescribed limit*

The Sikkim Agricultural Land Ceiling and Reforms (Amendment) Act, 1978, *inter alia*, envisages that a person having no family or a family consisting of not more than five members could hold land not exceeding twelve and half standard acres. In case of a person having family consisting of more than five members, the ceiling limit of holding of land was twelve and half standard acres increased by two standard acres for each member in excess of five. However, the ceiling area could not exceed twenty and a half standard acres in any case. The land in excess of ceiling limit would vest absolutely in the State free from all encumbrances.

Scrutiny of ownership data of land in the Department revealed that in 66 cases, land owners were holding land more than the prescribed maximum limit of twenty and a half standard acres. No action had been taken by the Department to ensure that land in excess of the prescribed ceiling was vested in the State free from all encumbrances. This indicated absence of control in the Department to check holding of land in excess of limits prescribed by the Government and taking possession of such excess lands by the State for fulfilling its overall developmental agenda for the people of the State.

1.2.7 Financial Management

1.2.7.1 *Improper fund management on land acquisition by LRDMD*

There was no centralised budgeting system in the State for purchase of land required by Government. Individual departments make provisions in their respective budget heads towards acquisition of land required by such departments and then transfer the amount to the LRDMD on the basis of land compensation assessed by the LRDMD through respective District Collectorates. The transferred fund is parked in a Bank account maintained by the LRDMD and finally transferred to the concerned District Collectorates for disbursement to the land owners. The funds received from different indenting departments/other agencies/parties and expenditure there against during the period from 2006-07 to 2010-11 by the LRDMD was as under:

Table – 1.2.1

(₹ *in crore*)

Year	Opening Balance	Fund received	Total	Expenditure incurred	Closing Balance
2006-07	8.63	15.98	24.61	11.98	12.63
2007-08	12.63	66.72	79.35	63.86	15.49
2008-09	15.49	56.64	72.13	55.38	16.75
2009-10	16.75	147.95	164.70	111.34	53.36
2010-11	53.36	104.52	157.88	111.45	46.43
Total	**391.81**		**354.01**		

(Note: Fund received from indenting departments including companies, corporations and other parties)
(Source: Cheque Register/Bank statement and information furnished by the Department)

As can be seen from above, balances in the range of ₹ 12.63 crore to ₹ 53.36 crore were available with the Department at the close of each year. Despite the huge quantum of funds parked regularly in the Land Compensation Account outside the Government Account, no guidelines had been framed towards operation and investment of this account. The funds were

kept in current account instead of Savings Account which resulted in loss of regular revenue from interest. Further, non-investment of balances available in the Land Compensation account in FD led to loss of interest of ₹ 1.92 crore during 2006-09. Only during 2009-11, the Department earned interest of ₹ 1.57 crore by investing available balances in FD. Further, no bank reconciliation had ever been done and no cashbook maintained. Only a register of cheques was maintained for recording receipts and disbursements from the account.

1.2.7.2 Short realisation of site salami on allotment of house sites by UDHD

In case of allotment of house sites by the UDHD *site salami*[17] was realised from the allottees and directly credited into the Government account. The position of realisation of site salami for house sites allotted to various applicants during the period 2006-11 was as under:

Table – 1.2.2

(₹ in lakh)

Year	No. of sites allotted	Amount realised towards site salami
2006-07	13	2.51
2007-08	25	4.15
2008-09	108	26.47
2009-10	46	14.94
2010-11	89	64.02
Total	**281**	**112.09**

Against the total allotment of 281 house sites involving site salami of ₹ 112.09 lakh during the period 2006-2011, in 110 allotment cases (39 *per cent)*, the UDHD realised site salami at rates lower than the actual notified rates by the Government from time to time resulting in short realisation of Government revenue of ₹ 82.16 lakh (details in **Appendix – 1.2.1)**. The short realisation ranged from ₹ 0.06 lakh to ₹ 6.86 lakh per allotee.

1.2.8 Implementation of land acquisition

Out of 272 land acquisition cases during 2006-11, a sample of 82 cases was examined in audit. The acquisition of land by the LRDMD was characterised by failure to ensure timely registration and mutation of lands acquired by Government leading to ownership disputes, encroachment and litigation; irregularities in arriving at the cost of land due to errors in calculation, unwarranted payment of solatium to landowners willing to sell their lands; arbitrary enhancement of government rates of land to extend favour to a few land sellers; irregular upward revision of rates leading to excess payments; non-adherence to orders of Supreme court for determining cost of large chunks of lands as compared to small plots, etc. The audit findings are highlighted below:

1.2.8.1 Failure to ensure ownership of Government land and lack of proper vigil

Proper maintenance of systematic records and strict vigil of Government assets are a must for ensuring ownership and safe custody of Government land. Time and again the State

[17] *Site salami – Amount payable by a person in lieu of allotment of site under provisions of the Sikkim Allotment of House Sites and Construction of Buildings (Regulation & Control) Act 1985.*

Government *(August 1990; December 2000; May 2008)* instructed all heads of Government Departments for timely mutation, registration, maintenance and proper fencing of all Government land vested under various Departments to avoid encroachment and litigation due to want of proper ownership records. After acquiring land, the acquired land was to be registered and mutated in favour of Government or the acquiring department and proper land records like plot number, khatian number, etc. obtained at the time of obtaining Records of Right (ROR).

Despite repeated Government instructions, the heads of various Departments took no substantive action to mutate and register lands acquired by the Government at substantial cost. This resulted in litigation cases due to want of proper ownership documents. In 76 cases involving 60.2455 hectares land in respect of four departments[18], the land was not registered and mutated in favour of the Department/Government. Further, in three cases involving three departments[19], the matter was under litigation due to dispute over title of land and encroachment. Thus, failure on the part of the Department to register and mutate the acquired land in favour of the Government/department led to encroachment and ownership disputes. It was further noticed that 81 individuals had irregularly occupied land belonging to the Energy & Power Department at different locations *(Sangkhola, DPH Colony and LLHP Main Colony)* of East district. In Sangkhola, 24,501 sft of Government land was encroached by 23 individuals *(encroached area ranging from 375 sft to 1,800 sft per individual)*. The Department had neither taken legal action nor evacuated the illegal occupants. No details of total area encroached by 58 individuals in DPH area and LLHP area were available with the Department. Thus, failure to maintain strict vigil of Government lands despite repeated instructions from the Government led to illegal encroachment by the 81 individuals.

1.2.8.2 Erroneous assessment leading to avoidable excess expenditure

Although for the purpose of fixation of market rate and assessment of land compensation, different levels of sub-ordinate staff/officers *(Survey Inspector, Revenue Officer, Sub-Divisional Magistrate, District Collector)* were involved in the Department, segregation of duties with a fixed percentage of checking at each stage had not been prescribed. Scrutiny of records revealed that in 9 cases extra expenditure of ₹ 22.14 crore had to be incurred by the Government due to erroneous assessment such as simple calculation mistake, etc. The assessment done by the lowest level officer was rarely checked by officers at higher levels. Hence, connivance of the field officers with the land owners to inflate cost of land and thereby extend undue financial benefit could not be ruled out. Case-wise details of the incorrect assessment are annexed in **Appendix – 1.2.2.**

1.2.8.3 Inadmissible payment of solatium resulting in extra/excess expenditure

Section 23(2) of LA Act stipulates that the court while determining amount of compensation to be awarded under the Act, shall award as solatium *(incentive to unwilling landowners)*, a

[18] *Health, Urban Development & Housing; Animal Husbandry and Horticulture Departments*
[19] *Health, Transport and Animal Husbandry Departments*

sum of 30 *per cent* of market value of land in consideration of the compulsory nature of the acquisition. The principle behind payment of solatium was to satisfy the land owners showing disinclination to part with their land. However, where the land owners willfully offered their lands for sale at an agreed market value, they could not claim any solatium. In none of the 82 land acquisition cases examined in audit was there any evidence in the records produced to audit that the land owners were disinclined to sell their lands. In seven cases, the land owners expressly offered their lands for sale to the Government. In the remaining 75 cases the Department without verifying the willingness or otherwise of the land owners, made payment of solatium. Even in the seven cases where the land owners expressed their willingness openly, the Department made payment of ₹ 3.62 crore towards solatium as detailed in **Appendix – 1.2.3**. This was grossly irregular indicating connivance of the departmental authorities with the land sellers in drawing unwarranted solatium payment from the public exchequer.

1.2.8.4 Extra expenditure due to unjustified enhancement of Government rate of land

There was no prescribed methodology or regulation in the Department to determine Government rates of various types of land for acquisition by the Government from time to time. This allowed scope for arbitrary fixation of rates by the Departmental authorities without any logical basis. The Head of the Department in January 2005 enhanced the Government rate of land by over 700 *per cent (e.g., from ₹ 0.84 lakh to ₹ 7 lakh per acre)* without assigning any justification. The rates were however, reduced by the Department after a year and a half in August 2006 by 350 *per cent (from ₹ 7 lakh to ₹ 2 lakh per acre)* stating that the earlier rates were too high. During the intervening period, Government acquired 21.2694 hectare land at the higher rate resulting in extra expenditure of ₹ 1.79 crore in three cases *((i) land acquisition for construction of Government college at Rhenock, East Sikkim (ii) land acquisition for construction of Agriculture Engineering and Post Harvest Technology College at Dikling, Pakyong, East Sikkim)* and (iii) *Construction of Jawagar Navodaya Vidyalaya (JNV) at Pakyong, Sikkim.* Sudden and unwarranted enhancement of Government rates of land during January 2005 to August 2006 by the departmental authorities indicated strong possibility of *mala fide* intention to extend undue favour to few landowners whose land was acquired during the period. This called for investigation by the Government.

1.2.8.5 Non-adherence to Government/Court order and consequent excess expenditure

In terms of the LA Act, in case of determination of compensation by comparable sales method, large areas of land acquired cannot be compared with sale transactions in respect of smaller areas of land. Wherever the market value of large area of land was to be determined based on sale transactions of small extent of land, the rate of smaller size of land was to be reduced by 40 *per cent* to arrive at the actual value of the larger size of land. In two cases[20] of acquisition of large area of land, the mandatory 40 *per cent* reduction in the value from the prevailing market value of small size of land was not effected resulting in excess expenditure of ₹ 1.28 crore.

[20] *Land acquisition for Tourism Department for construction of Cultural Village at Gangyang Dara at Ranka and Land acquisition for construction of guest house for NF Railway at Sichey, Gangtok.*

1.2.8.6 Irregular enhancement of Government rate of land

Prevailing market rate of land for acquisition by Government was to be fixed after taking the average of rates of land compensation cases that took place at the time of publication of notification in the Government Gazette under Section 4(1) of LA Act. There was no scope for any revision of rate once the prevailing market rate was determined. However, in two cases *(Acquisition of land for construction of Sikkim University and Acquisition of land at Sichey by UDHD)*, extra expenditure of ₹ 1.94 crore was incurred due to enhancement of market rate by the Department on the basis of representations made by the land owners, much after determination of the market rate.

1.2.8.7 Avoidable expenditure due to incorrect initial assessment

The Sports and Youth Affairs Department (SYAD) approached (February 2005) the LRDMD for acquisition of a suitable piece of land with the objective of construction of Khelgoan for the benefit of sportspersons and sports enthusiasts. The District Collector, East (DCE) identified 4.360 hectare of land at Resithang under Luing Block of East District and assessed (March 2007) its value at ₹ 2.38 crore *(@ ₹ 35.73 per sft)* inclusive of cost of standing properties, solatium and other charges under Section 4(1) of the Land Acquisition Act 1894. The compensation of ₹ 2.38 crore as assessed by DCE was approved and financial sanction accorded by the Government in March 2007. After approval of the proposal by the Government, the DCE reviewed (May 2007) the compensation already assessed (March 2007) and forwarded the revised assessment of the land at ₹ 1.75 crore *(re-assessed at ₹ 35.70 per sft for land situated within 100 ft from road and ₹ 25 per sft for land situated beyond 100 ft from road)*. Though the methodology adopted for the revised assessment of ₹ 1.75 crore by the DCE was accepted by the Department, the revised cost was not entertained on the grounds that the value of land assessed by the DCE in March 2007 had already been approved and financial sanction accorded by the Government.

The Department acquired a total of 4.4169 hectares land valuing ₹ 2.43 crore including additional acquisition (June 2009) of 0.0809 hectare at the same site *(@ 35.73/sft valuing ₹ 4.21 lakh)*. The entire compensation of ₹ 2.43 crore was released in September 2007 *(₹ 1.75 crore)* and November 2009 *(₹ 67.57 lakh)*. Failure to exercise due diligence at the initial stage itself by the DCE and reluctance to obtain approval and financial sanction of the Government by the Department for the revised assessment forwarded by the DCE in May 2007 led to avoidable extra expenditure of ₹ 61.49 lakh on acquisition of 4.4169 hectare of land for the construction of Khelgoan.

1.2.8.8 Absence of uniformity in assessment of prevailing market rate

In the case of *acquisition of land for the project 'Extension of Syari road to Kopitar'* the Department revised (January 2004) market rate from ₹ 60 /sft to ₹ 116 / sft on the request from landowners. Five years later (March 2010), in the same area, the market rate determined by the Department for acquiring land for the project was only ₹ 35.72 per sft This indicated arbitrariness of determining prevailing market rate by the Department. Taking the rate of

₹ 35.72 / sft, as basis, the Department incurred excess expenditure of ₹ 9.92 lakh on acquisition of 0.0834 hectares land for the project '*Extension of Syari road to Kopitar*' in March 2004.

1.2.8.9 Unjustified enhancement of market rate

The compensation of land measuring 3.0448 hectares located at Majuwa, Rangpo earmarked for various development purposes by UDHD was initially assessed for ₹ 2.84 crore at the rate of ₹ 40.53 per sft in April 2010. The rate was revised (May 2011) to ₹ 208.33 per sft on the basis of representation submitted by the land owners. The revised rate was worked out by the Department based on selected transactions at high rates which occurred during 2007, 2008 and 2009. The revised land compensation worked out to ₹ 9.23 crore against the initial assessed compensation of ₹ 2.84 crore representing an increase of 225 *per cent* (₹ 6.39 crore). However, calculation done in audit to determine actual prevailing market rate worked out to ₹ 20 per sft taking only the transactions that occurred during 2009 which were the nearest transactions to the date of notifications under Section 4(1) of the LA Act. The rate of ₹ 20 per sft was even less than the initial assessment of ₹ 40.53 per sft Thus, due to non-adherence to provisions of Section 23 of the LA Act while determining the prevailing market rate by the assessing authority, Government had to incur extra expenditure of ₹ 8.37 crore in a single assessment case (calculated at the rate of ₹ 20 per sft). Even if the Department had adhered to its initial rate of ₹ 40.53 per sft, they could have avoided an extra expenditure of ₹ 6.39 crore.

1.2.8.10 Delay in acquisition process and cost escalation

With the objective of linking MG Marg with Lal Bazaar and for creation of adequate public car parking facility at Gangtok, the UDHD approached the LRDMD in March 2002 for acquisition of land and building (Star Cinema Hall) at MG Marg, Gangtok. The DCE and Building and Housing Department assessed the total compensation at ₹ 2.78 crore in March 2004. The acquisition process however, could not be completed due to non-pursuance of matter by the LRDMD. After a lapse of nearly three years the LRDMD commenced the acquisition process again and assessed the revised value of the land/building at ₹ 5.27 crore in June 2008. The delay in effecting the acquisition process not only delayed the creation of link between MG Marg and Lal Bazaar and adequate parking facility in the capital town but also resulted in cost escalation of ₹ 2.49 crore. Similarly, in case of acquisition of land for Sikkim Central University (SCU) at Yangyang, the indenting agency not only had to pay extra amount of ₹ 1.05 crore due to increase in the value of land resulting from delay in the acquisition process, but also had to incur yearly expenditure of ₹ 1.15 crore towards rent for accommodation of office and allied activities in various private premises.

1.2.8.11 Excess projection of standing trees and inflated valuation of land

Land compensation, inter alia, included cost of standing trees. For removal of more than five trees for any non-forestry project, marking order from the Forest, Environment and Wildlife Management Department was required to be obtained before the removal of the trees. Although the assessing authorities included large number of trees for different road projects, in most cases, no marking orders were obtained from the Forest Department for removing the trees. In

24 land compensation cases in respect of construction of the PMGSY roads, the value of land assessed was ₹ 2.31 crore only while the cost of standing trees assessed was almost double – ₹ 4.43 crore as detailed in **Appendix – 1.2.4**. This indicated that large number of standing trees was included in the land compensation cases only to increase the value of compensation.

The following instances further corroborate the audit observation:

➢ Assessment of value of standing trees for construction of PMGSY road from Tintek to Tumin under Namrang was done twice due to inclusion of higher number of trees resulting in inflated cost of land. In the initial assessment, cost of standing trees was assessed at ₹ 54.50 lakh. This was drastically reduced to ₹ 33.65 lakh in a subsequent assessment, i.e., reduction of ₹ 20.85 lakh in a single case.

➢ For construction of PMGSY road from Nimtar to Mangthang, 951 standing trees were included in the assessment reports. The Department however, obtained marking orders from the Forest Department for removal of only 243 trees. This indicated that 708 excess trees had been included in the assessment report only to inflate the cost of land.

➢ In none of the cases, cost of standing properties was deposited into Government account despite huge expenditure on compensation of standing properties in each and every land compensation case. In the 24 land acquisition cases mentioned above, an amount of ₹ 5.48 crore had been paid to the land owners towards cost of standing properties *(cost of trees ₹ 4.43 crore; cost of buildings, etc. ₹ 1.05 crore)*. The cost of the standing properties after auction had not been deposited into Government account in any case as required under rules. The whereabouts of the standing properties were also not recorded.

1.2.8.12 Acquisition of land without ensuring availability of funds

The State Government took up various developmental activities without considering availability of funds for acquisition of land. Test check of records in the Roads and Bridges and Rural Management & Development Departments revealed that the two Departments had incurred financial liability (March 2011) of ₹ 6.96[21] crore towards compensation to the land owners in lieu of the land acquired by the Government. The non-availability of funds for timely compensation to the land owners was indicative of unplanned initiatives which led to deprival of rightful compensation to citizens who were compelled to part with their lands.

1.2.8.13 Unnecessary invoking of urgency clause (Section 17) and deprival of right of objection

Section 17 of the LA Act confers on the authorities a very extraordinary power under which once the appropriate authority is satisfied about the urgency of acquisition of land it dispenses with the normal procedure laid down in the Act and the right of the citizen to object under Section 5-A of the Act is then taken away. In case of urgency whenever the Government so directs, the Collector, though no such award had been made, may, on the expiration of 15 days

[21] *R&B: ₹ 4.59 crore and RM&DD: ₹ 2.37 crore*

from the publication of the notice mentioned in Section 9, sub-section (1); take the possession of any land needed for a public purpose. Such land shall thereupon vest absolutely in the Government free from all encumbrances.

Test check revealed that in 40 cases acquisition was done invoking the urgency clause under Section 17 of the Act, without determining the necessity of urgency for such acquisition. In all 40 cases, no possession of the land was taken within 15 days from the publication of notice. This was further corroborated by the fact that in two cases *(Acquisition of land for Sikkim Central University at Yangang and acquisition of land and building of Star Cinema Hall, MG Marg, Gangtok)* though the acquisition process was commenced in June / July 2008 under Section 17, the process had not been completed even as of June 2011 – more than three years of commencement of the acquisition procedure. Thus, application of Section 17 in all the above cases was unnecessary which deprived the right of the land owners to object under Section 5-A.

1.2.8.14 Non-publication of 'Preliminary Notice' for acquisition

Whenever it appears to the Government that land in any locality is needed or is likely to be needed for any public purpose, a notification to that effect should be published in the Official Gazette, and the Collector should cause public notice of the substance of such notification to be given at convenient places in the said locality. Thereupon it shall be lawful for any officer, either generally or specially authorised by such Government on that behalf, and for his servants and workmen to enter upon and survey and take levels of any land in such locality. Further, the notification should be published in two local newspapers including a regional paper. Despite this categorical requirement under the LA Act, no such publication of Preliminary Notice for acquisition was made in local newspapers and notifications displayed at convenient places in the locality. The notices were published only in the Government Gazette. Failure to adhere to the provisions of the Act involved risk of illegality in case of disputes.

1.2.9 Land Bank Scheme

State Government launched (August 1997) the Land Bank (LB) Scheme in 1997-98 for providing land to the *sukumbasis* (landless people) for cultivation and also construction of residential houses. Under the scheme, each landless beneficiary (*sukumbasi*) was provided with a small plot of land measuring not less than half an acre at a cost of ₹ 0.26 lakh in rural areas. The area of land to be provided was revised (2008-09) from 1,000 to 2,000 sqm and the financial implication revised from ₹ 0.53 lakh in 1999-2000 to ₹ 1.05 lakh in 2008-09. Land provided under the scheme was first to be registered and mutated in the name of the State Government and thereafter, the Land Revenue and Disaster Management Department was to execute a deed of settlement, in the form of a lease deed, between the State Government and the beneficiaries for a period of ninety nine years. The lessees were not permitted to transfer the leased property by way of sale or mortgage or gift or other mode of transfer. The lease was to be terminated and lessee evicted from possessing the land in case of violation of the above stipulation. Scrutiny of records relating to implementation of the Land Bank Scheme revealed the following:

1.2.9.1 *Failure to achieve target and blockage of fund*

Since inception of scheme in 1997-98 to 2010-11, Government approved and sanctioned ₹ 845.75 lakh for acquisition and allotment of land to 1,336 identified landless beneficiaries and transferred funds to the four District Collectorates (East: ₹ 242.55 lakh, South: ₹ 272.43 lakh, West: ₹ 287.72 lakh and North: ₹ 43.05 lakh). As of March 2011, the District Collectorates could distribute land to only 1,195 beneficiaries (89 *per cent*) at an expenditure of ₹ 724.40 lakh. Reasons stated for shortfall in achievement of target was due to non-availability of land. Thus, 141 landless *sukumbasis* were yet to be provided land under the scheme. Further, despite non-achievement of target and unspent balance of scheme funds of ₹ 121.36 lakh, the Land Revenue and Disaster Management Department continued to transfer funds to District Collectorates without ensuring availability of land and utilisation of fund already released.

1.2.9.2 *Non-drawing of lease deeds and irregular registration*

During the initial period of implementation (1997-98 to 2004-05), land was allotted to 497 beneficiaries of East and South districts and the land registered in the name of the Department. But the Department subsequently did not execute a lease deed in favour of the beneficiaries as envisaged in the Scheme. In the later part of implementation of the Scheme, the lease deed in respect of 333 cases (East: 154 and South: 179 cases) was executed directly in the name of the beneficiaries (instead of registering the land in the name of the Department and then transferring it in the name of the beneficiaries) in contravention of the scheme guidelines. The lease deed of 309 cases in respect of West district for the period from 1997-98 to 2010-11 was directly executed in the name of the beneficiaries contrary to the scheme guidelines.

1.2.9.3 *Absence of clear cut eligibility conditions for allotment of land under LB Scheme*

The objective of the LB Scheme was to provide land to the *sukumbasis* (landless people) for cultivation and construction of residential houses. However, the scheme guideline was silent about the actual meaning of the term '*sukumbasis*' except as 'landless people'. No clear cut norms were incorporated in the scheme guidelines relating to persons who became sukumbasi/landless due to acquisition of their landed property by Government or due to outright sale of entire landed property to other parties/individuals. Thus, no segregation of such type of landless people and real/actual landless people and eligibility criteria for entitlement of land under the Scheme had been laid down. Further, total requirement of land under the scheme vis-à-vis number of landless people should have been assessed and identified by the Government/Department each year for effective and timely implementation of the scheme. However, even after more than 13 years of implementation of the scheme, failure of the Government to identify suitable land for acquisition and onward allotment to sukumbasis resulted in non-achievement of target.

1.2.10 Allotment of House Sites

The Urban Development and Housing Department (UDHD) is the nodal department for allotment of house sites and its regularisation in urban areas. To provide for allotment of house

sites, regularisation of construction, alterations and repair of buildings and to bring about equitable and proper distribution of house sites and promote planned, organised and systematic growth of towns and bazaars in the State of Sikkim, *the Sikkim Allotment of House Sites and Construction of Building (Regulation and Control) Act, 1985* was notified by the Government of Sikkim in June 1985.

In terms of the Act, Government may allot sites in notified areas on application by any person in such form and in such manner as may be prescribed on payment of *site salami* as notified by the Government from time to time. Allotment of sites was to be restricted to one site per family.

Out of 281 allotment cases during 2006-11, a sample of 40 *per cent* of the cases (112 cases) was examined in audit. Audit scrutiny revealed non-existence of allotment policy keeping in perspective overall development and socio-economic upliftment of the people of the State, non-identification of detailed eligibility criteria, repeated allotment of house sites to the same individuals, absence of ceiling of size of land to be allotted, absence of complete details and bona fides of the applicants, favouritism in allotment of sites, etc. as elucidated in succeeding paragraphs.

1.2.10.1 Non-availability of data on land

The UDHD did not even have any databank of total land available with it in the urban notified areas for allotment of house sites. The house sites were allotted on the basis of plots identified by the applicants themselves. The Department had not segregated and indentified sites for residential, commercial or industrial purposes. Thus, the non-categorisation of land, allotment of house sites on ad-hoc basis and absence of databank resulted in haphazard growth of towns/bazaars, defeating the objective of development and promotion of planned, organised and systematic growth of town and bazaars in the State.

1.2.10.2 Absence of detailed eligibility criteria

No eligibility criteria like BPL, weaker sections of the society, Scheduled Caste/Scheduled Tribe, landless labourers, low income groups, eminent personalities, etc. were prescribed in the Act or in any Notification issued by the Government. Stringent selection procedure had also not been delineated for allotment of house sites. The only documents required for submission along with application for allotment of house sites were Sikkim Subject, certificates of 'No Housing Flat' from Housing Board and 'No Landed Property' from the concerned District Authority in Urban Areas. Any well off person from un-notified area could easily be eligible for being allotted house sites in the urban area based on the few conditions laid down in the Act. The beneficiaries were selected arbitrarily without following any method or logical basis to ensure equity and fairness. Even the few and flimsy conditions laid down in the Act were violated while awarding house sites, as elucidated in the paragraphs below.

1.2.10.3 Lack of proper checking for eligibility criteria before allotment

To avoid repeated allotment of site to any single individual/family, "No Landed Property in Urban Area" certificate from the District Authorities was one of the criteria for allotment of

house sites to the beneficiaries. Thus, while checking applications requesting allotment of house sites, 'no landed property in urban areas' certificate from all district authorities should have been invariably called for, irrespective of the sub-division or district to which the applicants belonged. Scrutiny of records however, revealed that the applicants submitted the "No Landed property in Urban Area" certificate from their concerned district authority only. In some cases, the applicants submitted the certificate from their concerned Sub-Division Office or BDO office only. Despite this fact the site allotment authority/ Committee approved the applications without verifying ownership of land in urban areas of other districts/sub-divisions by the applicants. Thus, lack of proper vetting of applications before allotment of sites gave rise to the possibility of selection of ineligible persons. Several cases of repeated allotment of house sites to the same individual/family were noticed in audit, which are highlighted below:

- Mrs. Champa Subba and Gurja Manger were allotted house sites measuring 600 sft each in February 2004 at Pakyong and again second lot of house sites of size 704 sft each in July 2008 at the same place (Pakyong).

- Shri Bishnu Bahadur Rai of Jeel block, West Sikkim was allotted three house sites *(two at Rinchenpong Bazaar and one at Jorethang Bazaar)* against the provision of one site per family.

- Smt. Sabitri Bhandari was allotted a house site measuring 1,200 sft at Lumsey in October 2008 though her spouse already possessed land and building at Pakyong bazaar.

- Shri Kiran Kumar Rasaily was allotted two house sites in 2005 at Development Area, Gangtok (1,368 sft) and Church Road, Gangtok (3,600 sft). Similarly, Shri Leela Pradhan was allotted a house site at Singtam measuring 225 sft in 2005 and again allotted 540 sft in 2006.

The above cases relating to the period 2006-11 are illustrative which were detected in audit on the basis of the skeletal information available with the Department. In the event of availability of detailed information, incidence of numerous such cases could not be ruled out.

1.2.10.4 Non-fixing of minimum and maximum ceiling for allotment of house site

The UDHD had not incorporated any ceiling limit for minimum and maximum area (size limit) for allotment of house sites. In the absence of ceiling limit, the allotment of sites ranged from 49 sft to 6,631 sft. There was also no system in the Department for identifying specific areas/locations for allotment to the applicants. House sites were being allotted on the basis of plots identified by the applicants themselves. In the absence of size limit and system for identification of area for allotment for house sites, objective of planned, organised and systematic growth of towns and bazaars was defeated. Further in the absence of prescription of maximum limit of area for allotment, larger areas were allotted to well-off and influential persons, VIPs/MLAs and their family members. This was substantiated by the fact that most of the VIPs/MLAs and their family members were allotted larger sites ranging from 1,200 sft to 3,830 sft and also in some cases additional land were allotted repeatedly indicating arbitrariness and favouritism in allotment of sites. Details are given in **Appendix – 1.2.5.**

1.2.10.5 Non-availability of detailed list of applicants

For selection of beneficiaries, the Department constituted Site Allotment Committee from time to time. On the basis of recommendations of the Committee, beneficiaries were selected from the list of applicants and finally approved by the Government. The Department, however, had not maintained detailed list of applicants till date. In absence of list of applicants along with date of application, total applications received, final selection amongst applicants, the basis adopted for selection could not be ascertained in audit.

1.2.10.6 Undue favour on allotment of house sites

Scrutiny of records relating to allotment of sites at Lumsey at Tadong in August 2008 revealed that out of 55 applicants, the Department (Site Allotment Committee) recommended (October 2008) names of 13 individuals which was finally approved by the Chief Minister. However, methodology/criteria adopted for the selection of 13 beneficiaries and reasons for rejection of remaining 42 applicants were not on record. Further scrutiny revealed that among the 13 selected beneficiaries, two beneficiaries were sitting MLAs and presently holding the charge of Minister in the State Cabinet and other two beneficiaries were Ex-MLAs. Proper identification of remaining nine beneficiaries could not be ascertained due to non-submission of records and absence of proper information system with the Department. Thus, due to absence of clear cut selection criteria and eligibility norms in the Act, well off persons were extended undue favour thereby depriving the real and needy members of the society. The selection procedure adopted by the Department was thus ambiguous and non- transparent.

Audit Scrutiny further revealed that in one case, two members of same family were allotted house sites at Gangtok. Shri S.B. Subedi, ex-MLA was allotted (July 1999) house site at DPH complex. After five years (February 2005) another site measuring 2,225 sft was allotted to his brother Shri Bikash Subedi diverting the land of Transport Department. However, immediately after allotment of site at SNT complex, both the brothers exchanged (March 2005) their sites which was approved (May 2005) by UDHD. Subsequently, Shri S.B Subedi was allotted additional site at the same area measuring 600 sft (December 2006) and 335 sft (September 2007).

After getting two additional sites mentioned above, Shri Sudebi leased out the above land in favour of M/s Prasant Commercial (P) Ltd (a registered company run by the family members of Shri Subedi) for running hotel business in the constructed building. The additional land of 245 sft (December 2008) and 225 sft (July 2010) at the same spot were again allotted to the company by the UDHD. Thus, an area measuring 3,627 sft belonging to the Transport Department was irregularly allotted to Shri Subedi.

1.2.10.7 Diversion of Government land for allotment of house sites

To facilitate allotment of house sites, land located at various places belonging to Roads & Bridges Department, Building & Housing Department, Transport Department (SNT) and Energy & Power Department measuring 2.7256 hectares were transferred (**Appendix – 1.2.6**) to UDHD. Allotment records of 2.7256 hectares transferred to UDHD revealed that the

beneficiaries included ex-MLAs/relatives of MLAs/ VIPs, etc. This indicated that land of Government departments were transferred to the UDHD with the objective of extending benefits to influential members of society.

It was further seen that Land measuring 6,600 sft belonging to the Energy & Power Department at Lower Lagyap, Ranipool, East Sikkim earmarked for housing disabled people was allotted to 11 persons other than the disabled people under approval of the HCM in October 2010. These 11 persons included former MLAs and other individuals. Thus, even the land initially earmarked exclusively for allotment to disabled persons was diverted and allotted to ineligible and selected individuals. In two other cases, land of Energy & Power Department at Sichey, East Sikkim was allotted to an ex-MLA and wife of an ex-MLA.

It was also seen that land (500 sft) earmarked for establishment of children park at Naya Bazaar, Jorethang, South Sikkim was allotted (February 2011) as house site to one individual (Mrs. Chandra Tamang) under directions of the HCM defeating the very purpose of establishment of children park.

Thus, Government land purchased/earmarked for different purposes was irregularly diverted for allotment of house sites to a few chosen individuals.

1.2.10.8 Irregular transfer of ownership of house sites to beneficiaries

Under *the Sikkim Allotment of House Sites and Construction of Building (Regulation and Control) Act, 1985,* house sites could be allotted on lease basis only. Despite this fact government land at Sangkhola, East Sikkim measuring 5,081 sft was allotted to five individuals by the Energy & Power Department and the ownership transferred to the allottees with issue of Parcha (Records of Right) instead of allotment on lease basis. The action of the Energy and Power Department was irregular as allotment of house sites came under the purview of the UDHD. Besides, issue of Parcha (Records of Right) in favour of beneficiaries instead of lease deed contravened provisions of the Act.

1.2.10.9 Unauthorised allotment of Government land

The Forest, Environment & Wildlife Management Department (FEWMD) allotted (1987) 16,800 sft of land belonging to UDHD at Ravangla, South District to 14 families without the consent and approval of the UDHD. The UDHD raised the matter with the FEWMD in November 2005. Outcome of the matter and its present status was not on record. Thus, land measuring 16,800 sft of UDHD was irregularly allotted for the purpose of house sites by another department. The action of the FEWMD was unauthorised and beyond the allocated business of the Department.

1.2.10.10 Irregular allotment at concessional rate

The Department acquired 1.9020 hectares of land at Swayambootar, Uttarey, West Sikkim for development of township and also for rehabilitation of displaced families whose land had been acquired by Government for development of Uttarey town. Accordingly, allotment of house sites to 21 families @ 600 sft per family was approved by Government in March 2011.

However, after the Government approval, it was again directed by the Minister-in-Charge that each family be allotted 875 sft of house sites at the rate of ₹ 5 per sft as per old rates notified in November 2001.

Further, in terms of Notification dated June 1998, additional charge of ₹ 50 per sft was to be levied as development cost where the site stands already developed. The Department intimated the beneficiaries for payment of development cost with site salami as the land was already developed by the Government. The Department was yet to realise the development charge of ₹ 9.19 lakh (*875 sft x ₹ 50 x 21 allottees*) from the 21 beneficiaries. The allotment of house sites at concessional rate and non-realisation of development charge was irregular and also resulted in loss of Government revenue of ₹ 11.42 lakh (*₹ 2.23 lakh + ₹ 9.19 lakh*) (Details in **Appendix – 1.2.7**).

The UDHD stated (November 2011) that it was framing fresh rules for allotment of house sites and working on the structure of a Master Plan for Gangtok, draft of which will be ready by March 2012.

1.2.11 Existence of Internal Controls

1.2.11.1 Absence of Departmental Code and Manual

There was no Departmental Code or Manual to regulate the functions and activities of the LRDMD and the duties and responsibilities of the officers and staff. No segregation of duties among different level of sub-ordinate staff/officers *(Survey Inspector, Revenue Officer, Sub-Divisional Magistrate, District Collector)* was done with prescribed percentage of checking of assessment cases at each stage. The assessment done at the lowest level was rarely checked at higher levels.

1.2.11.2 Absence of internal audit mechanism

There was no independent internal audit mechanism either in the LRDMD or the UDHD to check irregularities and discrepancies in the processes and methodologies applied for acquisition and allotment of land. Maintenance of acquisition and allotment records was extremely poor. There was no case-wise recording of transactions in case of acquisition. It was extremely difficult to track complete transactions relating to a particular case as all transactions relating to different cases were entered serially without any reference to the earlier payments made against the same case.

1.2.11.3 Non-maintenance of Assets Register

Both the LRDMD and UDHD had not maintained any Assets Register to record the acquisition of landed assets acquired by the Government from time to time and the land under the possession of the Department for allotment. As on date it was not clear how much land the Government owned due to absence of any records where the consolidated position of ownership of land by the Government was maintained. Centralised databank of all the lands owned by the Government so far had not been maintained.

1.2.11.4 Incomplete Computerisation of Land Records

Computerisation of Land Records (CLR), a 100 *per cent* Centrally Sponsored Scheme was initiated by Government of India (GOI) in 1988-89 with a view to remove the difficulties inherent in the manual system of maintenance, updating of land records, providing computerised copies of Records of Rights (ROR) at a reasonable price and meeting the requirements of various groups of users. The scheme also envisaged speed, accuracy, transparency, speedy dispute resolution and on-line management of land records. The objectives of the scheme were to facilitate easy maintenance and updating of data, computerisation of ownership and plot-wise details of land for issue of timely and accurate copy of RORs to the landowners; creation of Land Information System and Database for effective land reforms, revenue administration and development plans at the grassroots levels; Online Management of land records in the long run and low cost, easily reproducible storage media for long term reliable preservation and efficient retrieval of graphical and textual information. Although the scheme was extended to Sikkim as early as 1991-92 and despite incurring expenditure of ₹ 1.51 crore till date, the implementation of the scheme was incomplete[22] as of October 2011. Inability to complete the Scheme resulted in failure to capture complete data of land acquired by the Government and hence non-availability of complete data of Government land with the Department.

1.2.12 Monitoring and evaluation

There was no system of centralised monitoring and supervision of Government land by the LRDMD. The Department did not possess centralised databank for all the Government land under various Departments. As on date, it was not clear how much land Government possessed.

Regular returns and reports from the sub-divisions to districts and from the districts to the State headquarters regarding the status of acquisition of land and payment of compensation had not been prescribed. The District and State authorities remained unaware about the progress of acquisition process at different levels.

The status of Government land under four Departments was examined *(Roads & Bridges; Tourism; Agriculture; Horticulture)*. The Agriculture Department did not have any data in the Departmental headquarters regarding the land possessed by it. The Horticulture Department claimed existence of about 120 hectares of land under it, but did not possess title documents of all the land. The R&B Department did not possess complete documents and details of land under it and the Tourism Department possessed details of land purchased by it only after 2009.

There was no system in the LRDMD for regular monitoring and periodical review of the status of land provided under the Land Bank Scheme and the state of its ownership. Due to absence of a proper monitoring mechanism, the Departmental authorities were unaware about the bona

[22] *One sub-division (Chungthang in North District), seven revenue blocks under Gangtok and one block under Namchi were yet to be computerised (May 2011). Online mutation at district and sub-division levels had not been started and the State level data centre at Gangtok (Head office) was yet to be operationalised.*

fide use or otherwise of the allotted land. In the absence of a proper monitoring system under the scheme, land was registered and mutated in favour of the beneficiaries themselves in a number of cases in contravention of the scheme guidelines.

Similarly, there was no monitoring mechanism in the UDHD in allotment of house sites. In the absence of any ceiling for allotment of house sites, the house sites were allotted arbitrarily.

None of the Departments had put in place a proper vigilance and monitoring mechanism to guard their landed assets and prevent encroachment. The Department had not maintained any Assets Register to record the acquisition of land by the Departments from time to time.

1.2.13 Conclusion

The Rules of Business of the LRDMD was not clear about its role towards custody and safeguard of Government land and also its role about establishing stability of land acquired by the Government. The LRDMD had failed to create a comprehensive database of all Government land acquired so far. The LRDMD had time and again made excess payments to landowners willing to sell their land to the Government.

The UDHD had not formulated any policy relating to allotment of housing sites in the State; the existing Act did not provide firm selection criteria, maximum ceiling limit in the absence of which allotment was made indiscriminately. There was no centralised data bank on total land available in urban notified areas of the State for allotment of house sites. Allotment was done on the basis of land identified by the applicant themselves. There was no segregation of land for allotment of house sites, development of bazaars and towns, industrial purpose and other development purposes. Even the land belonging to other Government departments not under the possession of the UDHD were transferred and mutated in favour of the UDHD for facilitating allotment of house sites to VIPs/MLAs and their relatives

1.2.14 Recommendations

- The LRDMD should formulate a State Land Policy early. The Department may also revisit its mandate and incorporate all aspects of land acquisition like land stability, custody and monitoring of Government land, penalty against encroachment, etc. Departmental Code and Manual may be accordingly prepared and notified.
- The rates of land should be periodically revised and determined based on scientific principles in keeping with current utilisation pattern. Compensation for land should be finalised after rigorous checking and vetting at several levels.
- Cost of standing properties in respect of land acquired for PMGSY road and SPWD road should be thoroughly verified before approval and sanction.
- Firm criteria should be laid down for allotment of house sites by the UD & HD to ensure allotment to the most deserving candidates. Comprehensive databank of Government land in urban notified areas should be created and maximum and minimum ceiling for allotment of house sites should be prescribed.

CHAPTER – II

AUDIT OF TRANSACTIONS (CIVIL DEPARTMENTS)

Misappropriation/Loss

WATER SECURITY AND PUBLIC HEALTH ENGINEERING DEPARTMENT

2.1 Loss due to non-completion of project

Failure of the Department to effectively monitor the execution of a project resulted in the intended benefit of providing potable water not reaching the population of Tashiding for two and half years. Besides, there was a loss of ₹ 76.35 lakh to the Government.

The work "Augmentation of Tashiding Bazar Water Supply Scheme", West Sikkim was taken up (June 2007) for implementation by the Department at ₹ 2.61 crore by availing of a loan from NABARD (₹ 2.22 crore) while the balance (₹ 39.19 lakh) was to be borne by Government of Sikkim.

The project envisaged drawing up of water from Ringyang Khola, a perennial source to provide 75 litres per capita per day (lpcd) water as per Central Public Health and Environmental Engineering Organisation (CPHEEO) level for 25 years, realisation of water tax of ₹ 3.14 lakh per annum and boosting social and economic development of the area through tourism and other activities.

Based on the lowest rate (June 2006) quoted by one contractor[1], the work was awarded (September 2007) to her at 14 *per cent* above the estimated cost of ₹ 47.33 lakh for civil work portion (₹ 53.93 lakh) with the stipulation to complete by September 2008. The scope of work included i) construction of saddle blocks, anchor pillars, jhora crossing and construction of distribution system; ii) construction of three lakh litres capacity clear water reservoir tank at Tashiding; iii) construction of three zonal reservoir tank of one lakh litres capacity each; iv) construction of sedimentation tank; and v) construction of chowkidar quarters and protective works.

The contractor had not adhered to the scheduled completion time (September 2008) despite reminders served by departmental officers. While 60 *per cent* of the work could be completed as of May 2011, Audit scrutiny revealed (May 2011) that there was virtually no progress since December 2009 despite the expenditure of ₹ 1.92 crore towards payment to the contractor (₹ 30.76 lakh) and execution of departmental work (₹ 1.61 crore).

[1] *Smt. Kabita Pradhan*

The departmental authorities not only failed to follow up with the contractor to complete the work within scheduled time (September 2008) but had also not invoked penalty clause, as envisaged in the Agreement, of 10 *per cent* of the project cost leading to loss of ₹ 26.12 lakh to Government and undue favour to contractor. Even the quality of work executed by the contractor was sub-standard. The construction site of zonal tank-I was shifted without the knowledge of the Department, the capacity of the tank was reduced to 60,000 litres from 1,00,000 litres, water continuously leaked from tank from numerous places which needed demolition and construction afresh, protective wall behind the zonal tank-II was damaged and needed restoration, GCI sheets used for roofing of sedimentation tank was of poor quality etc., which would be seen from the photographs below:

Image - 2.1



Sub-standard work

Image - 2.2



Incomplete work

The Department failed to effectively monitor the execution of the project which resulted in the intended benefit of providing potable water not reaching the population of Tashiding for two and half years. The drinking water needs therefore, continued to be met partially from existing water supply source developed by RMDD. Besides, there was a loss of ₹ 76.35 lakh to the Government on account of blocking of borrowed funds and avoidable payment of interest thereof (₹ 1.92 crore on which interest at the rate of 6.5 *per cent* per annum aggregated to ₹ 42.45 lakh), loss of potential revenue of ₹ 7.78 lakh towards water charges from consumers and non-levy of penalty of ₹ 26.12 lakh. The position was not consistent with the cost benefit ratio of 1:9 mentioned in the DPR based on which the project was sanctioned and approved for implementation by the Government.

The Department while accepting the slow progress and sub-standard quality of works stated (September 2011) that the hostile terrain, objection from land owners, re-execution of sub-standard works, etc. were responsible for delay in implementation of works. The Department added that imposition of penalty was being examined.

Avoidable/Excess payment

EXCISE (ABKARI) DEPARTMENT

2.2 Avoidable expenditure and undue benefit

Non-compliance with statutory regulations not only caused an avoidable expenditure of ₹ 21.32 lakh but also resulted in the extension of undue financial benefit to that extent to the breweries/distilleries.

Sikkim Excise (Brewery) Rules 2000 (Rule 13) read with Sikkim Excise (Indian Made Foreign Liquor Manufactured in Sikkim) Licensing of Warehouses Rules 2000 (Rule 66) provides that the licensee shall provide suitable quarters free of cost to officials posted at breweries/ distilleries.

Scrutiny of records (March 2011) revealed that a number of Excise officials (*20 in 2006-07, 23 in 2007-08, 27 in 2008-09, 26 in 2009-10 and 26 in 2010-11*) posted in various breweries/ distilleries in the State were not provided with residential quarters as required under the Rules. The Department, instead of taking up the issue with the licensees for providing residential accommodation, continued to pay house rent allowances (HRA) amounting to ₹ 21.32 lakh during 2006-07 to 2010-11. The payment of HRA was not only avoidable but also was an extension of undue financial benefit to the breweries/ distilleries.

While accepting the Audit observation, the Department stated (October 2011) that a letter had been issued to the manufacturing units for implementation of the Rules, a response to which, however, was awaited.

RURAL MANAGEMENT AND DEVELOPMENT DEPARTMENT

2.3 Excess expenditure

Adoption of rate without proper survey, analysis and investigation resulted in excess expenditure of ₹ 3.74 crore towards establishment of rural connectivity under PMGSY-Phase V.

Estimates of PWD works are based on Schedule of Rates (SORs) which in turn are based on Analysis of Rates (AORs). For preparation of AORs, detailed market survey for stock materials, non-stock materials, labour rates, etc., are required to be carried out to arrive at reasonable basic rates which are relevant for one to two years after it comes into effect. Due to increase in price of stock, non-stock materials, POL, machinery and labour rates, the SOR 2002 used in the State of Sikkim became obsolete. Accordingly, the Roads and Bridges Department (RBD), the nodal Department for preparation of AORs and SORs, formulated after much deliberation, the SORs 2006 which came into effect from April 2007 for adoption by all the works executing departments of the State.

The Rural Management and Development Department (RMDD) had been executing the Pradhan Mantri Gram Sadak Yojna (PMGSY) scheme for establishment of rural connectivity in the State in a phased manner. As per the Operational Manual of PMGSY Scheme, estimates of PMGSY works may be prepared on SORs using Ministry of Rural Development (MORD) Standard Data Book (SDB) for Analysis of Rates for Rural Roads or the up-to-date SORs used in the State. The RMDD had been preparing estimates on the basis of State SORs. Phase V of the PMGSY works (67 works) involving ₹ 149.01 crore were prepared and approval obtained from the State Level Screening Committee (SLSC), State Rural Roads Development Agency (SRRDA) and finally from the MORD, GOI in March 2006. Works were tendered in April 2006 and approved by the Technical Evaluation Committee in May 2006 for execution. For Phase V works, the Department prepared the analysis of rates locally as the SDB of National Rural Roads Development Agency (NRRDA) was under preparation at Indian Roads Congress.

Scrutiny of records (December 2010) revealed that the rates for the items of works executed under PMGSY Phase V was approved in 2005-06, whereas the rates adopted and approved in 2007-08 for execution of works under PMGSY Phase VI were based on SOR 2006 prepared by RBD after requisite market survey and analysis. It was noticed that the rates adopted for Phase V works were much higher than those adopted for Phase VI. Despite the increase in cost of POL/ machineries/ stock/ non-stock materials/ labour, etc., during the subsequent two years, higher item rates were adopted in Phase V as compared to those adopted for Phase VI as under:

Table – 2.1

Work Item name	Rate per cum as per Phase V	Rate per cum as per Phase VI	Difference per cum
Excavation in soil in hilly areas by mechanical means	₹ 53.15	₹ 43.75	₹ 9.40
Excavation in hilly areas in Ordinary rocks by Mechanical means (no blasting)	₹ 84.11	₹ 45.01	₹ 39.10
Hill Cutting work Blasting of Rock	₹ 99.93	₹ 84.96	₹ 14.97

Adoption of higher item rates without proper survey, analysis and investigation resulted in avoidable and excess expenditure of ₹ 3.74 crore as detailed in the **Appendix – 2.1**.

While accepting the audit observation, the Rural Management and Development Department expressed (September 2011) their inability to recover the amount from the contractors as the works were on the verge of completion and the Department was bound by contractual obligation.

Infructuous/Wasteful expenditure

SIKKIM STATE COUNCIL OF SCIENCE & TECHNOLOGY AND RURAL MANAGEMENT & DEVELOPMENT DEPARTMENT

2.4 Infructuous expenditure and delayed execution of power project

Injudicious selection of inept contractor, unsuitable site and inexplicable apathy towards execution of the project resulted in price escalation of ₹ 5.20 crore, delay of more than 13 years, infructuous expenditure of ₹ 79.41 lakh, besides frustrating the basic objective of providing electricity to the intended beneficiaries of the locality.

With the objective of addressing the demand of local people as well as defence establishment in Thangu village of North Sikkim, the Ministry of Science and Technology, Government of India (GOI) sanctioned (November 1998) the project '2x100 KW-Thangu Micro Hydro Project' at a total estimated cost of ₹ 86.65 lakh (revised (October 2010) to ₹ 6.06 crore) with stipulation to complete the work within two years (October 2000). Out of ₹ 4.67 crore[2] ₹ 79.41 lakh was spent for the purpose as of October 2011.

Scrutiny of records (January 2011) revealed that the work was tendered and awarded (January 2006) to a Lachen based Society on turnkey basis with the stipulation for completion within one year. The execution of work by the society was not monitored by the State Council on a regular basis, as a result of which it could know during site inspection (October 2007) only that the work had been stopped due to construction of the PMGSY road by the Rural Management and Development Department (RMDD) across the project site. In the meeting convened (November 2009) by the Chief Secretary, Government of Sikkim, the MOU signed (January 2006) between the Society and the Government of Sikkim was cancelled and it was decided that the work would be executed by the Energy and Power Department (EPD). The EPD prepared a new Detailed Project Report (DPR) with an enhanced estimated cost of ₹ 6.06 crore on the ground of change in project site which was approved by the GOI (October 2010). As of May 2011, the work in the new site with modification had not even taken off. Scrutiny further revealed that injudicious selection of inept contractor, unsuitable site and inexplicable apathy towards execution of the project resulted in not only a price escalation of ₹ 5.20 crore along with delay of more than 13 years (sanctioned in 1998 and remaining incomplete even in May 2011), but also, the basic objective of providing electricity to the intended beneficiaries of the locality got frustrated, besides infructuous expenditure of ₹ 79.41 lakh.

The State Council of Science and Technology accepted (August 2011) the substantial delay in execution of the project and stated that Government of India decided to continue with the execution of the project at a revised cost in consideration of the ground situation. In this context, the RMDD stated (September 2011) that its intention was to accomplish the

[2] *GOI: ₹ 3.85 crore, BADP: ₹ 48 lakh, State: ₹ 8 lakh and Interest ₹ 26.54 lakh during December 1998 to October 2010*

connectivity to the unconnected rural habitations, but the alignment of the road was such that the site of power project had to be shifted which was unintentional. The fact remained that lack of coordination between the two departments resulted in shifting of the project site with consequential delay and infructuous expenditure.

BUILDING AND HOUSING DEPARTMENT

2.5 Infructuous expenditure

Absence of detailed survey and investigation of the land profile to identify its suitability for construction of jail at Omchung ultimately led to abandoning of structure and infructuous expenditure of ₹ 5.90 crore, besides denying accommodation to the jail inmates of West district.

Sikkim Public Works Code envisages that no work should commence unless a properly designed estimate is framed after detailed survey, investigation and technical sanction. The code further lays down that the estimate should always be accompanied by a report indicating the description of proposal for location, design, specification and drawing.

The Building and Housing Department took up (April 2005) the construction of 'Sub-Jail Complex at Omchung', West Sikkim on the requisition (July 2004) of Police Department at an estimated cost of ₹ 5.14 crore, subsequently revised (October 2008) to ₹ 6.61 crore, under the scheme of Modernisation of Police Force. Till date, an expenditure of ₹ 5.90 crore was incurred towards completion of 90 *per cent* civil work (July 2008).

Audit scrutiny revealed (August 2010) that the Department neither carried out detailed survey of the area for ascertaining the suitability of land for construction of a jail complex nor obtained mandatory expert opinion of the Mines and Geology Department in terms of Government notification dated February 2002, but framed estimate of the project without carrying out mandatory tests such as soil testing, stability analysis, etc. The tendering process was also finalised within fifteen days (18 March to 1 April 2005) and the contractor commenced (February 2006) the work and completed 90 *per cent* of work involving ₹ 5.90 crore as of July 2008. Thereafter, the work was stalled and the structure abandoned as deformities in the site, surroundings and structure were noticed by the Department (July 2009).

On a request (October 2009) from the Department, the Mines and Geology Department opined (October 2009) that the area fell under subsidence zone since 2001-02 itself and was thus unsuitable for construction.

Joint physical inspection (August 2010) by Audit in the presence of departmental engineers confirmed the deformities like tilting of building structure from its original position, cracks in RCC post, sinking of floor at various places as shown in the photographs below. Even the road profile of Legship-Gyalshing road got deformed due to the load exerted by the structure constructed.

Image - 2.3



Cracks in RCC structure

Image - 2.4



Tilting of building structure

Image - 2.5



Deformed Legship-Gyalshing road

Thus, the hasty and casual approach of the Department in finalising the estimate without detailed survey and investigation about the suitability of land, already reckoned as unsuitable in 2001-02, led to an infructuous expenditure of ₹ 5.90 crore, besides non-fulfilment of the objective of providing accommodation to the jail inmates of West district.

The Department while accepting (August 2011) their failure to obtain mandatory expert opinion of the Mines and Geology Department in terms of the Notification (February 2002) for ascertaining soil profile and load bearing capacity of the area agreed that the area was unsuitable for the construction.

ENERGY & POWER DEPARTMENT AND RURAL MANAGEMENT & DEVELOPMENT DEPARTMENT

2.6 Infructuous expenditure

Expenditure of ₹ 1.06 crore incurred on the work, "Restoration and Re-construction of Water Conductor System of Upper Rongnichu Hydel Project (URHP) (Nimtar II)" remained infructuous as the Power House could not be re-commissioned till date due to shifting of responsibilities from Energy and Power Department to RMDD and hence, the Department failed to achieve the envisaged objective of harnessing the power potential in Sikkim.

Under the scheme 'Long–Term Rehabilitation and Reconstruction of Damaged Infrastructure', the Energy and Power Department executed (November 2008) the work, "Restoration and Re-construction of Water Conductor System of URHP (Nimtar II)" at an estimated cost of ₹ 1.06 crore departmentally by engaging a local Government supplier. The reason for taking up the work departmentally was that the tendering process would consume more time which would have direct impact on generation of power. Hence, it was decided to execute the work of restoration and re-construction on war footing basis to complete it within the stipulated time frame of six months.

Scrutiny of records revealed (April 2010) that when the work was almost complete, landslides occurred (April 2008) which resulted in extensive damage of water conductor system requiring major restoration works. The landslides were caused partly by natural calamity but predominantly triggered by disturbances caused to land profile owing to construction of PMGSY road (from Pakyong to 32 Mile) being executed by Rural Management and Development Department (RMDD).

The Energy and Power Department submitted (January 2009) a restoration estimate for ₹ 65.96 lakh to RMDD. Even though the damage of water conductor system was caused by RMDD due to construction of PMGSY road, the RMDD forwarded the said proposal to Finance Revenue and Expenditure Department for allocation of additional resource through Land Revenue and Disaster Management Department (LRDMD) under Natural Calamity Fund (CRF).

The detailed report (October 2009) of concerned Divisional Engineer stated that the calamity took place at the instance of RMDD. Further, the Secretary, LRDMD was of the view (October 2009) that the damage was due to negligence on the part of the contractor who was assigned to undertake construction of road under PMGSY and thus, it was a man-made calamity. The Secretary, LRDMD further commented that such kind of damage did not fall under the purview of CRF guidelines. All this indicated that had the work been executed with due care the damage could have been avoided. Accordingly, the file was sent back to RMDD and till date neither had a conclusive decision been arrived at nor had the damaged work been rectified.

Image - 2.6



URHP Powerhouse

The Government of Sikkim had not enacted "Prevention of Damage to Public Property Act" in Sikkim, in absence of which, the same was being regulated under Prevention of Damage to Public Property Act 1984 (Indian Penal Code Manual) which is applicable to whole of India except Jammu & Kashmir. Thus, the officers in charge of the work ought to have lodged First Information Report (FIR) against the contractor executing the PMGSY road in the nearest Police Station after it had come to their knowledge. Instead, a joint site inspection was conducted (November 2008) after a lapse of 6 months from the date of the incident by the officials of RMDD and Department to examine and assess the extent of damages.

Thus, the Department instead of fixing the responsibility by lodging FIR against the delinquent contractor adopted a joint mechanism involving the RMDD and Department which turned out to be a futile exercise as disaster was caused at the instance of construction of PMGSY road by RMDD and till date the damaged infrastructure has not been restored. Hence, expenditure of ₹ 1.06 crore incurred on the said work remained infructuous as the Power House could not be re-commissioned till date due to shifting of responsibilities from Energy and Power Department to RMDD which in turn forwarded the file to LRDMD. Hence, the Department failed to achieve the envisaged objective of harnessing the power potential in Sikkim. Further, it indicated lack of co-ordination between the departments.

RMDD stated (September 2011) that final payment having been released, responsibility could not be fixed on the contractor. It further stated that RMDD alone was not to be blamed for the loss not pre-assessed. While the reply from the Energy and Power Department was awaited, RMDD cannot shirk the responsibility of safeguarding the existing Government properties during the execution of works under its supervision and jurisdiction. Release of final payment before ensuring the adequacy of work executed also helped in letting off the erring contractor in the process.

Inadmissible expenditure

LAND REVENUE & DISASTER MANAGEMENT DEPARTMENT AND IRRIGATION & FLOOD CONTROL DEPARTMENT

2.7 Inadmissible expenditure

Procurement of HDPE pipes beyond the scope of Calamity Relief Fund (CRF) led to inadmissible expenditure of ₹ 99.46 lakh besides blocking up of fund of ₹ 24.96 lakh in stock materials intended for immediate relief.

Guidelines issued by the Government of India on Calamity Relief Fund (CRF) provide that the fund should be used for providing immediate relief to the victims of a natural calamity such as cyclone, drought, earthquake, fire, flood, hailstorm, landslide, etc. Emergency works were to be taken up with the prior approval of the State Level Relief Committee (SLRC) constituted for the administration of CRF, and expenditure on restoration of damaged infrastructure such as roads, bridges, drinking water supply, etc., should ordinarily be met from normal budgetary heads. The guidelines further stipulate that the provision for disaster preparedness and mitigation needs to be built into the State Plans and should not form a part of CRF. In the irrigation sector, immediate relief could be provided only for repair of damaged canal structure and earthen/ masonry works of tanks and small reservoirs with the use of cement, sand bags and stones. The repair works have to be immediately carried out within 45 to 60 days (in case of hilly areas) of occurrence of the calamity. There was no provision for purchase of High Density Polyethane (HDPE) pipes purportedly for distribution to the farmers.

Despite the inadmissible expenditure on unnecessary purchase of HDPE pipes from CRF featuring in the Audit Report 2006-07, the inadmissible expenditure from the CRF fund was continued by the Relief Commissioner (RC), Land Revenue and Disaster Management Department (LRDMD).

Scrutiny (April 2010) of records of the RC, LRDMD revealed that the proposal of Irrigation and Flood Control Department (IFCD) for purchase of HDPE pipes for distribution to the farmers to immediately mitigate the damages caused by the torrential rain during June 2009 to the Kutcha water channels used for carrying water to the paddy fields was approved (June 2009) by the Chief Minister. With the sanction of ₹ 99.46 lakh from the SLRC, the supply order was placed (September 2009) to State Trading Corporation of Sikkim (STCS) for supply of 4,338 mtrs of 140 mm dia HDPE pipes with 451 sets of joints and 2,694 mtrs of 160 mm dia HDPE pipes with 423 sets of joints. While the natural calamity took place in June 2009, scrutiny of records of two central stores of IFCD revealed that out of 7,032 mtrs of pipes received during October 2009 to December 2009, only 2,040 mtrs (29 *per cent*) could be distributed by the Department till the end of April 2010. A further examination through joint physical verification (April 2011) with departmental officers revealed that even after almost two years from the natural calamity, 1,596 mtrs of HDPE pipes (576 mtrs of 140 mm dia with

80 sets of joints and 1,020 mtrs of 160 mm dia with 182 sets of joints) valuing ₹ 24.96 lakh were lying idle in the stores. Thus, while purchase of HDPE pipes for the rain affected farmers were beyond the scope of CRF, inordinate delay in utilisation of the pipes further establishes that these were not intended for immediate relief to the victims of the calamity. This has resulted in inadmissible expenditure of ₹ 99.46 lakh from the CRF besides blocking of ₹ 24.96 lakh in stock materials intended for immediate relief.

The Irrigation and Flood Control Department stated (August 2011) that due to the torrential rains of June 2009, landslides occurred at many places which damaged the public properties and irrigation channels. In the absence of any scope within the budgetary provision of the Department and keeping in mind future requirements, HDPE pipes were purchased. It was further stated that the remaining pipes were issued later to the affected farmers. While issue of stock materials idle for over two years, after verification and objection by Audit, was to negate the objection, procurement from the CRF on the plea of future requirement and inadequacy of normal budgetary provision was not acceptable.

LAND REVENUE AND DISASTER MANAGEMENT DEPARTMENT

2.8 Inadmissible expenditure

Expenditure of ₹ 80 lakh from CRF on the works of permanent and routine nature led to inadmissible expenditure not covered within the ambit of CRF norms.

The norms for expenditure from the Calamity Relief Fund (CRF) envisage that the State Government meet the expenditure on restoration of damaged infrastructure and capital assets from its normal budgetary heads. The provision for disaster preparedness and mitigation, needs to be built into the State Plans and should not form a part of Calamity Relief. In the Roads Sector, only items of works such as filling up of breaches and potholes, repair of breached culverts, providing diversion to damaged bridges to restore connectivity, temporary repair of approach to bridges, repair of causeways to restore immediate connectivity, over-damaged stretch of roads to restore traffic etc., can be met from the CRF. However, such temporary restoration works have to be completed within 60 days even in case of severe damage in the hilly areas.

The Roads and Bridges Department (RBD) proposed (February 2009) to take up the work 'Restoration of the damages sustained to the walls due to heavy rainfall and the consequent landslides at various chainages of the Gyalshing - Pelling Road Km 1st and the Legship - Gyalshing Road Km 14th' at a total cost of ₹ 80 lakh from the CRF and accordingly approached the Relief Commissioner for financial assistance from the CRF. Records indicated that the Relief Commissioner, after seeing the ground realities, verbally agreed to the proposal and instructed the RBD to take up the work immediately on the plea of its emergent nature. The proposal was later approved by the State Level Relief Committee on 8 September 2009.

Accordingly, the RBD took up (February 2009) the work departmentally and completed it in November 2009 at an expenditure of ₹ 80 lakh released (December 2009) from the CRF. Thus,

against the provision in the CRF norms not to take up works of permanent and routine nature not intended for immediate restoration/relief within 60 days, the works were executed over a period of more than nine months beyond the ambit of CRF norms. That the works were of permanent and routine nature would be revealed from the photographs taken during joint physical verification (13 May 2011) as under:

Image - 2.7



Normal protective work of road

Image - 2.8



Protection for houses below the road

Image - 2.9



Protection for houses above the road

Image - 2.10



Normal protective works

The matter was reported to the Department/ Government (July 2010). Despite being reminded (October 2011) their reply was not received (October 2011).

General

2.9.1 Follow-up action on earlier Audit Reports

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 Department, Government of Sikkim, all the concerned Administrative departments were required to furnish explanatory notes on the paragraph/reviews included in the Audit Reports within one month from the date of issue of the Audit Reports.

It was noticed that the concerned administrative departments, complying with these instructions, submitted all explanatory notes in respect of Audit Reports from the years 1990-91 to 2009-10. As of August 2011, there was no *suo moto* Explanatory Notes pending from any of the concerned administrative departments.

2.9.2 Response of the departments to the recommendations of the Public Accounts Committee (PAC)

Finance Department, Government of Sikkim issued instructions to all departments to submit Action Taken Notes (ATN) on various suggestions, observations and recommendations made by 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 Executive to the Legislature and it is appropriate that they elicit timely response from the departments in the form of Action Taken Notes (ATNs).

As of August 2011, out of 563 recommendations of the PAC, made between 1990-91 and 2007-08, ATNs in respect of 553 recommendations had been submitted to the PAC, out of which 538 had been discussed. The concerned administrative departments were yet to submit ATNs for 10 recommendations. Of these, four recommendations were due from Health Care Human Services and Family Welfare Department, two each from Rural Management and Development Department and Development Planning, Economic Reforms and North Eastern Council Affairs Department and one each from Energy & Power Department and SABCCO.

2.9.3 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 DAACs's function was to monitor the response and corrective action on findings reported in the Inspection Reports issued by the Accountant General. It was to hold meetings once in three months and send quarterly action taken report on the issue to the State Audit and Accounts Committee.

As of October 2011, no meeting was held and also no report was sent to the State Audit and Accounts Committee.

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.

As of October 2011, no meeting was held.

2.9.4 Outstanding Inspection Reports

2,185 paragraphs included in 870 Inspection Reports in respect of Civil Departments which include 258 paragraph and 86 Inspection Reports in respect of Autonomous Bodies were pending settlement as of March 2011.

Audit committee Meetings were being held on a regular basis to settle the outstanding audit paragraphs. Four Audit Committees Meetings were held during 2010-11 wherein 22 Inspection Reports and 101 paragraphs were discussed out of which three Inspection Reports and 42 paragraphs were settled.

CHAPTER – III

INTEGRATED AUDIT

3.1 Urban Development and Housing Department

Urban Development and Housing Department (UDHD) is responsible for development and improvement of Bazaars and Municipal areas in Sikkim, control over all building construction, bazaars and stalls along the roads in the State. To fulfil these objectives, the Department enforces Statutory Rules of public services relating to urban development and administration along with implementation of a number of schemes/ programmes.

While transforming mandate into plan of action, the UDHD adopted some good steps like banning of plastic, collection of garbage, creation of footpath along the NH 31A, multi-storeyed parking, creation of haat sheds, establishment of ULBs, imposition and realisation of penalty from defaulting trade licensees, etc. However, the areas requiring improvement were execution of works on piecemeal basis, unplanned construction by NBCC, unabated traffic congestion, absence of basic facilities in shopping complexes/ parking places, non-realisation of revenue, absence of quality control, non-utilisation and non-maintenance of assets created, irregular permissions in construction of buildings, etc. The major audit findings are highlighted below:

Despite the commissioning of at least three master plans for Gangtok and four district towns, the absence of a land use plan with appropriate zoning regulations had resulted in haphazard growth.

(Paragraph 3.1.7.1)

Despite expenditure of ₹ 4.09 crore on maintenance and sanitation of Gangtok town, the maintenance of the town left much to be desired as dilapidated roads, open potholes, littering in public areas, cluttered drains, etc. could be seen at many places.

(Paragraph 3.1.11.3)

The unplanned and indiscriminate sanction of projects led to huge committed liabilities arising out of indiscriminate sanction of projects without ensuring the availability of equivalent resources in the budget which increased by 726 *per cent* from ₹ 7.89 crore to ₹ 65.17 crore over a period of five years (2006-11).

(Paragraph 3.1.12.6)

No computerised assets register showing consolidated records of assets in possession of the Department was in existence and the assets were never verified by the Department which resulted in a large number of assets remaining idle.

(Paragraph 3.1.16)

A number of buildings constructed by UDHD were being utilised for purposes other than those for which they were constructed.

(Paragraph 3.1.16.3)

There was absence of surprise checks and monitoring over enforcement of statutory rules/laws like sanitation rules, etc. and also absence of evaluation or impact study for appropriate follow-up action.

(Paragraphs 3.1.21 and 3.1.22)

3.1.1 Introduction

The urban population equalled the rural population of the world for the first time in 2007. While the present urban population of our country constitutes one-third of the total population, it is estimated to reach 40 *per cent* in the year 2030. Today, our cities and towns contribute more than three-fourths of the GDP and account for more than 90 *per cent* of government's revenue. The continuous influx of population into our urban areas with rapid expansion of urbanisation has exponentially increased the demand for urban services, both in terms of quality and quantity. The ever increasing demand for urban amenities has affected the quality of service across all sectors. In the process of providing improved urban services through a transparent, responsive and accountable system, the civil administration plays the most important role to provide a sense of satisfaction to the urban citizen. While urban influx or migration from rural to urban areas is inevitable in the process of development, the greatest challenge of the urban administration is to ensure that civic services are provided to the urban population at optimum levels to their satisfaction.

The mandate of UDHD

- Issue/renewal of Trade License for conduct of business in Sikkim;
- Fees, Taxes and levies from bazaar areas in the State;
- Allotment of sites, collection of site salami, ground rent etc;
- Development and improvement of Bazaars and Municipal areas in Sikkim;
- Control over all building construction of Bazaars and all along the roads in the State;
- Entertainment Tax;
- Establishment of Urban Local bodies/ Municipalities/Nagar Palika.
- Urban Housing;
- Enforcement of Statutory Rules of public services relating to urban development and administration.

Before merger of Sikkim with India in 1975, the urban areas were looked after by the Bazaar Department under the regime of the then Chogyal of Sikkim and after the merger, Gangtok Municipal Corporation was established under the Gangtok Municipal Corporation Act 1975. While the Corporation was abolished under the Sikkim (Repeal and Miscellaneous Provisions) Act 1985, its power and functions were allocated to Local Self Government in 1990. The Local Self Government was renamed as Urban Development and Housing Department (UDHD) with the mandate to provide sanitation and public health, construction and maintenance of lanes/ drains/ *jhoras*, regulation and control of building activities and levy/ collection of taxes/fees in urban areas. At present, the UDHD is the nodal department entrusted with the responsibilities of urban services in the State.

Current total urban population including undeclared urban areas is estimated to have reached

25 *per cent*. Sikkim has a total of nine urban centres of which Gangtok is the State capital and the most populated city in the State. A brief profile of the State is given below:

Table – 3.1

Area	7,096 sq. Km
Population	6.08 lakh
Districts	4
Literacy	82.20 *per cent*
Notified Towns	9
Urban population	1,51,726 (25 *per cent)*
Slum population	13,321
Literate urban population	1,22,896

Source: 2011 census, Report of the Committee on Statistics/Census

Although Sikkim is still primarily an agrarian State, its pace of urbanisation in recent years has been rapid, mainly because of growing rural to urban migration. While the increase in economic activities of all sectors and literacy rate play an important role in the urbanisation of the State, about 25 *per cent* of the total population resides in urban areas of Sikkim. In the absence of major industries in the State, towns and bazaars are the main places for the economic activities of the State.

3.1.2 Organisational Setup

The Urban Development and Housing Department is headed by a Commissioner-cum-Secretary and assisted by one Chief Engineer, one Additional Chief Engineer, one Additional Chief Town Planner, one Additional Secretary, one Joint Chief Town Planner, five Joint Secretaries, two Town Planners, two Superintending Engineers, three Divisional Engineers, five Assistant Engineers, four Dy. Secretaries, two Sr. Accounts Officers, two Dy. Directors, two Under Secretaries and other officials.

3.1.3 Audit Methodology and Coverage

Integrated Audit covering the period from 2006-07 to 2010-11 was undertaken during April to June 2011 on the basis of scrutiny of records maintained in the Secretariat at Gangtok and Circle Office at Jorethang. For fair representation in the sample size of audit scrutiny, Audit adopted Simple Random Sampling Without Replacement (SRSWOR) method using IDEA package version 8 as under:

- 25 *per cent* (185 out of 743 cases) of cases of permission for building construction (Blue Print Plans);
- 25 *per cent* (40 out of 115 works) of undertaken works stratified as building construction (shopping complex, car parking, flyover bridge, etc.), storm water drain, toilet, haat shed and beautification (park/garden);
- Car Parking Contract (35 numbers): 100 *per cent* analysis of allotment procedure;
- Mobile telephone tower (207 towers operated by 8 companies): 100 *per cent* analysis;
- Trade Licence: 25 *per cent* (616 of 2,464 licences) of licences issued;
- Shop rent: 100 *per cent* (285 cases) of allottees; and

- Amusement tax: 100 *per cent* of cinema halls (two), video parlours (four), cable operators (five).

An entry conference was held on 23 April 2011 with the Chief Engineer and other officers of UDHD and the objectives of the Integrated Audit were explained to them. Physical evidence was obtained in the form of replies to audit queries, copies of documents, photographs, beneficiary surveys, maps, etc. The exit conference was held on 18 August 2011 with the Commissioner-cum-Secretary of the Department and other officers. After due deliberation on the audit observations and examination of the replies furnished, audit comments and conclusions were drawn alongwith suitable recommendations for implementation by the Department.

3.1.4 Audit objectives

The Integrated Audit of the UDHD was taken up with a view to examine and assess the efficiency, economy and effectiveness with which the Department discharged the following vital functions:

- Planning & Policy formulation;
- Financial (including budgetary) Management;
- Operational Management;
- Project Management;
- Manpower Management; and
- Internal Controls/ Monitoring.

3.1.5 Audit Criteria

Audit assessed the functioning of the Department with reference to its mandate and on the basis of the following criteria:

- Provision of the framework and guidelines issued from time to time by the State and Union Governments;
- Acts, Notification and orders of the State Government/ GOI;
- Website information on projects/programme;
- Sikkim Financial Rules;
- Sikkim Public Works Department Code and Manual;

3.1.6 Acknowledgement

The Office of the Accountant General (Audit), Sikkim expresses its sincere thanks to the officers and staff of the Urban Development & Housing Department and Urban Local Bodies for their full co-operation with the audit team during the performance review.

The results of the Integrated Audit are discussed in the succeeding paragraphs.

Audit findings

3.1.7 Planning and Policy formulation

3.1.7.1 Physical Planning and Spatial Management

Urban Development and Housing Department (UDHD) has the primary responsibility of managing urban development, which includes physical planning, growth management and providing core civic services to the urban populace. The UDHD also issues trade licenses, bazaar contracts and collects various forms of taxes, fees and fines. Several other departments and institutions also share responsibility for policy formulation and implementation. The UDHD, being the nodal department for urban development, has to co-ordinate with other line departments for effective and efficient development process.

Despite the commissioning of at least three master plans for Gangtok[1] alongwith strategic plan and four district towns (Gangtok, Geyzing, Mangan and Namchi) in the State[2], the absence of a land use plan with appropriate zoning regulations had resulted in haphazard growth, in a ribbon pattern all along the NH 31A which passes through the centre of the city of Gangtok. To ease the congestion and other urban pressures, the State Government had planned several construction projects, such as parking lots, a satellite township near Gangtok, and a capital complex for the State administrative offices. But each initiative, in the absence of year-wise action plan with reference to the ultimate objective, was disconnected and therefore, lacked linkages for developing a holistic long-term urban development plan[3] as envisaged in the reports submitted by Surbana International, Consultants Pte. Ltd.

3.1.7.2 Environmental issues

The environmental issues needing immediate attention of the Department are discussed below:

a) ***Construction*** in the city had been mainly guided by the presence of roads, and in the absence of a land use map, no area had specifically been assigned to any particular usage. Inappropriate construction compounded by inadequate soil conservation measures had placed severe stress on the civic infrastructure and in general threatened the geomorphology of the landscape. Intense, indiscriminate building activity, such as construction beyond prescribed limits, especially vertically, in geologically weak areas, over jhoras, and on steep slopes had led to erosion of the fragile topsoil and building collapse and exacerbated the risk of landslides. Many of these buildings were in contravention of UDHD regulations, but the punitive fines levied by the Department have been no deterrent.

b) ***Laying of wires***: While indiscriminate laying of cable wires, internet connection wires,

[1] *Master Plan for development of Gangtok was prepared by GILCON which was later revised by RITES in 1997.*
[2] *Surbana International Consultants Pte. Ltd., Singapore (MOU signed in 2006 and report submitted in October 2008)*
[3] *A holistic development plan was proposed by ILFS for comprehensive Gangtok City Development Plan in December 2003.*

telephone and electrical wires had severely affected the aesthetic and scenic beauty of urban areas, UDHD had not formulated any regulatory statute to address the issue. Telephone/internet wires laying agencies were in the habit of digging carpeted lanes/roads/highways, which was causing serious damages to the soil stability underneath due to seepage of rainwater through the potholes created before/after the laying of wires. Unplanned laying of cable wires over the buildings/ roads/ footpaths/ stairs and through the telephone/ electrical posts, etc., was also endangering the stability of posts, etc. Immediate deterrent to such practices needs to be formulated by the UDHD.

a) ***Traffic:*** The rapid increase in number of vehicles in recent years had resulted in congested roads, increasing vehicular and noise pollution and a severe shrinking of space for pedestrians as vehicles got parked on the pavements. The only national highway in the state, NH 31A passes through the centre of the city and attracts a large volume of traffic, but the tightly packed commercial and residential construction lining the highway precludes any widening. There was no effective public transport system in the city for which the needs are predominantly met through private taxis and personal vehicles with the inevitable environmentally damaging consequences. There were plans to increase car parking facilities in the capital but with limited land, parking space can never keep pace with the vehicle population, and the lasting solution would be a limit on the number of vehicles in the city which had not yet been spelt.

Image - 3.1



Vehicles parked at road side illegally at Syari

b) ***Jhora[4] contamination:*** A major source of environmental degradation is the contamination of *jhoras* through the large-scale dumping of solid waste in the *jhoras* and sewerage overflows. The UDHD manages solid waste collection but its vehicles cover only a small proportion of the households mainly from the central areas. Dumping their wastes into *jhoras* by the majority causes blockage of jhoras against which, the sincere effort of the Gangtok Municipal Corporation also could not be a deterrent.

3.1.7.3 Physical Infrastructure

The quality of basic service in an urban environment influences its economic, social and physical health. The greater Gangtok area is served by several departments and institutions; the Public Health Engineering Department (PHED) provides water supply and sanitation services to the urban areas and some rural areas, UDHD provides solid waste management, the Rural Management and Development Department (RMDD) looks after part of the rural water

[4] *Jhoras – Mountain streams usually carrying filthy water.*

supply and sanitation and drainage is the responsibility of the Irrigation Department. Service provision is divided between the 'notified town area' and the peripheral 'rural' areas, and the artificial boundary between the two had fragmented service delivery. It had also resulted in loss of revenue, when a primarily urban body (the PHED) supplies services to 'rural' areas at low or non-existent rural user rates. The lack of communication and interdepartmental coordination prevented the development of critical interlinkages and had adversely affected efficiency.

Further, these departments and institutions were subject to different regulations and legislation, often with no clear delineation of responsibilities on service provision. For example, there was overlapping jurisdiction in regulating powers and enforcement; there was also overlapping responsibility when one department lays down the physical infrastructure, while another manages its functioning. Regulation was lax, and existing rules were not enforced effectively. Service standards were poorly defined or non-existent, and there was hardly any monitoring and reporting of performance.

The main objective of the Urban Development and Housing Department was overall development of the urban sector in the State, keeping in view the regional disparities and climatic condition. The Department had prepared long term strategic plan and master plan for the State and four district towns respectively by engaging Singapore based consultant during 2009. The Department neither prepared Annual Action Plan nor devised any short term strategies by breaking down the targets into actionable areas, identifying the administrative, technical and financial resources, and prescribing implementation schedules. Lack of planning resulted in low level of preparedness and capacity of the Department to implement its programmes effectively and efficiently.

3.1.7.4 Implementation of re-arrangement schemes

Urban Development and Housing Department (UDHD) was required to frame an improvement scheme for re-arrangement and construction of streets and buildings in respect of areas where existing buildings by reasons of non-repair, sanitary defects, poor conditions of light, ventilation, convenience were dangerous or injurious to the health of inhabitants of that area. The Department had neither conducted any survey nor framed any action plan addressing the issue.

3.1.7.5 Pedestrian and parking facilities

Provision of unobstructed footpath is the first requirement for effective pedestrian traffic enforcement. Parking was another key issue requiring the attention of the Department as the problem of parking of vehicles was escalating exponentially with the increase of vehicles. No study had ever been carried out by the Department in collaboration with other agencies for evolving a long term strategic plan to address the ever increasing parking problem and equip the State with means for meeting the future demand. In the absence of any strategic plan, indiscriminate parking of vehicles in front of UDHD office building itself showed the helplessness of the nodal authority.

Image - 3.2



Parking of vehicles in front of UDHD Office, Gangtok

3.1.7.6 Formation of Local Bodies

Urban Local Bodies (ULBs) of India are the constitutionally provided administrative units that provide basic infrastructure and services in cities and towns. In Sikkim, no ULBs existed since 1985. Although the Sikkim Municipal Bill was passed in May 2007, it could be implemented from May 2010. While a number of functions, previously attached to UDHD like trade license, garbage disposal, car parking etc., had been transferred to the ULBs, full-fledged urban local authorities being at an early stage of development in Sikkim, basic infrastructure and services in cities and towns were affected considerably as has been brought out in the succeeding paragraphs.

3.1.8 Financial Management

The budget of the Department was prepared centrally in the Secretariat without obtaining any inputs from the field units. Based on the instruction issued by the State Finance Department, the Non-Plan budget was prepared on the basis of the anticipated expenditure. The Plan budget was prepared on the basis of lump-sum amount allocated by the Planning Department. Budgetary allocations and expenditure of the Department during 2006-11 are given in the table below:

Table – 3.2

(₹ *in crore*)

Year	Original	Supplementary	Total Budget	Expenditure	Saving	Surrender
2006-07	43.10	1.82	44.92	17.60	27.32 (61)	27.21
2007-08	29.77	2.62	32.39	19.72	12.67(39)	12.64
2008-09	57.86	9.00	66.86	50.53	16.33(24)	16.27
2009-10	162.97	3.10	166.07	76.37	89.70(54)	90.49
2010-11	214.17	1.24	215.41	61.11	154.30(72)	154.30

Source : Appropriation Accounts

This shows that year wise expenditure was always substantially lower than the budget provision leading to huge savings ranging between 24 (2008-09) and 72 (2006-07) *per cent* of

the final grant. The savings were not anticipated by the Department in time and instead were surrendered at the fag end of the respective years. As a result, the allocated funds were neither utilised by the Department nor could they be transferred to other Departments of the State Government for being used.

3.1.8.1 Unnecessary supplementary provision

As would be noticed from the above table, the Department obtained supplementary provision ranging between ₹ 1.24 crore (2010-11) and ₹ 9 crore (2008-09) during the period 2006-11 but could not utilise the same. In fact, actual expenditure in all the five years (2006-11) was less than even the original provision indicating that the supplementary provision was obtained without ensuring its utilisation. This was symptomatic of unsound budgetary management in the Department.

3.1.8.2 Large savings in Capital sector

The details of provisions under revenue and capital sectors were as under:

Table – 3.3

(₹ in crore)

Year	Budget Provision		Expenditure		Savings	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2006-07	23.59	21.33	12.59	5.00	11.00 (47)	16.33 (77)
2007-08	12.48	19.91	12.11	7.60	0.37 (3)	12.31 (62)
2008-09	23.45	43.41	23.06	27.47	0.39 (2)	15.94 (37)
2009-10	20.19	145.88	18.99	57.38	1.20 (6)	88.50 (61)
2010-11	32.74	182.67	27.80	33.31	4.94 (15)	149.36 (82)

Source: Appropriation Accounts

While the savings on revenue sector (2 to 47 *per cent*) were comparatively lower and declined progressively with time indicating improvement in budgetary management in this area, the savings in the capital sector (37 and 82 *per cent)* were substantially high and there was no sign of improvement in the trend over the five year period. The reason for savings under capital sector was primarily due to non-completion of works in time by the contractors denoting weak contract management and delay in receipt of central funds (under JNNURM) from Government of India.

3.1.9 Control over expenditure

The control over expenditure lacked the following:

i) Rush of expenditure: Financial discipline requires that the expenditure be evenly phased over the financial year. It was noticed that 39 *per cent* to 50 *per cent* of the total expenditure was incurred in March during 2006-11 in the Department which was partly due to the release of funds by the State Government towards the end of the year. Rush of expenditure at the close of the financial year puts unnecessary pressure on the executing agencies to incur expenditure and is fraught with the risk of unnecessary procurement and ill-planned execution.

ii) Parking of funds: ₹ 1.29 crore drawn on AC bills by the Department for various purposes as of March 2011 were lying unadjusted since 2001.

iii) Blocking of funds: Before commencement of the works, an amount of ₹ 5.12 crore[5] was paid as mobilisation advances to various contractors and State Trading Corporation of Sikkim for construction work and supply of materials respectively which resulted in blocking of funds over a period of six months without immediate requirement.

iv) Non-submission of utilisation certificates (UCs): According to the scheme guidelines of Additional Central Assistance/State Plan Assistance, UCs were to be sent to GOI within the stipulated time. Audit examination however, revealed that despite receiving repeated reminders, the Department did not submit utilisation certificates to the GOI for 2006-07 to 2009-10. The UCs for the years 2006-07 to 2009-10 in respect of Tribal Sub-Plan and Scheduled Caste Sub-Plan were sent by the Department only in May 2011.

3.1.10 Revenue Management

The Department was responsible for assessment and realisation of revenue towards Entertainment Tax, Trade Licence fee, bazaar contract, car parking contract, rent from premises, sanitation fees, advertisement charges, pay and use toilets, site salami and regularisation fees, hoarding banners, ground rent and other miscellaneous receipts.

3.1.10.1 Non-realisation of rents

UDHD was maintaining 337 shops/offices in 5 shopping establishments and these were being let out to public and Government organisations. Audit observed that UDHD had not evolved a mechanism for prompt realisation of the rentals resulting in huge accumulation of dues. As a result, rental dues from Government organisations accumulated to ₹ 5.23 lakh, and ₹ 81.72 lakh from private parties remained to be realised as of March 2011. Further, no lease agreement was signed with these private parties (285 parties) indicating absence of an effective system for collection of rent.

3.1.10.2 Loss of Government revenue due to improper survey

Mention was made in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2007 about non-verification of the actual number of subscribers of a cable operator (Nayuma cable) and non-realisation of entertainment tax of ₹ 4.72 crore and penalty thereon of ₹ 14.52 lakh. In its 82nd Report (30 March 2010), the Public Accounts Committee recommended for proper survey to ascertain the actual number of subscribers by the Department.

The Department engaged a private NGO for proper survey of actual number of subscribers. The figure of 4,610 submitted (April 2010) by the NGO was accepted without any verification despite the fact that the number was abysmally low as compared with the number of 22,000 already available in the records of the Department itself. Audit conducted a sample survey of subscribers in their own residential quarter complex at Syari wherein the number was shown

[5] *1. Construction of Haat Shed at Rangpoo- ₹ 11.66 lakh (STCS), 2. Strom water drainage system- ₹ 45 lakh, 3. Integrated slum development Housing at Sisney- ₹ 138.41 lakh and ₹ 56.54 lakh, 4. Inner city Road: ₹ 134 lakh and 5. Car parking at Deorali- ₹ 99.90 lakh drawn on 31 March 2010; but, work commenced on 23 October 2010 (STCS)*

as 65 against the actual of 71, indicating a 10 *per cent* reduction in the actual number and cast doubt on the reliability of the survey conducted by the NGO. Further, the cable operator was also not depositing the monthly entertainment tax from April 2010 even on the basis of the number of subscribers accepted by the Government. An amount of ₹ 46.70 lakh, including penalty, remained unrealised as of March 2011.

3.1.10.3 Non-realisation of annual license fee

The Department fixed ₹ 30,000 per annum per company as mobile trade license fee. Test check of records revealed that the Department had neither imposed nor collected the mobile trade license fee since the commencement of the mobile business in Sikkim by various companies which worked out to ₹ 12 lakh till March 2011.

While the fixation of fees irrespective of the number of towers being operated by any company was inexplicable, even the fees fixed remained to be realised since 2006-07.

The Department accepted (August 2011) the observation.

3.1.10.4 Short realisation of bazaar contract fee and car parking fee

Every year, UDHD fixes the upset prices of 'bazaar contract fee' and 'car parking fee'. Audit scrutiny revealed that an amount of ₹ 31.97 lakh for bazaar contract fee and ₹ 64.06 lakh for car parking fee were short realised by the Department against the upset prices fixed for the years 2006-2011 as detailed in **Appendix – 3.1.**

The Department stated (August 2011) that loss of revenue would be reviewed and recommendation sought to rationalise user charges for bazaar and car parking through market survey.

3.1.11 Operational controls

Operational controls provide assurance that tasks were being performed to fulfil programme objectives. Audit noticed a number of instances of control failures in performance of regular activities by the Department such as deficiencies in preparation of DPRs, irregular provisions on various items, etc., non-adherence of rules and procedures, sub-standard execution of works, avoidable and unauthorised expenditure, irregularities in purchases, etc. Some of the deficiencies are discussed below:

3.1.11.1 Preparation of Detailed Project Report (DPR)/estimate

Preparation of estimates is an important element in cost control mechanism which helps to define the quality of work to be executed and its cost. It was observed that the Department had not constituted any Technical Advisory Committee to check the DPRs. This resulted in inadequacies as mentioned below:

- ***Benefit-cost ratio***

Before embarking on a major project, it is the basic requirement to assess benefits vis-à-vis cost on the project. Benefit may be economic, social or a combination of both. Good

governance pre-supposes informed decisions, based on rational considerations. Audit noticed that benefit cost ratio was not included in any of the DPRs prepared.

➢ ***Excess provision in the DPR***

The primary responsibility for accuracy of the provisions in DPR rested with the Chief Engineer, who was to ensure correctness of designs and to ensure that overall cost of project was reasonable.

Scrutiny of DPR and estimate relating to flyover bridge at Deorali revealed that an amount of ₹ 44.68 lakh were provided in excess to the extent of 10 *per cent* contractor's profit being not deducted from the estimate of civil work, VAT included in labour component and excess rate allowed on steel.

While accepting the observation, the Department stated (November 2011) that action had been initiated to strengthen the system of preparation of DPRs.

3.1.11.2 Deviation from approved specification

Deviation from approved specification had resulted in irregular execution of works as under:

➢ Audit scrutiny of records relating to the works, "Road surfaces at various bazaar areas of South" revealed that out of ₹ 1.68 crore sanctioned (December 2008) under 10 *per cent* lump sum provision of NEC, an amount of ₹ 11.85 lakh was paid in excess to the contractor due to defective measurement taken and use of less quantity of materials (cement, sand, stone and bitumen).The Department stated (November 2011) that there was a slight clerical error in the deviation statement which had been corrected. The reply is not acceptable as irrespective of the clerical mistake, no recovery had been effected.

➢ Audit scrutiny of the works for construction of rural marketing centres, roads and dwelling houses at various places in South/West circle under NABARD and ACA revealed that consumption of materials (cement, sand and stone) was not according to specifications. It was noticed that out of eight works undertaken by the Department, excess cement was used in two works and less cement was used in six works. Further it was also observed that excess sand and stone was used in four and three works respectively and less stone used in one work. The total expenditure on the eight works was ₹ 4.22 crore as detailed in **Appendix-3.2**. It is therefore, evident that there were deviations from the specifications in these eight works impacting the quality of the works.

While accepting the audit observation, the Department stated (November 2011) that utmost care in this regard would be taken in future.

➢ Physical verification (May 2011) of pay and use toilet at Rangpo revealed that against the payment of water tanks for 2,000 litres and collapsible gate, only water tanks of 1,500 litres and simple iron gate were utilised.

The Department stated (August 2011) that due to water supply problem, the tank size

had been altered and as and when it would be normal, the same would be rectified. The reply indicated that no proper survey was conducted before commencing the work.

3.1.11.3 Poor maintenance of Gangtok area

The Department incurred a huge amount on maintenance and repair of bazaar, sanitation and maintenance of Gangtok town, as detailed below:

Table – 3.4

(₹ *in lakh*)

Year	Maintenance and repair of Bazaar (East)	Sanitation of Gangtok	Maintenance of Gangtok town
2006-07	33.03	36.47	22.41
2007-08	19.39	39.50	15.53
2008-09	25.26	46.46	19.77
2009-10	25.35	48.46	23.76
2010-11	8.38	30.18	14.77
Total	**111.41**	**201.07**	**96.24**

Despite expenditure of ₹ 4.09 crore on maintenance and sanitation activities, the maintenance of the town areas left much to be desired as dilapidated roads, open potholes, throwing of litter in public areas, cluttered drains could be seen at many places. A pictorial overview of pathetic maintenance and upkeep of the town areas is presented below:

Image - 3.3



Public toilet at Rangpo slum area without approach road

Image - 3.4



Near AG Office, Gangtok

Image - 3.5



Non-existent footpath with unhygienic surroundings at Mangan

The Department stated (November 2011) that the ULBs, despite being in their nascent stage, were taking action and the situation would improve in future.

3.1.11.4 Lax control in purchase of sanitation items

The Department is responsible for maintaining cleanliness in the urban areas of the State. Audit scrutiny revealed that the Department purchased sanitation items[6] from the suppliers without inviting tender. In this regard, records relating to requirement, scale of requirement, stock entry regarding receipt and issue of such items could not be made available to audit despite specific requisition to that effect.

According to Sikkim Financial Rule, all materials received should be examined, counted,

[6] *Bleaching power, Odonil, Aromax phenyl, phenyl, etc.*

measured or weighed, as the case may be, when delivery is taken and it should be ensured that the quantities are correct and the quality according to specifications ordered. Scrutiny however, revealed that sanitation items worth ₹ 11.39 lakh[7] were not recorded in the stock register. It was further confirmed by the concerned Sanitation Inspector that the said items were not received which indicated non-accountal of materials.

3.1.11.5 Irregular payment towards throwing of spoils and carriage charges

Test check of records relating to works executed departmentally revealed that the Department paid an excess amount of ₹ 22.75 lakh to the suppliers for throwing of 3,244 *cum* of spoils and carriage of cement, sand, stone, etc. for three works[8]. It was noticed that quantity of throwing of spoils allowed was higher than the quantity of spoils that was supposed to be extracted as per respective DPRs. It was further noticed that the rates was higher in case of throwing by contractors in comparison to rates allowed in case of throwing by the Department itself.

The Department stated (November 2011) that no such error would be repeated in future.

3.1.11.6 Avoidable expenditure of contingency charges

Under the CSS programme, no departmental or agency charges were admissible for inclusion in project proposal. While approving the proposal (December 2010) for modification and up-gradation of Melli Bazaar, the Finance Revenue and Expenditure Department instructed to reduce the departmental charges, i.e., contingency from 4 *per cent* to 2 *per cent* and the same was agreed by the Department. Contrary to these instructions, the estimate of works was technically approved by the authorities at the rate of 4 *per cent* which resulted in an avoidable expenditure of ₹ 26.28 lakh. It may be mentioned that the entire provision towards contingency (4 *per cent*) was spent before completion of the projects, one was even yet to be started.

The Department accepted (November 2011) the fact and stated that this would be adjusted on the overall project cost.

3.1.11.7 Unauthorised expenditure from SCSP fund

The basic objective of Scheduled Caste Sub Plan (SCSP)/Tribal Sub Plan (TSP) was to channelise the flow of outlays and benefits from the general sectors of the state plan for the development of SC and ST at least in proportion to their population both in physical and financial terms with ultimate goal of bridging the gap in socio-economic development of the SCs and STs within a period of 10 years. The Government approved (May 2008) housing facilities for Economically Weaker Section (EWS) families at old slaughter house area, Gangtok at a cost of ₹ 1.34 crore under SCSP/TSP.

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[7] *₹ 7.37 lakh in East/North Circle for the year 2009-10 and ₹ 4.02 lakh in South/West Circle for the year 2010-11*

[8] *Infrastructure facilities at Rangpo, Improvement and modification of Raj Bhavan approach and Improvement and modification of Yatayat Bhavan approach road*

Test check revealed that out of the total fund, ₹ 1.11 crore was spent for construction of quarters for Group III/ IV staff and ₹ 0.23 crore was spent for repairs of existing quarters.

Thus, deviation of scheme guidelines resulted in an unauthorised expenditure of ₹ 1.34 crore, besides depriving economically weaker/ lower income section of the society of their housing needs as stipulated in the guideline.

3.1.11.8 Doubtful execution of work

In terms of Sikkim Transit of Timber and other Forest Produce Rules 1999, no forest produce (among other things, rock, surface soil, sand and stones) shall be moved into or from or within the State of Sikkim except by a transit permit issued by the concerned Divisional Forest Officer after satisfying himself that the forest produce was legally obtained and can be transported to another place from where it was located, stored or available. The transit permit shall be issued after levying a fee equal to the commercial rate of royalty for the forest produce as notified in the schedule of rates of royalty. Further, all transit permits shall be governed by the condition that the forest produce shall be taken to each check post on the route indicated in the transit permit for checking and examination by the forest officers and the transportation shall follow the route indicated therein and not deviate from it. The transit permits shall be prepared in triplicate, the second and third copies of which shall be given to the person in charge of the produce under transit and the same shall be produced whenever required by any checking officer (Rules 2 to 8 & 12). Any contravention of the provision of these rule shall be a forest offence (Rules 25) liable to be penalised under the terms of the Sikkim Forest (Compounding of Offences) Rules 1998, which includes, inter alia, punishment with imprisonment extending upto one year.

Test check of vouchers of various works executed departmentally revealed that the Department made payments to the suppliers for 1,791.77 cum sand, 6,328.54 cum stone and 698.55 cum stone chips valuing ₹ 59.34 lakh during March 2011. However, in no case, was transit permit (royalty payment) issued by the forest authority for transportation of the sand and stones, prior to the extraction and movement of the forest produce, obtained from the suppliers. There was no record to indicate that the Department had at any time impressed upon the suppliers to produce the transit permits. Instead, in many cases while making payments, royalty was deducted from the suppliers' bills. Had the suppliers obtained permits, they would have submitted the permit slips (royalty payment slips) thereby exempting themselves from deduction of royalty from the bills. It was thus inexplicable as to how the transportation of sand, stones and stone chips in all the cases relating to works executed departmentally was carried out avoiding detection by officers of Forest Department posted at various forest check posts. The Department's non-insistence on the suppliers for production of transit permits was tantamount to aiding and abetting the offenders of government regulation. Further, in the absence of necessary transit permits to vouch for the movement of sand/stones/stone chips, the authenticity of the use of the said materials valuing ₹ 59.34 lakh by the Department remained doubtful.

The UDHD stated (August 2011) that Government policy for revenue generation by way of royalties was fulfilled and as such the question of doubtful execution of work as reflected does not arise. The reply of the Department is not tenable as it violated the directives of the Government relating to use of forest produce, besides casting doubt on the execution.

3.1.11.9 Irregularities in approval of Blue Print Plans for Building

Mention was made in Comptroller and Auditor General of India's Audit Report 2006-07 that the UDHD did not maintain year-wise and zone-wise data for construction of houses and approval of blue print plans. The present audit noticed that the situation had not improved as stated below:

a) Sikkim fell under Zone IV according to seismic zoning map of India and was vulnerable to earthquakes. Thus, lighter structured buildings with two and half storeys were prescribed. Despite this, scrutiny of Blue Print Plans approved during 2007-11 revealed that the Department continued to permit construction upto five and half storeys.

b) In two cases, Department violated its own notification and allowed construction of two and half storey buildings in stability zone 5 where maximum limit is one and half storey.

c) As per Sikkim Building Construction Rules, set back of minimum 27 feet from centre of the road had to be kept in case of plots below 27,000 sft The same was not done in four cases. Similarly, where two plots/sites are joined on one side, minimum gully of six feet on the opposite free site of these plots/sites was to be provided. However, this was not done in three cases. This made the concerned buildings and surrounding areas vulnerable due to lack of emergency exit, ventilation, proper drainage, etc.

d) Sikkim Building Construction Regulations (SBR) stipulates that buildings constructed on the valley side of the road were to have a maximum of one storey only above the road level. It was observed that the Department never verified this aspect while approving Blue Print Plan (BPP) as evident from the fact that this was not even included in the Form for scrutinisation of BPPs. It was further seen that 10 buildings having floor height above one floor were approved.

e) Out of 185 Blue Print Plans (BPPs) checked, only in 6 cases, Occupation Completion Certificate stipulated in SBR was found in file. This certificate is issued after the building had been checked by the Department. Absence of such certificates indicated that the Department did not verify compliance of SBR and whether the construction was as per the approved BPP or not.

3.1.11.10 Irregular grant of height of Roof Top Pole

As per instruction issued by the Town Planning Section of UDHD, the height of roof top poles (RTP) for mobile towers would be upto 9 meters.

Audit scrutiny of records relating to grant of NOC for erecting RTP revealed that the Department had granted height of RTP ranging between 10 and 12 meters to various

companies in contravention of the said instruction.

The Department stated (November 2011) that marginal increase in height in some of the cases was not considered an offence. The reply of the Department was not acceptable since it contradicted its own instruction issued in view of the safety of the building in hilly terrain.

3.1.11.11 Construction of projects by NBCC

National Building Construction Corporation Limited (NBCC) had been engaged in various urban development projects in Sikkim. The NBCC prepared project reports for such projects as required by the State Government and submited the same to UDHD. After vetting the same, UDHD sent the project reports to the Union Ministry for approval and sanction. The NBCC executed the projects after approval of the project reports and receipt of funds directly from the Union Ministry. After completion of the projects, the assets were taken over by the UDHD from the NBCC. It was however, observed that the Department does not keep provision for maintenance and upkeep of these assets taken over. In fact, it does not even have any detailed information about the projects executed by the NBCC. From the information obtained by Audit from the Zonal Office of NBCC at Gangtok, it was noticed that during 2003-11, 12 projects (nine completed and handed over) were undertaken at an aggregated sanctioned cost of ₹ 226.59 crore as detailed in **Appendix – 3.3**. Physical verification of some of these assets revealed very poor condition and non-utilisation as mentioned in the subsequent paragraphs. In the absence of any provision for maintenance and database information of such assets in the UDHD, the condition of these assets suffered deterioration due to non-maintenance, non-utilisation, pilferage, etc. over the period of time as had happened in the following cases:

Image - 3.6



Debris lying near children park, Gangtok

Image - 3.7



Dilapidated condition of electric wire in shopping complex at Singtam

Immediate steps need to be taken for maintaining proper database and provision for maintenance for ensuring utility of the assets created.

The Department stated (November 2011) that immediate steps would be taken up for proper database and to have provision for maintenance for ensuring utility of assets created.

3.1.11.12 Trade Management

➢ ***Non-realisation of trade license fee from the liquor shops***

Sikkim Trade License Rules 1985 envisaged that no person shall manufacture, store, sell, exhibit for sale, use or permit to be used any place for the purpose of trade of any goods or commodity as enumerated in Schedule I or Schedule II as the case may be, except under a License issued under these rules.

Scrutiny, however, revealed that liquor shops (East: 529; West: 113; South: 119 and North: 55) were running without trade licenses issued by the UDHD since their inception of liquor business as of March 2011. This resulted in loss of Government revenue over the years, besides absence of proper internal control over trade licenses.

While accepting (November 2011) the observation, the Department stated that provision for imposition and realisation of trade licence fee from liquor shops had been inserted in Sikkim Trade License and Miscellaneous Provision Rules 2011.

➢ ***Non-realisation of trade license fee from the private schools***

Despite mention in the Comptroller and Auditor General of India's Audit Report for the year ended 31 March 2007 regarding non-levy of license fee and fine of ₹ 20.68 lakh, the Department had neither maintained any database of private schools engaged in imparting education in the State nor initiated any efforts to cross check the records such as list of schools (East: 115, West: 78, North: 16 and South: 76), number of students, etc.

The Department stated (November 2011) that trade licenses to private institutions registered with HRDD had been issued. The fact remained that according to the records provided by the Department, only 17 out of 285 schools were issued trade license so far.

3.1.12 Programme Management

Systematic and realistic planning from project formulation stage to execution is a prerequisite for successful implementation of projects in a cost effective manner.

Scrutiny of the progress of implementation of various ongoing schemes pertaining to development of urban infrastructure in Sikkim revealed that the completion of projects were behind schedule by five to nine months as of July 2011as detailed in **Appendix – 3.4**. Such delay in completion of works indicates poor planning and deficient project management which in turn results in time and cost overrun, consequently affecting budget preparation and efficient expenditure control. Some of the lapses noticed in Audit are summarised below:

3.1.12.1 Delay in completion of inner-city road

The Government approved (February 2010) the construction of inner-city road (six approach roads) at a cost of ₹ 14.40 crore. The works were to be executed departmentally commencing 1 November 2010 and completed on 30 April 2011. Test check (May 2011) revealed that the said work had been completed only upto 40 to 60 *per cent* even after the lapse of one month from

the scheduled date of completion. Audit further noticed that contingency provision of ₹ 42.50 lakh were fully utilised by the Department as of March 2011 towards purchase of speed breaker, procurement of road marking machine and patch repair works in and around Gangtok. Further, in extension of undue benefit to the supplier, an amount of ₹ 1.35 crore was paid (March 2011) in advance without any interest to the hot mix bituminous supplier. The delay in completion of work retarded the development process and frustrated the objective of providing good networks within the city to facilitate the common people for better road and trade flow.

The Department stated (November 2011) that the delay was due to various hindrances that occurred during the process of execution such as dumping of stock and non-stock materials, shifting of utility services which consumed much time. The contention of the Department was not acceptable since these aspects were to be taken into consideration before preparation of DPRs and approval of the works.

3.1.12.2 Wasteful expenditure

Infrastructural works for rural markets at Reshi was sanctioned (September 2008) at an estimated cost of ₹ 99.02 lakh under NABARD (RIDF) scheme for completion within 12 months. Scrutiny revealed that ₹ 55.16 lakh was paid to contractor and an amount of ₹ 10.71 lakh (₹ 2.08 lakh for Muster Roll, ₹ 0.87 lakh for purchase of material and ₹ 7.76 lakh for miscellaneous work) was incurred beyond the sanctioned cost. The work was not completed till July 2011, i.e., even after 16 months of its due date of completion. Physical verification and departmental information against specific requisition revealed that before undertaking the work, no soil testing was carried out as no such provision was kept in the DPR. Absence of soil testing had led to a construction without stability and soundness as would be seen from the photographs below:

Image - 3.8



Crack in the RCC structure

Image - 3.9



Crack in the RCC structure

As would be seen, the structure cracked dangerously and in no way would be feasible for use by the common rural people as a rural marketing centre. This had resulted in wasteful expenditure of ₹ 65.87 lakh, besides depriving the intended benefit to the rural people of Reshi.

The Department stated (August 2011) that the cracks as pointed out in Audit were being dealt in details by an expert (BBR/Bangalore) firm. While the final reply was awaited, flouting Government directives of mandatory soil testing before execution of the work had resulted in the poor construction.

3.1.12.3 Irregular computation of escalation on materials

For infrastructure development and beautification of Melli Bazaar, the UDHD took up (November 2010) nine works, each valuing ₹ 50 lakh. In fact, one single work was split into nine to accommodate the Co-operative Societies by bringing the value of work within their financial restriction.

Scrutiny of DPR/estimate relating to development of Melli Bazar revealed that the Department had computed escalation on materials which were much higher than the present market value as compared from the STCS bills of other works executed by the Department itself. The details are shown below:

Table – 3.5

(*in* ₹)

Particulars	Quantity	Rate of SOR 2006	Present rate shown	Present rate as shown in the STCS Bill/cash memo of private supplier	Difference	Total difference
Cement	1,854 bags	293	345	299	46	85,284
Steel	9.84 MT	33,750	54,690	44,308	10,382	1,02,159
Total						**1,87,443**

Thus, due to erroneous computation of cost escalation of materials, an amount of ₹ 16.87 lakh (for 9 works) had been provided in excess which could have been restricted.

The Department stated (November 2011) that the position was being reviewed for remedial action.

3.1.12.4 Non-operational lift in the Shopping complex

With a view to facilitate movement of the public, Kanchenzonga Shopping Complex was provided with the provision of two lifts which were established at an expenditure of ₹ 40 lakh. Since its inauguration (August 2004), lifts were neither put to any use, nor were any steps taken to utilise the same for the benefit of the public coming to the shopping complex. It was given to understand that in the absence of any liftman and non-availability of funds for the purpose, the lifts could not be put to any use.

3.1.12.5 Non-availability of basic facilities

Keeping in view the requirement of bus/jeep traffic and to improve the overall infrastructure of the State, six[9] car parking-cum-shopping complexes were constructed by the UDHD. According to norms, the bus/jeep terminals should have various basic facilities like waiting

[9] *Three at Gangtok and one each at Namchi, Jorethang, Gayzing.*

lounges, commercial area, baggage trolleys, drinking water and toilet. It should also have a complete enclosed passenger concourse. Audit scrutiny however, revealed that none of the terminals were provided with such basic facilities as would be seen from the photographs below:

Image - 3.10



Image - 3.11



Passengers wiating here and there in the main line taxi/jeep stand at Deorali

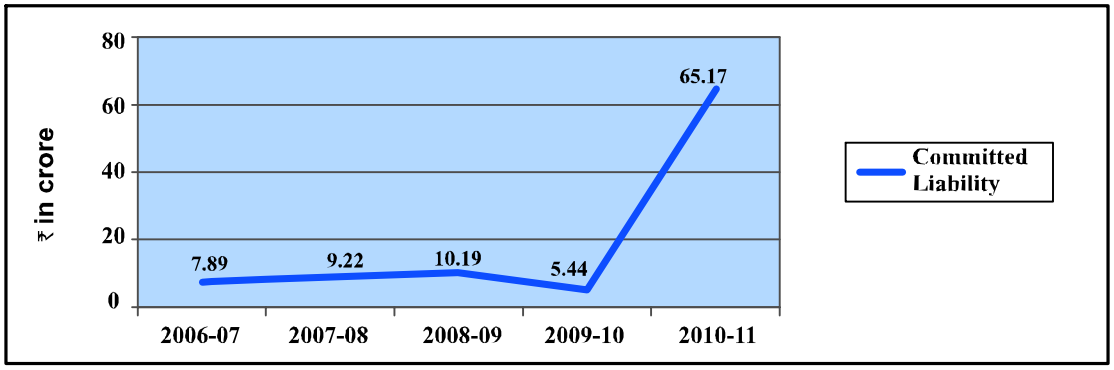
Further, commercial areas which were built for being leased to the urban poor in two car parking-cum-shopping complexes at Baluakhani and Deorali were allotted to the Election Department and Gangtok Municipal Corporation respectively.

This indicated not only the improper planning for construction of terminals but also denial of providing basic minimum facilities to the general public as well as urban poor.

3.1.12.6 Committed liability

The unplanned and indiscriminate sanction of projects led to huge committed liabilities over the period 2006-11 as depicted in the graph below:

Chart – 3.1



The liabilities increased by 726 *per cent* from ₹ 7.89 crore to ₹ 65.17 crore over a period of five years (2006-11), which was very high. Thus, the Department tottered under the weight of huge outstanding liabilities arising out of indiscriminate sanction of projects without ensuring the availability of equivalent resources. Unless the Government takes urgent and drastic steps to arrest the crisis, the situation would soon become unmanageable.

3.1.13 Waste Management

3.1.13.1 Repair and maintenance of garbage vehicles

Although the Department was maintaining a fleet of 16 garbage vehicles, it had never prepared 'annual repair demand' during 2006-11 for proper repair and maintenance of the fleet. The repairs for ₹ 1.57 crore were done from the open market on the basis of 'no objection certificate' issued by the Mechanical Division of SNT. No schedule for periodic maintenance including overhauling of vehicles had been framed by the Department.

3.1.13.2 Garbage control/collection

The increasing generation of solid waste is a growing problem in all cities. According to Sikkim Development Report (2001) of Planning Commission, the needs of the population in Sikkim have by far outstripped the provision of solid waste services such as, street bins and landfill sites. While preparing schemes and strategies for Eleventh Plan, Department took a view to minimise the dumping into landfill sites as cities in Sikkim are land scarce. The Department had since taken some steps in increasing the efficiency of garbage disposal like complete ban on plastic bags, public awareness campaign in garbage disposal, collection of garbage from households through trucks by ringing the bell, etc. In an attempt to introduce scientific disposal of solid degradable waste by converting them into composts, the Department initiated two major garbage plants at Martam with the support of Ministry of Urban Development, Government of India for the towns in East District and at Sipchu with major funding from Central Pollution Control Board for the towns and bazaars of South and West districts. Audit noticed irregularities in execution of these projects as described below:

(i) Martam Project

- The project was sanctioned by GOI in October 2001 at a cost of ₹ 4.33 crore with 90 *per cent* central grant. Due to proposal of establishment of a tourism project, the originally planned site of the project, i.e., Marchak was changed to Martam without GOI's approval. The relocation of project at the new site entailed construction of approach road at a cost of ₹ 1.03 crore. The additional cost of ₹ 1.03 crore due to inability to identify proper location of the plant was not funded from the GOI and was borne by the State Government.
- The delay in granting administrative approval (October 2003) caused considerable cost escalation leading to a substantial reduction in scope of work to accommodate the project within ₹ 4.33 crore, without approval from the GOI. The original envisaged capacity of 50 MT garbage per day for 30 years was revised to 30 MT per day for 20 years and construction of compound wall and vermin-compost yard were abandoned, thus compromising the very objective of the plant, i.e., conversion of garbage into compost based organic fertiliser.
- Even after opening of project in April 2006, the plant was projected only for composting the segregated wastes and unsegregated wastes were being dumped in volumes beyond the capacity (6 x 8 sq ft.) of the plant. The composting plant was therefore, incapacitated to that extent.

- The plant failed to dispose garbage in scientific and hygienic way as foul smell emanated from the plants regularly causing health hazard in nearby areas. Complaint was received (July 2009) about foul smell and consequent illness to casual labours and GREF personnel. No action was taken towards this even after a meeting (October 2010) was held between GREF, DC (East) and the Department and views of the Estimate Committee of the Sikkim Legislative Assembly after their spot visit of the plant (25 November 2010). The Plant was non-functional and wastes were accumulated in the site without adequate handling and proper management. However, complaints of foul smell and consequent spread of heavy insects and emergence of uncommon diseases in the area was again received from GREF and Swastik authorities (January 2011) and DC (East) impressed upon the Department to take immediate steps.

- In the absence of much needed processing facilities, wastes were being dumped in open sites which had no facilities for containment and were unmanned, with free access to cattle and human beings. Thus, the Department showed a lackadaisical approach towards the Martam Garbage Disposal Plant and put the entire environment and general health of the people inhabiting the area at serious risk as would be evident from the following photographs:

Image - 3.12



Garbage disposed of in the open area at Martam Plant

Image - 3.13



Idle plant at Martam Garbage Plant

Image - 3.14



Easy access of human being and animals at Martam Garbage Plant

(ii) Sipchu Project

The project aimed at disposal and recycling of wastes of all the bazaars under South/West districts, serving 50 sq km area of South and West districts was sanctioned (March 2006) at a cost of ₹ 2.5 crore, tendered and awarded (July 2007) to lowest tenderer with the stipulation to complete the work within March 2011. The project was still in progress with the following irregularities:

- ***Soil testing not done***: The Department had not conducted survey and investigation to ascertain the feasibility of project site. Even mandatory soil testing of the site had not been done. Physical verification revealed that water was seeping from the floor in the construction site casting doubt over the future of the project.

- ***Delay in completion***: Against the schedule for completion within March 2011, only 60 *per cent* physical progress was achieved till June 2011. Due to non-completion of the project in time, not only could the intended benefits not be achieved, but serious environmental degradation was occurring as garbage was being dumped openly in the project area which resulted in piling up of untreated garbage as under:

Image - 3.15



Garbage disposed of in the open area at Sipchu, South/West

Image - 3.16



Overflowing garbage bin near Nagar-panchayat office at Jorethang

The Department stated (August 2011) that delay in completion of project was due to non-availability of central fund. The reply was not tenable as even the available fund could not be utilised by the Department resulting in non-release of further funds from GOI.

3.1.14 Contract Management

The Department engaged contractors for execution of all works relating to construction of buildings and roads. Only the regular maintenance works were taken up departmentally. In order to manage the affairs economically and efficiently, it was imperative that due diligence was exercised in selection of the contractors, transparency maintained in award of works, rates and estimates diligently framed, time and cost overrun avoided and the project execution monitored closely to ensure timely and quality finish. Shortcomings in contract management led to a number of projects remaining incomplete beyond the scheduled date of completion

besides the following inconsistencies:

3.1.14.1 Low participation in bidding despite large number of contractors

In terms of SPW Manual 1983 (revised in September 2009), contractors were registered in six categories *(Class IAA, IA, IB, IIA, IIB and Class III)* in the departmental headquarters at Gangtok and class IV category (lowest category) in the divisional offices of Roads & Bridges Department. As on date of audit, despite the contingent of 21,387 registered contractors in the State, the level of participation in almost all the bids (90 *per cent*) floated during 2006-11 was only three in each case (the minimum required for making a tender valid). This indicated that majority of the registered contractors were not serious or were unqualified players who used their registration for cartelization of the tenders and not for actual participation in the bids. The Department had not considered this aspect at the time of awarding works to the contractors.

3.1.14.2 Non-submission of regular labour details by contractors

In terms of clause 19 D of the General Directions and Conditions of Contract, every contractor was required to submit by the 4th and 19th of every month, to the Engineer-in-Charge a true statement showing, in respect of the second half of the preceding month and first half of the current month respectively (i) the number of labourers employed by him on the work, (ii) their working hours, (iii) the wages paid by them, (iv) the accidents that occurred during the said fortnight showing the circumstances under which these happened and the extent of damage and injury caused by them, (v) the number of female workers who were allowed maternity benefits like grant of leave, pay, etc. This requirement was not being fulfilled in the execution of works by the UDHD, as a result of which, there was no control by the Department over the use of appropriate number of skilled/unskilled labourers, engagement of minors, facilities to be extended to the female labours, payment of fair wages, etc. by the contractors.

3.1.14.3 Non-displaying of details of works in the work sites

During physical verification of ongoing projects in the North/East circle, it was noticed that details of work were not displayed by the contractors in seven cases out of nine ongoing projects. This indicated the absence of transparency in execution of works. The Department stated (November 2011) that remedial action was being taken.

3.1.14.4 Delay in payment to labourers

As per Minimum Wages Payment Act 1983, daily labourers were to be paid on weekly basis and muster rolls prepared accordingly. However, in nine test checked projects, in spite of availability of funds, Department delayed payment of ₹ 54.07 lakh for 15 to 365 days during 2006-11.

3.1.14.5 Irregular utilisation of contingency provision of works

The provision for contingency expenses (three *per cent* of estimated cost) was incorporated within the cost of work with a view to meet any unforeseen/incidental expenditure arising during the course of execution of work which was generally not covered under the main

estimate of work. The contingency charges provided for a work was meant to be spent only on items which were incidental to the work.

Test check of records revealed that the Department irregularly utilised ₹ 1.44 crore of contingency charges in respect of various centrally funded schemes and projects funded by other organisations on items not related or incidental to execution of the particular works like purchase of vehicles, payment of MR and supply bills.

This indicated that the contingency provision incorporated in the works estimate were either not required or were in excess of actual requirement giving scope to the departmental officers for incurring expenditure not incidental or contingent upon the work execution.

3.1.15 Quality control

Existence of an effective quality control mechanism in the Department is of paramount importance with a view to ensure quality of inputs used in the works and to achieve high degree of quality. An efficient quality control mechanism would not only ensure durability of the assets created but also enable such assets to withstand expected distress and the usual vagaries of nature to survive the designed life period. It was however; seen in Audit that quality control was a neglected area in the functioning of the Department as highlighted in the paragraphs below:

3.1.15.1 National best practices on quality control

National best practices envisaged that the contractor shall set up a field laboratory with adequate equipment and personnel in order to carry out all requisite quality tests at his own cost. Various important quality control tests have been prescribed by MORTH for road and building construction to be carried out at regular intervals and at the required frequency. Audit examination revealed that the Department did not ensure that the contractors carried out the quality tests as stipulated by the MORTH / Central Building Research Institute, Roorkee. This was despite the fact that majority of the projects undertaken by the Department were centrally funded which prescribed adherence to quality specifications issued by the MORTH/ Central Building Research Institute.

3.1.15.2 Stipulation of Public Works manual not complied

The Department had no prescribed mechanism to ensure regular and effective quality control checks till September 2009. In September 2009, the revised Sikkim Public Works Manual 2009 was notified which incorporated some broad guidelines relating to quality control checks and quality assurance in works execution, which however, was not adhered to by the Department as of March 2011 as indicated below:

Table – 3.6

Stipulation in the PW Manual	*Status of Compliance as of March 2011*
Detailed procedure to be laid down for ensuring quality control by the construction staff (Divisional Engineer, Assistant and Junior Engineers and the Contractors)	No such detailed procedures had been laid down by the Department for observance by the construction team.
The engineer-in-charge should ensure that only materials conforming to IS standards and approved by the competent authority were used in the works. All tests on materials as far as practicable were to be carried out at the construction site in a field laboratory set up under the control of the DE. At least one lab should be established in each Division.	No detailed quality control tests were done on different aspects of works execution as prescribed by MORTH. No action initiated so far to establish quality control labs in the worksites or the executing divisions.
No payment for works to be made unless bills were supported by quality control report.	Bills were released to the contractors without mandatory quality control report.
Guard file with copies of all quality inspection reports were to be maintained at all worksites. The SE (QA), SE (Circle), ACE, CE and PCE-cum-Secretary should invariably review and sign the Guard file of earlier inspections, inspection registers, Site Order Books, Registers of tests carried out etc.	No such Guard files were maintained in any of the work sites and hence the review of the quality inspections by the higher authorities could not be assured.
At least ten mandatory visits were to be conducted by the head of Quality Assurance Team (SE, Quality Assurance) to different work sites every month for quality checks with portable equipment procured for the purpose.	No notification had been issued so far for constitution of the QA team. Details of quality tests carried out at the worksites by any QA team were not available. No portable equipment had been purchased for quality checks to be carried out in the work sites by the QA team.
The Public Works Department Specifications delineating detailed specifications of each item of work to be referred while carrying out quality control checks.	The Department had not so far brought out any State specific specifications giving detailed specifications of the various items of works to be carried out in the field. Even the rudimentary specifications incorporated in the Analysis of Rates and the Schedule of Rates for various items of works were yet to be properly followed.
Establishment of Central Quality Testing Laboratory at the Departmental Headquarters with appropriate and qualified manpower to be engaged to run the lab.	No such central quality testing laboratory exists in the department

The Department did not have any quality testing laboratory of its own to ensure quality of the materials being used and work executed. Resultantly, the possibility of supplying inferior quality of materials and execution of substandard work turned out to be a reality in the following cases:

Image - 3.17



Newly constructed staircase near Haat Shed at Pakyong

Image - 3.18



Newly constructed approach road near Haat Shed at Mazitar

3.1.16 Asset Management

For assessing future requirements in the planning process, to safeguard against misuse of assets and also to ensure proper maintenance, maintenance of records relating to assets was essential. The Department had over the years acquired fixed and other assets in the shape of land, buildings, etc. No computerised assets register showing consolidated records of assets in possession of the Department with details of acquisition in each case, their book value, physical status and extent to which these were utilised was in existence. The assets were never verified by the Department. Inadequacies in the maintenance of assets noticed in Audit are discussed below:

3.1.16.1 Idle assets

- ***Pay and use toilet:*** The Department constructed seven pay and use toilets (2009-10) in rural marketing centres of South and West districts at a total cost of ₹ 1.68 crore which were lying idle without any use.
- ***Super Market Complex at Development Area:*** To facilitate shopping and parking to the people of the area, one super market complex was constructed with a loan component of ₹ 29.75 lakh under IDSMT in 1989-90. Due to improper planning, the complex was not utilised by the people. The complex was finally handed over to the Department of Science and Technology in August 2006.
- ***Housing complex for sweepers at Lingding:*** Details of works taken up under 10 *per cent* Lumpsum Provision for North Eastern Areas during the period covered under Audit were not provided by the Department. Physical verification (May 2011) revealed that one housing building remained non-functional (sanctioned cost ₹ 4.81 crore and handed over to the Department on 30 November 2006) over the years as shown below:

Image - 3.19



Lingding housing complex without approach road

Image - 3.20



Electrical equipment without components

Despite the asset remaining idle, ₹ 10.31 lakh for electrification and external water supply and ₹ 2.49 lakh for protective work were incurred by the Department during 2008-09. During physical verification it was seen that the electrical equipment were stolen as would be seen in the photograph above. The building remaining idle without any supervision over six years from the date of its taking over had resulted in deterioration of the building.

Despite having sufficient number of supervisors (53) and chowkidars (8), the Department failed to enforce accountability and protect assets of the Government.

While the reasons for keeping the housing complex idle could not be stated to audit, physical verification (May 2011) revealed that the complex was established in an unaccessible area having no approach road which indicated that the asset was created without proper survey about its feasibility and utility. It also revealed that the Department was yet to fix the terms of allotment (rate of rents/ salami, eligibility of beneficiaries, etc.).

- ***Shopping complex at 32 mile at Singtam:*** Details of the shopping complex at 32 Mile, Singtam, i.e., the cost incurred, funding agency, year of construction, terms of allotment, rent to be realised, etc., could not be stated by the Department, which was even unaware of its existence as this was not included in the list furnished to Audit of assets created by the Department. Physical verification of assets revealed that one room was allotted to Co-operative Society and one room to Police Department out of six rooms as of March 2011. Reasons, authority and terms for allotment of these rooms could not be stated to Audit. While idling of assets frustrated the objective of creation, the Government had sustained a revenue loss of ₹ 5.40[10] lakh during 2006-11 towards the same.

[10] *@ ₹ 1500 per month x12x6 unit x 5 years = ₹ 5,40,000*

➢ ***Car parking-cum-shopping complex at Pakyong:*** Car parking-cum-shopping complex at Pakyong was sanctioned (March 2000) by Government of India at an estimated cost of ₹ 1.56 crore under the Integrated Development of Small and Medium Towns (IDSMT) with a view to allot shops and toilets along with the parking of vehicles in the ground floor. The work was completed in August 2009, after lapse of four years of its scheduled date of completion (August 2005). Even after completion, the same was lying vacant as would be seen from the photograph.

Image - 3.21



Car parking-cum-shopping complex at Pakyong

➢ ***Car parking-cum-shopping complex at Jorethang:*** Under the scheme IDSMT, the Department constructed a super market-cum-car parking at Jorethang at an expenditure of ₹ 94.35 lakh with a view to allot shops and toilets along with the parking of vehicles in the ground floor. The work was completed and inaugurated in January 2009. While the asset was lying idle, the Government had sustained a revenue loss of ₹ 19.96 lakh till March 2011 towards rent that could have been realised against utilisation of the asset.

➢ ***Unfruitful expenditure on procurement of sweeper machine:***

To maintain cleanliness in the newly re-constructed MG Marg, the UDHD purchased (April 2010) a sweeping machine "Roots Minuteman Power Boss SW/9XR Sweeper Machine" at a cost of ₹ 38.36 lakh without ensuring reasonability of rate through advertisement in local and national newspapers, etc. After procurement, the machine was dumped in front of the Head Office of the Department unutilised.

Image - 3.22



Idle machine before UDHD office

Scrutiny revealed that the Department had been considering the purchase of a relatively small machine like TATA Ace, etc. for convenience in operation and utility (₹ 28.71 lakh inclusive of all taxes, FOR). However, the proposal did not materialise for reasons not on record. Despite departmental operator having been trained by the supplier, reasons for keeping the machine idle in open air under a polythene cover over a period of more than one year (since April 2010) could not be furnished to Audit.

Audit learnt that the machine was unsuitable for cleaning the tiled surface of MG Marg due to uneven pressure created by it and causing dislocation of the tiles. Reasons for not ensuring suitability of the machine before purchase and remedial measures to make the

machine functional could not be stated.

3.1.16.2 Utilisation of Slum Rehabilitation Centre as NIT

To provide housing units to the Economically Weaker Sections (EWS) residing in and around Ravongla, Ministry of Housing and Urban Poverty Alleviation, Government of India sanctioned ₹ 18.65 crore under the 10 per *cent* funding for the North Eastern States including Sikkim. The project having 96 units was completed and inaugurated in 2007-08. Instead of allotting the housing units to the intended beneficiaries, the same was allotted to the National Institute of Technology (NIT), Sikkim in 2009 and ₹ 73.60 lakh was incurred for fencing and water supply under NABARD scheme between October 2009 and November 2010. This resulted in unfruitful expenditure of ₹ 73.60 lakh which could have been utilised in other development activities.

The action of the Department not only led to asset created at an expenditure of ₹ 18.65 crore remaining idle for more than 2 years but also resulted in diversion of funds and non-achievement of objectives of the project.

3.1.16.3 Irregular utilisation of assets constructed for the public

Before taking up any project, a proper survey about its viability and future utility should be carried out. Physical verification of urban assets created revealed that a number of building constructed by UDHD were being utilised for purposes other than those for which these were constructed as under:

Image - 3.23



Community hall at Singtam is being used by the Nagar Parisad

Image - 3.24



Car parking-cum-Shopping complex at Deorali being used by the GMC

Image - 3.25



Car parking-cum-Shopping complex at Baluakhani being used by the Election Department

3.1.16.4 Improper demolition of infrastructure

- ***Sabji Mandi at Sichey:*** Scrutiny of records made available to Audit on assets created revealed that one commercial marketing complex (*sabji mandi*) constructed (February 2008) at a cost of ₹ 19.50 crore under 10 *per cent* Lumpsum Provision for North Eastern Areas was handed over to the Department in February 2008. However, the same had again been handed over (2009) to the Building and Housing Department for construction of a proposed 575 bed hospital with allied services.

Initially, the *sabji mandi* was proposed to be constructed in the Gangtok town area near Kanchanzonga Shopping Complex (Lall Market). Due to problems in availability of land, the project was shifted to the present location at lower Sichey, which was about 5 Km away from the town. Physical verification of the area revealed that due to inaccessibility of the location, the *sabji mandi* was never occupied/ utilised by the vegetable farmers of the State for whom it was constructed. Since building constructed for *sabji mandi* cannot be utilised for hospital purposes, the building would be demolished/ altered extensively leading to the expenditure already incurred becoming wasteful. Further, despite being aware of its non-viability to serve as a *sabji mandi*, the Department incurred ₹ 57 lakh during 2008-09 for electrification of the building from the State share which led to additional wasteful expenditure.

- ***Low cost housing at Sishney:*** Under the EWS housing scheme during Tenth Five Year Plan, housing units were built for the BPL families coming under the Social Housing Scheme. Since 1994, housing schemes had been taken up under State Plan at Rangpo, Rongli, Chandey, Sisney and Tashiding.

  During physical verification, it was noticed that the Sisney housing complex (date of construction not available on records) having 12 units was being demolished for construction of another two storied building at a cost of ₹ 4.33 crore under "Integrated Slum Development". Despite issue of work order, commencement of work since 13 May 2011 and payment (31 March 2011) of mobilisation advance of ₹ 56.54 lakh to the contractor, physical progress was stalled due to dispute on approach road to be constructed. While the policy on demolition as to how the structures were to be graded for demolition with reference to their age, utility etc., has not been devised, demolition within a short period of major structures built at huge capital cost on the pretext of changed requirement indicated absence of adequate survey and planning.

3.1.17 Manpower Management

Job analysis, job specification and job description are the pre-requisite condition for efficient management of manpower with reference to the activity of any organisation. While no such analysis had ever been conducted in the Department, it was unaware of its sanctioned strength of manpower and stated (May 2011) that the men-in-position was the sanctioned strength of the Department.

In addition to the full-fledged sanctioned strength vis-à-vis men-in-position, another 399 Work Charged staff and Muster Roll, viz. Architect, Junior Engineer, Law Officer, Supervisor and various categories of Group IV staff as detailed in **Appendix – 3.5** were deployed in the Department. Scrutiny revealed that the Department had no plans for imparting training to the officials for augmenting their resource/skill. The Department did not maintain any record relating to handing and taking over of the charges by the officials.

While accepting the observation (August 2011), the Department stated that it would take up the matter for efficient manpower management and for putting in place the sanctioned strength of manpower.

3.1.17.1 Avoidable expenditure

Mention was made in the Audit Report 1999-2000 and Public Accounts Committee (PAC) in its 53rd Report recommended that the practice of engaging Architects from outside, except on emergent cases with the prior approval of the Government, be discouraged.

Despite maintaining a full-fledged architectural wing[11] exclusively for preparation of designs, drawings and supervision of construction works, the Department engaged consultants (November 2008 to January 2010),without invitation of tenders to ascertain the reasonability of rates, at consultancy fees of 2.22 to 2.5 *per cent* of the cost of the projects which worked out to ₹ 52.60 lakh[12].

While the payment of such consultancy fees was against the spirit of PAC recommendation, even the reasonability of rates was not ascertained before making such payments.

The Department stated (January 2011) that though the Department had its sufficient manpower but were unable to cope with the work load. Architectural wing had their own assigned duties and thus would not be able to spare dedicated time which was required for preparation of such prestigious projects. The reply was not tenable since the architectural wing was entrusted with only the function relating to permission for building construction. It was further seen that during the period of five years under audit, the architectural wing had regulated 743 Blue Print Plans (BPP) at an average of 149 BPPs per year. Further, the works were not complicated enough to necessitate engagement of external consultants.

3.1.17.2 Non-posting of DDO in the circle office

While two Sr. Accounts Officers, one performing the duties of Drawing and Disbursing Officer (DDO), were posted in Headquarters, the duty of DDO in the Circle office at Jorethang was being performed by one Town Planner from Technical wing having no accounts background. This indicated disproportionate deployment of manpower management in the Department.

The Department stated (November 2011) that the matter would be pursued with FRED for posting of Accounts Officer in the Circle office.

3.1.18 Record Management

3.1.18.1 Production of records

Although the Department was maintaining 30 vehicles, no log book indicating details of journeys undertaken, fuel consumed, change of spare parts, etc., could be produced to Audit.

The Department also failed to provide Audit with the relevant files of individuals containing

[11] *With one Additional Chief Town Planner, assisted by one Joint Chief Town Planner, one Sr. Town Planner, three Assistant Town Planners, three Assistant Architects and seven Draftsmen, besides one Driver and two Peons involving annual expenditure of ₹ 62.63 lakh towards pay and allowances*

[12] *₹ 10.52 lakh for haat shed, ₹ 12.39 for slaughter house and ₹ 29.69 lakh for walkways at Namnang*

the details of licensees, documents in support of their eligibility, no objection from house owners, residential certificates, declaration of trading items, payment of prescribed fees, renewals, etc., in the absence of which Audit could not vouchsafe the veracity of the licenses issued. Further, the Department had not prescribed any time frame/periodicity at which the database of dealers was required to be updated and checked.

3.1.18.2 Improper maintenance of Register

While the Cash Book maintained by the Department did not indicate physical verification of cash balance, the Work Register did not indicate date of commencement, completion, agreement, sanctioned cost, etc. Service books and leave accounts maintained also did not indicate any verification of service despite being regularly pointed out by Audit during the course of normal audit. Further, details of crediting and debiting of leave were being habitually erased with correcting fluids without any attestation.

The Department stated (August 2011) that it had noted the observation.

3.1.18.3 Non-maintenance of important registers

The Department had not maintained the registers, viz. HBA/MCA Register, Dead Stock Register, Assets Register, Tools and Plant Register, MR Register, Guard Files, Duty Allocation Register, Annual Reports, Scheme/ Programme Guidelines resulting in inadequacy in maintenance of basic records for effective internal control in the Department.

3.1.19 Management Information System

Information Technology Programme is aimed at improving governance and ensuring delivery of essential services to citizens in terms of e-governance enabled information and communication, particularly for the benefit of society. An e-governance steering committee was constituted during the month of August 2002 by the State Government. It aimed to provide e-governance and efficient and effective delivery of the public services to the common people.

While one Assistant Director/IT was posted, even after the lapse of nine years, the Department has not formulated any IT plan for delivering essential services to the citizens in terms of e-governance. This was despite regular procurement of computer and its peripherals which were being utilised for day to day routine typing works.

Scrutiny revealed that the Department did not maintain any electronic database in respect of assets created (shopping complexes, housing complexes, haat sheds, car parking slots, etc.), applications received and permissions granted regarding construction of buildings, details of assessees, video parlours, cable operators, mobile tower operators for proper monitoring and realisation of revenue, etc. Incomplete information failed to facilitate evolving a fool proof system to realise revenue from the licencees in time.

3.1.20 Internal Controls and Internal Audit

Internal Control System (ICS) is a management tool which provides reasonable assurance that the organisation's objectives are being achieved and the entity was functioning in an

economical, efficient and effective manner. However, scrutiny revealed many instances where either ICS was absent or was ineffective leading to avoidable expenditure, excess payment, wasteful expenditure, idle assets, etc. remaining undetected.

(i) Internal Audit: No internal audit was conducted by the Directorate of Internal Audit under Finance, Revenue and Expenditure Department for ensuring efficient functioning of the Department during the period covered under Audit.

(*ii*) ***Response to Audit***: Seven Inspection Reports issued by the Accountant General (Audit), Sikkim containing 45 paragraphs relating to the Department were lying unsettled since 2001-02 for want of satisfactory replies as of March 2011, indicating indifferent attitude towards settlement of audit observations even after 10 years. Also, no remedial measure was taken to ameliorate the discrepancy pointed out by the Audit. In Inspection Reports issued during 2006-11, mention was made about excess payment to the contractors of ₹ 20.53lakh[13] over the SOR 2006 which had not yet been recovered.

(*iii*) ***Audit Memos***: Audit half margin memos relating to works issued by the Central Audit Section of Office of the Accountant General (Audit), Sikkim amounting to ₹ 26.14 lakh were also lying unsettled since 2001-02.

(*iv*) ***Corrective measures taken at the instance of audit*:** In the following cases, the Department had taken prompt action on the basis of audit observations made during the Integrated Audit:

- ₹ 6,850 had been realised from building owners as application fee for erection of mobile towers;
- Provision had been made in the Sikkim Trade License and Miscellaneous Provision Rules 2011 for periodic review of trade licenses to detect and cancel dormant trade licenses;
- Provision had been made in the Sikkim Trade License and Miscellaneous Provision Rules 2011 for realisation of trade license fees from the liquor shops;
- The Department had started maintaining electronic database of dealers registered in the four districts of the State for effective monitoring of the licencees.

3.1.21 Monitoring

The Department had neither any centralised database nor any comprehensive MIS capturing information about the critical components and activities being performed which affected monitoring at the apex level. In the absence of database, there was serious lapse in timely collection of revenue, i.e., rent, rate and taxes particularly from private schools as the Department was not aware about total number of private schools in the State. The liquor shops were running their business without any trade licence. The mobile connectivity business had been allowed without the realisation of annual licence fee and approval of plans for

[13] *IR vide No.134/09-10 - ₹10.48 lakh, IR vide No.126/10-11 - ₹ 6.21 lakh and IR vide No. 15/11-12 - ₹ 3.84 lakh.*

construction of towers which had endangered the sites of the towers. There was serious laxity in authorising building construction in the context of suitability of height of buildings in any particular zone as well as fulfilment of stipulations for such construction. Records of the minutes relating to review meeting, if any held, on the adequacy of public services relating to urban development and follow-up action there against, were also not maintained in the Department. Quarterly Reports/ Returns to GOI/GOS/Bureau of Economics and Statistics/Department of Economic Survey, Monitoring and Evaluation, Utilisation Certificates were also not being sent regularly to ensure effective monitoring in the Department.

3.1.21.1 Public grievances redressal mechanism

For effective public grievances redressal, mechanism for registration of complaints, arrangement for receipt of complaints with due acknowledgement, arrangement for diarising of the complaints, arrangement for disposal of complaints on first-come-first served manner, recording action taken in respect of complaints in a register, periodic monitoring of system of disposals by a superior authority had not yet been introduced in the Department. Thus, common people were being deprived of the speedy disposal of their complaints regarding public service delivery expected from the UDHD.

The Department accepted (May 2011) the observation and stated (August 2011) that public grievances redressal mechanism was being constituted.

3.1.21.2 Absence of surprise checks and monitoring over adulteration of foods

In terms of the Sikkim Trade License and Miscellaneous Provision Rules 1985, UDHD was responsible for surprise checks and monitoring of units dealing with manufacture, storage or sale of food articles. Despite the State being a famous tourist place, the Department had not formulated any manual/guidelines for carrying out surprise check of foods being sold in the markets, penalties for malpractices, etc. Resultantly, the possibility of supplying inferior quality and adulterated food could not be ruled out.

The Department intimated (August 2011) that checking of Hotels and Restaurants were done only after receiving complaints. The reply was not acceptable as absence of surprise check was always fraught with the risk of supply and consumption of adulterated food remaining unnoticed.

3.1.21.3 User charges for parking area not displayed

It was required that the user charges for parking were displayed distinctly and widely to the public to make them aware of the user charges, facilities available and their entitlements. The system had not been introduced in the parking places of the State.

While accepting the fact, the Department stated (August 2011) that letter had been issued to ULBs to display the user charges.

3.1.21.4 Overcharging of parking fee

One private agency was collecting parking fee at the rate of ₹ 20 per light vehicle for first three hours and thereafter at ₹ 10 per hour.

Image - 3.26



Private car parking near MG Marg



Rates of private and GMC car parkings

Audit scrutiny however, revealed that while no trade license was issued by any authority to this private agency, it was collecting exorbitant parking charges as compared to ₹ 10 fixed by the Department for the entire day and ₹ 20 for the night. Even the UDHD was not aware of the operation of such illegal parking arrangement by a private agency in the heart of the town.

While accepting the fact, the Department stated (August 2011) that letter had been issued to the owner of the parking for seeking permission.

3.1.21.5 Unauthorised truck stand

It was seen that there are two truck stands at Deorali and at Tadong near Sikkim Jewels running since last 16 years. Those stands were not allocated by the UDHD but unauthrisedly run by Truck Drivers' Association without taking any permission from the UDHD.

3.1.21.6 Non-enforcement of statutory rules/laws

For ensuring civic urban amenities, the UDHD formulates regulations for compliance by all concerned. However, enforcement of law/statute rest primarily with the UDHD which could not take appropriate action in the following cases:

- Illegal parking along the NH 31A and other district roads during night and early morning could not be restricted as yet.
- Vide clause 3 (1) of Sanitation Rules for Towns of Sikkim 2000 (issued by UDHD in June 2000), rubbish or offensive matters placed by the public in the receptacles provided by the UDHD were to be removed by the employees of the UDHD. However, no such receptacle was available in the town areas of the State.
- All banking/non-banking institutions and insurance companies were required to obtain trade licence from UDHD/Gangtok Municipal Corporation. However, despite issue of public notice by the Chief Municipal Officer on 26 July 2011, the requirement could not be enforced within the stipulated date line of 31 July 2011.
- Throwing of garbage in *jhoras* was strictly prohibited in Sikkim. However, practice of throwing garbage in *jhoras* was rampant in the State. The existence of plastic in *jhoras* also indicates the ineffectiveness of banning plastic in the State. It was further seen that a toilet was constructed above the main drain near slaughter house area at Gangtok.
- One of the reforms suggested under JNNURM of which UDHD was the nodal implementing agency was to insert provision for rain water harvesting in the Building By-laws for compliance by all while taking permission for new construction. This had not been addressed as yet.

The above instances indicate lack of seriousness of the Department in enforcing statutory rules/laws formulated by the Department itself.

3.1.21.7 Bazaar rate controls

The Department had not yet formulated any action plan for regulating the bazaar rates of vegetables, garments, hotels/restaurants, electrical/electronic articles, grocery items, leather articles, stationery articles, etc., being sold in the State. There being no regulatory body to control the rates in the bazaar, the consumers were left at the mercy of the sellers to decide the rates. Despite nominating teams constituting two members each for North and East districts, South and West districts for checking the rates of consumer goods within their jurisdiction from time to time in coordination with the concerned district authorities and Food & Civil Supplies Department, no records in support of any control ever exercised by the team could be produced to Audit.

The Department stated (November 20111) that the Department was not authorised to regulate the prices of vegetables and consumable goods in Sikkim. Thus, inspite of nominating teams for checking of the rates of consumer goods, no control had been exercised for controlling the rates.

3.1.21.8 Sensitivity to error signals

The degree of sensitivity to error signals is a measure of any department's alacrity and sincerity to recognise major causes of underperformance and to take immediate remedial measures. Despite instances pointed out in Inspection Reports of the Accountant General, Audit Reports[14] of the Comptroller and Auditor General of India and issues mentioned in the local newspapers regarding defective planning of building construction, deterioration of slip zones, unhygienic conditions of public toilets, absence of quality control, non-utilisation of assets created, etc., the Department was yet to evolve a system for addressing the issues raised.

3.1.22 Evaluation/ impact assessment

Impact study: The Department had not conducted any evaluation or impact study to assess the extent of success in the context of providing civil urban amenities to the urban populace of the State for appropriate follow ups and future action plan.

Beneficiary Survey: While no impact assessment had yet been made by the Department, Audit attempted (June 2011) to conduct a beneficiary survey amongst the students and faculty of the colleges and universities in the State in the process of obtaining valued opinion from the educated mass of the State. There was a mixed reaction about the extent of satisfaction amongst the 169 beneficiaries who expressed their contentment (45 *per cent*) on law and order situation and serious concern (55 *per cent*) over the vehicular congestion, drainage system and waste disposal, all of which were the responsibilities of UDHD in the State.

3.1.23 Conclusions

Integrated Audit of UDHD revealed that the Department had taken some effective steps such as banning of plastic carry bags, door to door collection of garbage, creation of footpath along the NH 31A, construction of multi-storeyed parking, establishment of ULBs, etc. However, there were certain areas of concern requiring remedial action like non-preparation of *Annual Action Plan incidental to Master Plan, inadequate budgetary management, irregular permissions for construction of buildings, unabated traffic congestion, absence of basic facilities in shopping complexes/ parking places, absence of quality control in execution of works, delay in execution of works, non-adherence to approved specifications, non-utilisation and non-maintenance of assets created and inept revenue management.*

3.1.24 Recommendations

- The Department needs to evolve effective strategy for plan of action to bring about improvements in urban development;
- Financial management needs to be strengthened and measures taken to avoid unnecessary large savings and committed liabilities;

[14] *(i) Infructuous expenditure and loss of revenue, (ii) Undue benefit to the contractor and (iii) Delay in allotment of shops and revenue loss (2005-06), Performance audit on Land Degradation in and around Gangtok (i) Loss of revenue due to non-verification of cable subscribers and (ii) loss of revenue due to non-maintenance of data base of private school (2006-07).*

- Development works should be taken up only after due consideration of the requirement of the intended beneficiaries;
- Basic records of assets should be maintained for keeping proper inventory to protect assets, avoid encroachments, and make systematic disposals;
- Major changes are required to be brought about in regard to levy/collection of tax and fee;
- An appropriate body for ensuring co-ordination amongst the stakeholders of urban development be immediately formed;
- A time bound plan should be drawn up for setting up waste management facilities and steps should be taken to improve waste disposal system.

CHAPTER – IV

REVENUE RECEIPTS

4.1 Trend of revenue receipts

4.1.1 The tax and non-tax revenue raised by the Government of Sikkim during the year 2010-11, the State's share of net proceeds of divisible Union taxes and duties assigned to States and grants-in-aid received from the Government of India (GOI) during the year and the corresponding figures for the preceding four years are mentioned below:

Table - 4.1

(₹ in crore)

Sl. No.		2006-07	2007-08	2008-09	2009-10	2010-11
I.	**Revenue raised by the State Government**					
	• Tax revenue	173.18	197.86	199.19	223.65	279.54
	• Non-tax revenue	1,085.04	1,413.74	1,205.31	1,356.44	1,137.76
	Total	1,258.22	1,611.60	1,404.50	1,580.09	1,417.30
II.	**Receipts from the Government of India**					
	• State's share of divisible Union taxes	222.78	345.12	364.20	374.68	524.99
	• Grants-in-aid	635.54	742.71	902.55	1,299.62	1,105.02
	Total	858.32	1,087.83	1,266.75	1,674.30	1,630.01
III.	**Total receipts of the State**	2,116.54	2,699.43	2,671.25	3,254.39	3,047.31
IV.	**Percentage of I to III**	**59**	**60**	**53**	**49**	**47**

The above table indicates that during the year 2010-11, the revenue raised by the State Government (₹ 1,417.30 crore) was 47 *per cent* of the total revenue receipts against 49 *per cent* in the preceding year. The balance 53 *per cent* of receipts during 2010-11 were from the GOI.

4.1.2 The following table presents the details of tax revenue raised during the period from 2006-07 to 2010-11:

Table - 4.2

(₹ in crore)

Sl. No.	Head of revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage of increase (+)/ decrease (-) in 2010-11 over 2009-10
1.	Sales Tax/VAT	74.66	81.32	101.14	121.07	142.74	17.90
2.	Taxes on Income other than Corporation Tax	46.71	49.10	16.16	2.84	4.94	73.94
3.	State Excise	33.31	37.94	46.47	57.27	70.64	23.35
4.	Stamps and Registration Fees	2.52	4.26	4.35	4.48	5.70	27.23
5.	Taxes on Vehicles	5.95	6.22	6.94	7.88	10.67	35.41
6.	Other Taxes and Duties on Commodities and Services	9.25	16.26	22.18	27.39	37.52	36.98
7.	Land Revenue	0.78	2.75	1.95	2.71	7.33	170.48
Total		**173.18**	**197.85**	**199.19**	**223.64**	**279.54**	

The following reasons for variations were reported by the concerned Departments:

Sales Tax/VAT: Increased tax base and improvement in monitoring mechanism.

State Excise: Extensive inspection, touring and better management.

Stamp and Registration Fees: Increase in registration charges and involvement of more sale transactions.

The other Departments did not inform (November 2011) the reasons for variation, despite being requested (May and July 2011).

4.1.3 The following table presents the details of non-tax revenue raised during the period from 2006-07 to 2010-11:

Table-4.3

(₹ in crore)

Sl. No.	Head of revenue	2006-07	2007-08	2008-09	2009-10	2010-11	Percentage of increase (+)/ decrease (-) in 2010-11 over 2009-10
1.	Interest Receipts	5.34	15.10	25.94	44.18	28.14	(-) 36.31
2.	Road Transport	14.86	15.62	17.64	20.29	24.76	(+) 22.03
3.	Plantations	1.95	2.10	2.35	1.80	2.90	(+) 61.11
4.	Dividends & Profits	0.76	0.68	1.31	0.46	2.37	(+) 415.22
5.	Forestry and Wild Life	9.50	10.95	11.26	8.79	12.25	(+) 39.36
6.	Tourism	0.87	1.18	2.11	1.62	3.00	(+) 85.19
7.	Crop Husbandry	0.50	1.64	0.71	0.40	0.51	(+) 27.5
8.	Power	58.16	97.66	154.74	285.83	87.86	(-) 69.26
9.	Printing & Stationery	1.69	1.98	1.50	2.27	1.52	(-) 33.04
10.	Medical and Public Health	0.60	1.14	0.96	1.02	0.72	(-) 29.41
11.	Village & Small Industries	0.10	0.23	0.08	0.09	0.07	(-) 22.22
12.	Public Works	3.74	4.32	4.97	2.89	3.48	(+) 20.42
13.	Police	13.90	14.64	11.68	14.52	9.57	(-) 34.09
14.	Animal Husbandry	0.39	0.43	0.30	0.32	0.38	(+) 18.75
15.	Industries	0.02	0.01	0.25	0.18	0.27	(+) 50
16.	State Lotteries[1]	963.30 (50.01)	1,232.55 (30.84)	957.00 (43.95)	949.92 (40.90)	938.15 (42.54)	(-) 1.24
17.	Others	9.36	13.51	12.51	74.82	21.81	(-) 0.23
Total		**1,085.04**	**1,413.74**	**1,205.31**	**1,356.44**	**1 ,137.76**	**(-) 16.12**

The following reasons for variations were reported by the concerned Departments:

Road Transport: Increase in traffic flow in the later part of the year.

Tourism: Leasing out of new properties.

Power: Comparatively lesser energy trading rate received by the Department coupled with

[1] *Figures in brackets represent net receipts.*

suppressed demand of energy in the market.

Printing and Stationary: Non-receipt of dues from LR, SNT, STNM, Home and BACs.

Public Works: Increase in tariff rate.

Police: Receipts being based on reimbursement of actual expenditure incurred on deployment of IRB personnel by NHPC.

State Lotteries: Closure of Lottery market in Kerala and other States.

The other Departments did not inform (September 2011) the reasons for variation, despite being requested (May and July 2011).

4.2 Response of the Departments/ Government towards Audit

Annotated replies of the audit observations are to be submitted by the Government Departments to the Office of the Accountant General (Audit), Sikkim within one month from the date of issue of Inspection Reports (IRs).

In case the annotated replies of the audit observations are satisfactory and the documents in support of the replies are duly attested by the competent authority, the paragraph is settled after verification of the documents.

The audit observations are also settled during Audit Committee Meetings, if the reply of Department is satisfactory.

The observations which are subjudice remain pending till the decision of the court is obtained.

At the time of next audit, rest of the audit observations are reviewed by the audit party at length and after verification of the records, these are recommended for settlement.

4.2.1 Failure of senior officials to enforce accountability and protect the interest of the State Government

The Accountant General (AG) conducts periodical inspection of the Government Departments to test check the transactions and verify the maintenance of the important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the 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 next 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 from the issue of the IRs. Serious financial irregularities are reported to the Head of the Department and the Government.

IRs issued upto December 2010 disclosed that 248 paragraphs involving ₹ 281.70 crore relating to 110 IRs remained outstanding at the end of June 2011 as mentioned in the following table along with the corresponding figures for the preceding two years.

Table-4.4

	June 2009	June 2010	June 2011
Number of outstanding IRs	94	100	110
Number of outstanding audit observations	209	245	248
Amount involved **(₹ in crore)**	429.42	511.41	281.70

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2011 and the amount involved are mentioned in the following table:

Table-4.5

Sl. No.	Name of the Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1	Finance, Revenue and Expenditure (Commercial Tax Division)	VAT/Taxes on Sales, Trade, etc.	9	40	76.05
2	Finance, Revenue and Expenditure (Income Tax Division)	Income Tax	13	52	19.76
3	Excise (Abkari)	State Excise	06	14	1.95
4	Land Revenue and Disaster Management	Land Revenue	16	17	0.72
5	Transport	Taxes on Motor vehicles	4	12	1.25
6	Mines and Geology	Non-ferrous Mining and Metallurgical Industries	3	4	0.6
7	Forest, Environment and Wildlife Management	Forestry and Wildlife	37	60	44.86
8	Finance, Revenue and Expenditure (State Lotteries Division)	Lottery	4	5	56.26
9	Energy and Power	Power	9	23	72.12
10	Urban Development and Housing	Urban Development	9	21	8.13
	Total		**110**	**248**	**281.70**

Even the first replies required to be received from the Heads of Offices within one month from the date of issue of the IRs were not received for seven IRs issued (during 2010-11) upto December 2010. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the Heads of Offices and Heads of the Departments failed to initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

It is recommended that the Government takes suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as taking action against officials/officers who fail to send replies to the IRs/paragraphs as per the prescribed time schedules and also fail to take action to recover loss/outstanding demand in a time bound manner.

4.2.2 Departmental Audit Committee Meetings

The Government sets up Audit Committees (during various periods) to monitor and expedite the progress of the settlement of IRs and paragraphs in the IRs. The details of the Audit Committee Meetings held during the year 2010-11 and the paragraphs settled are mentioned in the following table:

Table-4.6

Head of revenue	Number of meetings held	Number of paragraphs settled		Amount (₹ in crore)
		IR	Paragraphs	
Sales Tax/VAT	1	0	18	15.25

4.2.3 Non –production of records to Audit for scrutiny

The programme of local audit is drawn up sufficiently in advance and intimations are issued, usually one month before the commencement of audit to the Department to enable them to keep the relevant records ready for audit scrutiny.

During 2010-11, following records in respect of Chungthang Sub-Division were not produced during the audit of District Land Revenue Officer, North District.

1. Records relating to revenue realisation of land rent (khazana)
2. Records relating to revenue realisation of land registration
3. Records relating to land assessment and compensation paid for land acquisition
4. Records relating to revenue realisation of land mutation

4.2.4 Response of the Department to the draft audit paragraphs

Draft audit paragraphs are issued to the concerned Heads of the Departments with a copy to the Finance, Revenue and Expenditure Department (FRED), the replies to which are to be communicated to the AG within six weeks of the date of their receipt.

Seven draft paragraphs and one Review on "Utilisation of Declaration Forms in Inter State Trade and Commerce" proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended March 2011 were forwarded to the Secretaries of the respective Departments in July 2011 through demi-official letters. The administrative Secretaries responded to four paragraphs featuring in this Chapter.

4.2.5 Follow up on Audit Reports – summarised position

The administrative Departments are required to submit explanatory notes on paragraphs and reviews included in the Audit Reports (ARs) after its presentation in the State Legislature.

As at the end of 2010-11, ARs for the period upto 2007-08 were discussed and recommendations made.

4.2.6 Compliance with the earlier Audit Reports

During the years from 2005-06 to 2009-10, the Departments/Government accepted audit observations involving ₹ 12.91 crore of which only ₹ 0.48 crore had been recovered till March 2011 as mentioned below.

Table – 4.7

(₹ *in crore*)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2005-06	9.95	6.80	0.48
2006-07	22.31	5.39	0.00
2007-08	1.33	0.32	0.00
2008-09	8.48	0.25	0.00
2009-10	7.08	0.15	0.00
Total	**49.15**	**12.91**	**0.48**

The fact that only 3.72 *per cent* of the accepted amount has been recovered, points to the need for the Government to take concerted action in this regard.

4.3 Analysis of the mechanism for dealing with the issues raised by Audit

In order to analyse the system of addressing the issues highlighted in the IRs/ARs by the Departments/Government, the action taken on the paragraphs and reviews included in the ARs of the last 10 years in respect of **Commercial Tax Division** (of Finance, Revenue and Expenditure Department – FRED) is evaluated and included in this Report.

The succeeding paragraphs discuss the performance of the Commercial Tax Division to deal with the cases detected in course of local audit conducted during the last seven years and also the cases included in the ARs for the years 2001-02 to 2010-11.

4.3.1 Position of Inspection Reports

The summarised position of IRs issued during the last seven years, paragraphs included in these reports and their status as on March 2011 are tabulated in the following table:

Table-4.8

(₹ *in crore*)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance		
	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
2004-05	8	36	15.74	1	7	6.43	-	1	0.01	9	42	22.16
2005-06	9	42	22.16	1	11	5.40	-	2	0.07	10	51	27.49
2006-07	10	51	27.49	1	6	0.81	-	2	0.24	11	55	28.06
2007-08	11	55	28.06	1	13	87.11	2	8	3.42	10	60	111.75
2008-09	10	60	111.75	1	8	6.08	-	2	5.65	11	66	112.18
2009-10	11	66	112.18	1	15	6.83	-	2	2.70	12	79	116.31
2010-11	12	79	116.31	0	0	0.00	-	18	15.25	12	61	101.06

During 2010-11, the Department had not taken any initiative to conduct more Audit Committee Meetings to clear huge outstanding paragraphs.

4.3.2 Assurance given by the Department/Government on the issues highlighted in the Audit Reports

4.3.2.1 Recovery of accepted cases

The position of paragraphs included in the ARs of the last 10 years, those accepted by the Department and the amount recovered are mentioned below:

Table-4.9

Year of AR	Number of paragraphs included	Money value of the paragraphs (₹ in crore)	Number of paragraphs accepted (money value ₹ in crore)	Money value of accepted paragraphs (₹ in crore)	Amount recovered during the year (₹ in crore)	Cumulative position of recovery of accepted cases
2000-01	4	7.56	4 (0.03)	0.03	-	-
2001-02	0	NA	-	-	-	-
2002-03	3	0.80	3 (0.52)	0.52	-	-
2003-04	3	9.66	3 (9.66)	9.66	-	-
2004-05	1	0.26	1 (0.26)	0.26	-	-
2005-06	2	5.41	2 (5.41)	5.41	0.48	0.48
2006-07	2	0.49	2 (0.00)	0.00	-	0.48
2007-08	0	NA	-	-	-	0.48
2008-09	3	5.97	3 (4.95)	4.95	-	0.48
2009-10	1	6.83	0 (0.00)	0.00	-	0.48

The Department stated (September 2011) that the accepted cases are handed over to the concerned Sections/Assessing Officer for early remedial action. The accepted cases are being given priority to have them rectified duly serving notice to the concerned party/dealer to present his case if contrary to the observations made by the AG. The loss in revenue, if any, is recovered through review of the assessment orders, etc. Review meetings are conducted periodically and datelines fixed for the purpose.

The fact remains that Government have not taken action on the outstanding paragraphs and even in the accepted cases to recover the revenue involved.

4.3.2.2 Action taken on the recommendations accepted by the Departments/ Government

The Draft report on performance reviews conducted by the AG are forwarded to the concerned Departments/Government for their information with a request to furnish their replies. These reviews are also discussed in an Exit Conference and the Department's/ Government's views are included while finalising the reviews for the ARs.

The following paragraphs discuss the issues highlighted in the reviews on the Commercial Tax Division, FRED featured in the last 10 ARs including the recommendations and action taken by the Department on the recommendations accepted by it as well as the Government:

Table-4.10

Year of AR	Name of the Review	Number of Recommendations	Details of the recommendations accepted	Status (as informed by the Department)
2000-01	Internal controls and the system of registration, assessment and collection of sales tax	15	6.6.7 to 6.6.8 There was no proper management information system and consequently the effective and efficient functioning of the Department suffered to this extent.	The process of allotment and cancellation of registration is fully automated since 2005. The list of all registered dealers in the State is available in the database. Application for registration is not rejected because it will cause loss of revenue
			6.6.9 Lack of market survey for registration	Authorities do visit the place of business of registered and unregistered dealers as and when required.
			6.6.10 Non - registration of contractor dealer	Are being registered and returns filed.
			6.6.11 Non-maintenance of registers	All records are now available in database under the NEVAT scheme.
			6.6.13 Inadequate monitoring of Quarterly Returns resulting in non-levy of uniform penalty.	VAT software does not accept return unless the dealer has paid the penalty.
			6.6.14 Lack of monitoring of bank receipts	Commercial Taxes Division owns software programme under which the details of challan is captured from the Department's copy for verification against the payment details filed by the dealer in form of payer's copy of challan.
			6.6.15 Non levy of penalty for non-submission of returns by 39 dealers	Department has not replied whether the penalty was realised.
			6.6.16 Mechanism for Assessment of Sales Tax being deficient resulted in shortcomings leading to loss to Government.	Assessment process has been regularised after implementation of VAT.
			6.6.17 & 6.6.18 Inadequate monitoring of cases due for assessment	SVAT Act 2005 provides for selective assessment, hence backlog assessment is not relevant now.
			6.6.19 to 6.6.25 Losses on assessment of Inter State sales	The sale price of Cardamom fluctuates with the changes in demand and supply. Annual average of the sale price notified by Central Spices Board cannot be accepted for determination of taxable sale price.

			6.6.26 & 6.6.27 Concealment of turnover	Concealment of sales to departments of the State Government should not have caused loss of revenue as the paying authority of the indenting Department is liable to deduct the tax from the payment made against such sale.
			6.6.28 Non realisation of sales tax on sale of lottery tickets	As per the decision of the Hon'ble High Court of Sikkim, levy and collection of Sales Tax on sale of lottery ticket is inappropriate.
			6.6.29 to 6.6.36 Irregular/incorrect deduction and exemption	The audit observation has been noted to ensure that similar irregularity does not continue in future.
			6.6.37 to 6.6.42 Non-recovery of assessed tax or delay in recovery of assessed tax	The commercial Taxes Division is following the case for full realisation of assessed tax along with interest.
			6.6.43 to 6.6.47 Sale and purchase of goods not covered under SST Registration	The audit observation has been noted to ensure that similar irregularity does not continue in future.
2008-09	Performance Audit on transition from Sales Tax to VAT	8	Implement computerisation of VAT system completely and effectively in all areas	Under the NEVAT project of the Union Government the project of computerising Commercial Taxes Division of Sikkim is responsibility of National Informatics Centre
			Establish effective mechanism to review database at periodic interval and to prepare database of dubious/risky dealers	Software being developed encompassing all such mechanism
			Establish effective mechanism to ensure submission of regular and timely returns by all the dealers	The return module of VAT software designed by NIC is properly monitoring filing of quarterly returns
			Establish effective mechanism for scrutiny of every returns submitted by the dealers, assessment of dealers and VAT audit of selective dealers	-
			Fix responsibility at various levels in the Department for strict compliance of codal provisions to avoid tax evasion by any dealer	Regular coordination meeting is held every month and sometimes in-between to disseminate information and discuss potential loss of revenue by evasion
			Ensure fixing the quantum of minimum penalty for each and every kind of offences and to constitute VAT Fraud Task Force	Penalty is subjected to *mens rea*, so fixing of minimum quantum is not appropriate. Constitution of VAT fraud task force comes within purview of functional line of working arrangement, which is already in process.

			Strengthen internal control mechanism including internal audit	The functional line of working arrangement conceptualised during various training and exposure trip also aims at building up robust internal control mechanism
			Review and rectify various loopholes/deficiencies of SVAT Act and Rules	This is a continuous process. Loopholes and deficiencies are relative concept in terms of changing socio-economic scenario. A good practical feasible system at present may turn out to be decrepit with change in underlying factors with passage of time. Commercial Taxes Division has always put best efforts to update the SVAT Act and rules as well as the SST Act, 1983, the STIDF ACT, 2004, the SEF&ED Act 2005 and the STPTC&E Act 2006 and the rules made there under.

Regarding system to monitor the action taken/to be taken on the assurance given by it as well as the Government on the recommendations included in the Performance Audit, the Department stated that the Commercial Taxes Division has been holding monthly coordination meetings since 2000 which are attended by all the Officers and Inspectors of Head Office as well as by Head of the Office of Jorethang Circle office and Rongpo Charge-cum-Check Post office. The meeting requires all participants to report the progress in the assignment entrusted to each personnel. There had been occasions that the Special Commissioners had called for and held meetings especially for updation of progress made in assignment in respect of audit observation.

In order to avoid loss of revenue, Government may consider framing suitable time frame for disposal of the pending cases.

4.4 Audit planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which *inter alia* includes critical issues in Government revenues and tax administration i.e., Budget Speech, White Paper on State Finances, Reports of the Finance Commission (State and Central), Recommendations of the Taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during past five years, etc.

During the year 2010-11, the audit universe comprised of 19 auditable units, of which 16 units were planned and 11 audited during the year which is 58 *per cent* of the total auditable units.

4.5 Results of audit

Test check of the records of 11 units under Revenue Departments conducted during the year

2010-11 revealed non-assessment/short levy/loss of revenue and other deficiencies aggregating ₹ 479.98 crore in 57 cases. During the course of the year, the Departments concerned accepted non-assessments and other deficiencies of ₹ 0.24 crore involved in one case which was pointed out in audit during 2010-11.

This Chapter contains seven paragraphs and one Performance Audit on "Utilisation of Declaration Forms in Inter State trade and Commerce" relating to non-assessment, loss of revenue and other compliance deficiencies involving financial effect of ₹ 84.59 crore and ₹ 1.44 crore respectively.

The Departments/Government have accepted audit observation involving ₹ 0.24 crore. These are discussed in succeeding paragraphs.

FINANCE, REVENUE AND EXPENDITURE DEPARTMENT (COMMERCIAL TAXES DIVISION)

4.6 Sales Tax/Value Added Tax

4.6.1 Tax administration

Commercial Taxes Division is one of the wings of the Finance, Revenue and Expenditure Department (FRED). The Division is entrusted with the enforcement of the following Acts for the purpose of the collection of tax revenue.

- Sikkim Sales Tax Act, 1983
- Central Sales Tax Act, 1956
- Sikkim Value Added Tax Act, 2005
- Sikkim Ecology Fund and Environment Cess Act, 2005
- Sikkim Tax on Professions, Trades, Callings and Employment Act, 2006
- Sikkim Transport Infrastructure Development Fund Act, 2004
- State Income Tax Manual, 1948 (Discontinued w.e.f. 16 June 2008)

The Division is headed by the Special Commissioner of Commercial Taxes and assisted by Additional Commissioner, Joint Commissioners, Deputy Commissioners, Assistant Commissioners and Inspectors.

4.6.2 Analysis of budget preparation

As reported by the Division, the Budget estimate is prepared by the FRED. Revision of Budget Estimate is prepared in consultation with the Division.

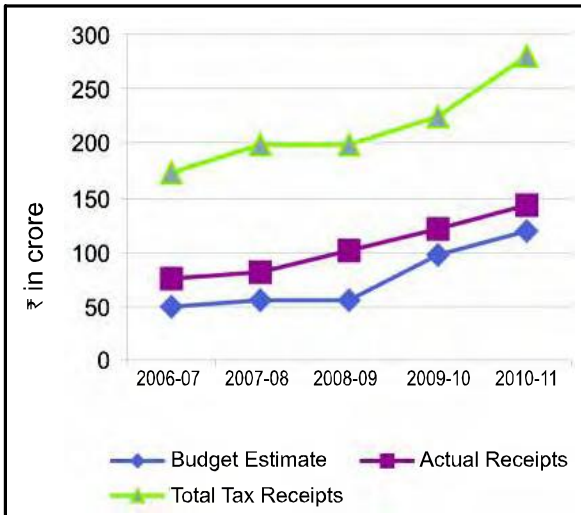
4.6.3 Trend of receipts

Actual receipts from Sales Tax/VAT during the last five years i.e. 2006-07 to 2010-11 along with the total tax receipts during the same period is exhibited in the following table and graph:

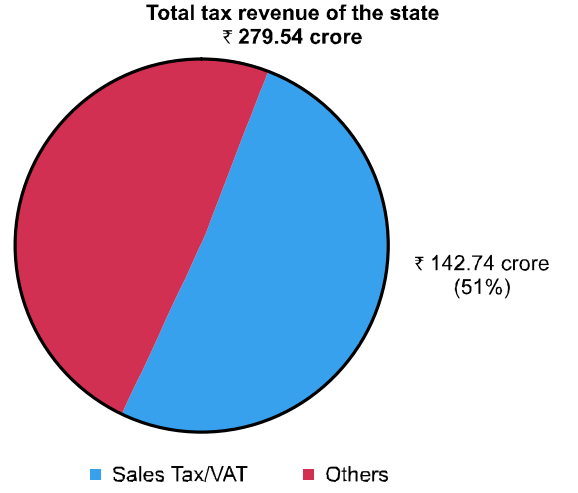
Table-4.11

(₹ *in crore*)

Year	Budget estimates	Actual receipts	Variation – Excess (+)/ Shortfall (-)	Total tax receipts of the State	Percentage of actual VAT receipts vis-à-vis total tax receipts
2006-07	50.00	74.66	(+) 24.66	173.18	43.11
2007-08	56.00	81.32	(+) 25.32	197.86	41.10
2008-09	56.00	101.14	(+) 45.14	199.19	50.77
2009-10	96.50	121.07	(+) 24.57	223.65	54.13
2010-11	118.50	142.74	(+) 24.24	279.54	51.06
Total		**520.93**		**1,073.42**	



Trend of Sales Tax/VAT receipts vis-à-vis total receipts during 2006-11



Contribution of Sales Tax/VAT receipts on total tax receipts of the State during 2010-11

It can be observed from the above table that the actual receipt exceeded the budget estimate during all five years. The reasons reported by the Department were frequent monitoring of target and achievement, input of information technology, monthly review meetings, TDS verifications, workshops relating to manner and procedures of making TDS and remittance of taxes, strict monitoring of import and export of goods in the check posts, focus on capacity building of the tax officials, streamlining of VAT system, returns monitoring, computerisation of tax administration, monitoring of check posts affairs through VSAT (2006-07); improvement of mode of payment of tax by introducing clearance through private/public banks and improvement in monitoring mechanism (2009-10). The Department may take into account all the inputs while preparing the budget so as to be realistic and reduce the variation with reference to the actual receipts.

4.6.4 Analysis of Arrears of Revenue

The arrears of revenue as of 31 March 2011 amounted to ₹ 0.38 crore of which ₹ 0.16 crore were outstanding for more than five years. The following table depicts the position of arrears of revenue during the period 2006-07 to 2010-11.

Table-4.12

(₹ in crore)

Year	Opening balance of arrears	Amount collected during the year	Closing balance of arrears
2006-07	3.22	2.72	0.50
2007-08	0.50	0.08	0.42
2008-09	0.42	0.01	0.41
2009-10	0.41	0.01	0.40
2010-11	0.40	0.02	0.38

The Department may take effective steps to recover the arrears.

4.6.5 Assessee profile

The following table shows the information on assessee profile:

Table-4.13

No. of dealers registered during the year	No of dealers required to file returns	No of returns received	Action taken by the Department to issue notices to the dealers who failed to furnish returns
548	5,226	1st quarter: 3,297 2nd quarter: 3,067 3rd quarter: 2,896 4th quarter: 2,796	Survey and inspection conducted. TIN Blocked. No Inter State sales permitted. Penalty u/s 30 (8) imposed.

4.6.6 Cost of VAT per assessee

The following table shows the information on cost of VAT per assessee:

Table-4.14

Year	Number of assesse	Cost of VAT collection	Cost of VAT collection per assesse
2010-11	5,226	₹ 2,75,05,088	₹ 5,263.12

4.6.7 Arrears in assessment

The Department reported no arrears in assessment on the plea that under the SVAT Act, 2005 it is not mandatory to assess the dealers. However, all the returns filed by the dealers are scrutinised.

4.6.8 Cost of collection

The following table shows the information on cost of collection of Sales Tax/VAT receipts:

Table-4.15

(₹ in crore)

Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage of expenditure to gross collection of preceding year
Sales Tax/VAT	2008-09	101.14	1.95	1.93	0.83
	2009-10	121.07	3.75	3.10	0.88
	2010-11	142.74	3.28	2.30	0.96

Thus, percentage of expenditure on collection during all the three years as compared to the corresponding All India Average percentage of preceding year was high which the Government needs to look into.

4.6.9 Analysis of collection

The break-up of total collection at the pre-assessment stage and after regular assessment of the year 2010-11 and the corresponding figures for the preceding two years as furnished by the Department is given in the following table :

Table-4.16

(₹ *in crore*)

Head of Revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	Percentage of 3 to 7
1	2	3	4	5	6	7	8
Sales Tax/VAT	2008-09	1.91	1.99	1.35	1.24	4.01	47.63
	2009-10	36.79	0.64	0.21	0.75	36.89	99.76
	2010-11	89.28	9.91	0.17	-	99.36	89.85

4.6.10 Impact of Audit

4.6.10.1 Position of IRs

During the last three years, we, through the IRs, have pointed out non/short levy, non/short realisation, under-assessment/loss of revenue, incorrect exemption, concealment/suppression of turnover, application of incorrect rate of tax, incorrect computation, etc. with revenue implication of ₹ 106.23 crore in 53 cases. Of these, the Department/Government had accepted audit observations in 53 cases involving ₹ 106.23 crore and had since recovered ₹ 1.92 crore. The details are shown in the following table:

Table-4.17

Year	No. of units audited	Amount objected		Amount accepted		Amount recovered	
		Cases	Amount (₹ in crore)	Cases	Amount (₹ in crore)	Cases	Amount (₹)
2005-06	01	11	5.40	11	5.40	01	9,191
2006-07	01	06	0.81	06	0.81	01	22,069
2007-08	01	13	87.11	13	87.11	--	--
2008-09	01	08	6.08	08	6.08	03	1,91,88,416
2009-10	01	15	6.83	15	6.83	--	--

The above table indicates that during the last five years 1.81 *per cent* recovery was effected by the Department. The Department had also not taken any initiative for clearance of the cases pointed out by Audit.

4.6.10.2 Position of Audit Reports

In the ARs 2005-06 to 2009-10 the cases of under/non-assessment, loss of revenue and non-

levy of penalty were indicated, involving ₹ 18.70 crore. The Department has accepted the observations of ₹ 10.36 crore of which ₹ 0.48 crore were recovered till March 2011 as shown in the following table:

Table-4.18

(₹ *in crore*)

Year of Audit Report	Paragraphs included		Paragraph accepted		Amount recovered	
	No	Amount	No	Amount	No	Amount
2005-06	2	5.41	2	5.41	1	0.48
2006-07	2	0.49	0	0.00	0	0.00
2007-08	0	0.00	0	0.00	0	0.00
2008-09	3	5.97	2	4.95	0	0.00
2009-10	1	6.83	0	0.00	0	0.00
Total	**8**	**18.70**	**4**	**10.36**	**1**	**0.48**

The above table indicates that during the year 2005-11, only ₹ 0.48 crore was recovered by the Department. The Department had not taken any initiative to recover the amount as pointed out in ARs.

4.6.10.3 Amendments in the Acts/Rules/Notification/Order issued by the Government at the instance of Audit

The Division has inserted Section 64 A - survey and verification in the Sikkim Value Added Tax Act, 2005, which enables the Commissioner to undertake survey from time to time for the purpose of identifying dealers who are liable to pay tax, verification of documents in the business premises or stock of goods for sale kept in a store.

4.6.11 Working of Internal Audit Wing

As reported by the Department, no internal audit of the Department has been conducted so far.

The Government may issue necessary instruction to the Internal Audit Wing for conducting internal audit of the Department frequently.

4.6.12 Results of audit

Test check of records of one unit relating to VAT revealed non-assessment of tax, loss of revenue and other irregularities involving ₹ 210.56 crore in 32 cases which fall under the following categories:

Table-4.19

(₹ *in crore*)

Sl No.	Categories	No. of cases	Amount
1	Non- assessment	10	100.61
2	Loss of Govt. revenue	8	88.12
3	Others	14	21.83

A few illustrative cases contained in five paragraphs involving ₹ 76.85 crore and one Performance Audit on "Utilisation of Declaration forms in Inter State trade and Commerce" involving ₹ 1.44 crore are mentioned in the succeeding paragraphs.

4.6.13 Performance Audit on Utilisation of Declaration Forms in Inter State Trade and Commerce

Highlights

The Division did not have data bank of dealers involved in Inter State trade and commerce.

(Paragraph 4.6.13.8.1)

The Commercial Taxes Division got printed declaration forms long back during 1983 without assessing its requirement and these forms could not be fully utilised even after 28 years and also the Division did not maintain the clear position of stock available with them. However, since April 2011, after destroying unused old declaration forms, the Division had got printed new set of forms which are issued to the dealers post transactions.

(Paragraph 4.6.13.8.2)

The Division had issued declaration forms to the dealers without ensuring submission of details of utilisation of declaration forms issued earlier and issue register of declaration forms was also not being maintained properly.

(Paragraph 4.6.13.8.3)

The Division had not installed a system of verification of each and every declaration form submitted by the dealers with the database available in the TINXSYS website before allowing exemption/concession of tax. The 'C' forms issued by Sikkim dealers were not being uploaded in the website.

(Paragraph 4.6.13.8.4)

The Division did not ensure submission of CST returns by each and every dealer regularly. The Division also did not scrutinise CST returns and assessments of only 14 out of 75 CST dealers were done. The Division had not established any Investigation/Intelligence Wing to assist the offices in cross verification of interstate transactions.

(Paragraphs 4.6.13.8.5; 4.6.13.8.6)

The Division did not cross verify the genuineness of form 'C' declarations resulting in evasion of tax liability of ₹ 0.15 lakh. The assessing authority irregularly granted exemption/concession without production of 'C' forms resulting in under assessment of tax of ₹ 17.85 lakh.

(Paragraphs 4.6.13.8.7; 4.6.13.8.8)

The Division did not cross verify the genuineness of the form 'F' declarations and we, on cross verification, came across instances of utilisation of forms which were issued to

unregistered dealers or forms were not found to be issued to the dealers to whom they were shown to be issued. Tax liability in these cases was ₹ 47.70 lakh.

(Paragraph 4.6.13.8.10)

The Division did not cross verify the genuineness and amount of the form 'F' declarations. We, on cross verification, found that the dealer had inflated the transaction figures in the declaration forms and the tax liability in these cases was ₹ 23.23 lakh.

(Paragraph 4.6.13.8.11)

In relation to Inter State trade and commerce, the Division could computerise information and data relating to Way Bill issue since April 2006, Way Bill endorsement since April 2006, details of issue of 'C' forms since July 2009 and details of utilisation of 'C' forms since 2009. However, schemes for online issue of statutory forms, filing of e-Return etc. have not so far been introduced in the State.

(Paragraph 4.6.13.9)

4.6.13.1 Introduction

Under the Central Sales Tax Act, 1956, (CST Act) registered dealers are eligible to certain concessions and exemptions of tax on Inter State transactions on submission of prescribed declarations in Forms 'C', 'E-I'/'E-II' and 'F'. The State Governments grant these incentives to dealers for furtherance of trade and commerce, on production of these declaration forms. It is the responsibility of the Commercial Tax Department to ensure proper accountal of declaration forms and to take adequate safeguards against misutilisation of declaration forms/certificates against which tax relief is allowed involving large amount of revenue to the State exchequer.

Form 'C'

Under the provisions of the CST Act, every dealer, who in the course of Inter State trade or commerce, sells to a registered dealer, goods of the classes, specified in the certificate of registration of the purchasing dealer, shall be liable to pay tax at the concessional rate of four *per cent* (two *per cent* since June 2008) of such turnover provided such sales are supported by declarations in form 'C'.

Form 'E-I' or 'E-II'

Under the CST Act, if a purchasing dealer makes a subsequent Inter State sale by transfer of documents of title to the goods during their movement from one State to another, no tax shall be leviable subject to the production of the prescribed certificates in form 'E-I' or 'E-II' along with declarations in form 'C' to be issued by the selling and purchasing dealer.

Form 'E-I' is issued (in duplicate) (i) by the selling dealer who first moved the goods from one State to another or (ii) by the dealer who makes the first Inter State sale during the movement of the goods from one State to another.

Form 'E-II' is issued (in duplicate) (i) by the first or subsequent transferor in the series of sales or second or subsequent transfer in the series of sales in the course of Inter State trade or commerce.

Form 'F'

Under Section 6A of CST (Amendment) Act 1972, transfer of goods not by reason of sales by a registered dealer to any other place of his business outside the State or to his agent or principal in other States is exempt from tax on production of declaration in form 'F', duly filled in and signed by the principal officer of the other place of business or his agent or principal as the case may be, along with evidence of despatch of such goods. Filing of declarations in form 'F' was not mandatory upto May 2002. However, the Act provided for the assessing authority to make such enquiries as he deemed necessary to satisfy himself about bonafides of the transfer such as sale *patties*, despatch particulars, way bills, etc.

Maintenance of accounts of receipts and use of declaration forms:

- The forms are obtained by the Commercial Tax Department from the State Government press and supplied to the Divisions for distribution amongst the circle offices under their jurisdiction.
- Declaration forms are issued to registered dealers by Circle offices to enable them to issue it to another registered dealer for purposes specified in their registration certificate in order to avail of exemption from levy of tax or to pay tax at concessional rate. Dealers have to submit periodical utilisation certificate to the circle office concerned for the declaration forms received and utilised by them, and the same is to be properly recorded by the Assessing Officer. No declaration form is to be issued by the Circle office to the dealers till accounts of the utilisation of forms issued earlier to the dealer is submitted by him. The receipt and issue of the aforesaid declaration forms are accounted for in separate stock registers by the Division and circle offices indicating receipt and issue of various declaration forms.

Tax Information Exchange System (TINXSYS) is a centralised exchange of all Inter State dealers spread across the various States and Union territories of India. TINXSYS is an exchange authored by the Empowered Committee (EC) of State Finance Ministers as a repository of Inter State transactions taking place among various States and Union Territories. The website was designed to help the Commercial Tax Departments of various States and Union Territories to effectively monitor the Inter State trade. TINXSYS can be used by any dealer to verify the counter party Inter State dealer in any other State. Apart from dealer verification, Commercial Tax Department officials use TINXSYS for verification of Central Statutory Forms issued by other State Commercial Tax Departments and submitted to them by the dealers in support of claim for concessions. TINXSYS also provides MIS and Business Intelligence Reports to the Commercial Tax Departments to monitor Inter State trade movements and enables the EC to monitor the trends in Inter State trade.

4.6.13.2 Organisational set up

Commercial Taxes Division of Finance, Revenue and Expenditure Department (FRED) is responsible for implementation of CST Act in the State. The FRED is headed by Additional Chief Secretary and the Division is headed by a Special Commissioner who is assisted by one Joint Commissioner, six Deputy Commissioners, 10 Assistant Commissioners and other sub-ordinate staff who are posted at Division Headquarter at Gangtok, two Circle Offices at Gangtok and Jorethang, check post including charge office at Rangpo and check post at Melli.

4.6.13.3 Audit Objectives

The Performance Audit aimed to ascertain whether:

- there existed a foolproof system for custody and issue of the declaration forms;
- exemption/concession of tax granted by the assessing authorities was supported by the original declaration forms;
- there is a system of cross verification for ascertaining genuineness of the forms for preventing evasion of tax;
- there is a system of uploading the particulars in the TINXSYS website and the data available there is utilised for verifying the correctness of the forms;
- appropriate steps are taken on receipt and detection of fake, invalid and defective (without proper or insufficient details) forms; and
- there existed an effective and adequate internal control mechanism.

4.6.13.4 Audit Criteria

We referred to the following Acts and Rules for the Performance Audit:

- Central Sales Tax act, 1956 and Rules thereunder;
- Sikkim Sales Tax Act, 1983 and Rules thereunder;
- Sikkim Value added Tax, 2005 and Rules thereunder; and
- Departmental Manuals/Notifications.

4.6.13.5 Scope and methodology of audit

The Performance Audit on utilisation of declaration forms in Inter State Trade and Commerce in Sikkim for the assessments completed during the period 2007-08 to 2009-10, where exemptions/ concessions were granted under the CST Act, was conducted between November 2010-January 2011 and June-July 2011 with reference to the records maintained at Commercial Taxes Division, FRED, Gangtok, Circle office, Jorethang and Charge office, Rangpo.

Records of all the 14 dealers (three industrial dealers, eight cardamom dealers and three scrap dealers) for which assessments were done by the Division office, Gangtok, Charge office, Rangpo and Circle office, Jorethang were taken up for detailed scrutiny.

The Performance Audit was conducted through issue of requisitions for data and the records, analysis of data with reference to original records, scrutiny of files and other records maintained in the Division office, Gangtok, Circle office, Jorethang and Charge office, Rangpo, taking into account the cross verification results received from various State Accountant General offices.

4.6.13.6 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Division in providing necessary information and records for Audit. Performance Audit commenced with the letter of engagement (01 November 2010) followed by an Entry Conference (11 November 2010) with Special Commissioner, Commercial Tax Division. Audit programme, scope, objectives and criteria of Audit were discussed in the Entry Conference and their agreement obtained. The audit findings were communicated to the Division on 01 February 2011 and 18 August 2011 and discussed with the Special Commissioner and other officers of the Division in the Exit Conference held on 24 August 2011. The Performance Audit Report was finalised duly taking into consideration the replies of the Division and discussion with the Division in the Exit Conference.

4.6.13.7 Trend of revenue under CST

The year-wise budget estimates and actual realisation under CST for the period 2006-07 to 2010-11 was as given in the following table:

Table-4.20

(₹ in crore)

Year	Budget estimate	Actuals	Excess (+)/ Shortfall (-)
2006-07	3.00	4.67	(+) 1.67
2007-08	4.00	5.99	(+) 1.99
2008-09	2.00	4.55	(+) 2.55
2009-10	2.00	7.65	(+) 5.65
2010-11	8.80	8.50	(-) 0.30
Total	**19.80**	**31.36**	

The reasons for such huge variation in the budget estimates and actuals during the years 2006-07 to 2009-10 were not stated by the Division. However, we observed that the Division had been fixing its budget estimates too low without considering trend of its actual realisations during the preceding years just to project maximum realisation.

Further, the Division had not been maintaining any record/ database of the year-wise position of sales against 'C'/ 'F' forms through which the revenue forgone on account of concessions/ exemptions could be ascertained.

We suggest that budget estimates for realisation of CST be fixed taking into account the trend of revenue realisations in the preceding years and records/ database of revenue forgone on account of concessions/ exemptions allowed against declaration forms under the CST Act, be maintained.

4.6.13.8 Audit findings

System deficiencies

4.6.13.8.1 Data bank of Inter State dealers

The Division did not have any data bank of dealers involved in Inter State trades and commerce. However, from the data of manufacturers and export way bills endorsement details available in the computerised data of the Division, scrutiny of individual files and after discussion with the Divisional officers, it was gathered that 75 dealers (57 industrial dealers, 11 cardamom dealers and seven scrap dealers) in the State were involved in the Inter State trades and commerce.

We recommend that a data bank of dealers involved in Inter State trades and commerce be maintained for the State.

4.6.13.8.2 Printing and custody of declaration forms

During the period under Review no printing of declaration forms was done by the Division. After discussion with the Divisional officers, we found that last printing of declaration forms was done sometimes during 1983 from Government of India Press, Nasik, records of which were not available with the Division. The stock printed during 1983 was still lying unused. The Division was not having any data of declaration forms printed during 1983, forms utilised till March 2010 and forms lying unused with the Division. From the above it was evident that printing of declaration forms during 1983 was done without assessing the pace of issue of declaration forms. The declaration forms were printed in such a huge quantity that even after issue of such forms during last 28 years, it could not be fully utilised. However, since April 2011, after destroying unused old declaration forms, the Division had got printed new set of forms which are issued to the dealers post transactions.

The declaration forms were being kept in the central store in metal boxes under lock and key at the Division office and from there these were being issued to the various unit offices.

We suggest that the Division maintains a clear position of declaration forms printed, forms issued during a particular period and forms available at a particular date.

4.6.13.8.3 Issue and accounting of declaration forms by the Division-Non maintenance of complete records of issue and balance of forms/utilisation statements not verified

The declaration forms are issued only to the registered dealers on receipt of proper application from the dealer with required fees. However, it was seen that assessing authorities did not ensure complete utilisation of earlier issued declaration forms at the time of issue of subsequent declaration forms. Test check of records of 50 dealers revealed that till March 2010, 11,385 declaration forms were issued to these dealers, of which, utilisation details for 5,141 declaration forms only were submitted to the Division till December 2010, and utilisation details for 6,244 declaration forms were wanting. It was further seen that at the time

of applying for issue of declaration forms, 33 dealers either had not furnished details of utilisation of earlier issued declaration forms or attached utilisation details of such forms but despite this, the assessing authorities continued to issue declaration forms to these dealers. Due to this, misuse of declaration forms by the dealers could not be ruled out.

The Division did not maintain the Register properly as no opening balance, receipt, issue, closing balance, etc. was being shown. Further, declaration forms were not being issued chronologically either from central store or from any of the unit offices as the declaration forms were being issued randomly. The Division stated (February 2011) that it was not possible to issue declaration forms chronologically because the same had been kept in stock since the time it was first printed in the Division.

4.6.13.8.4 Cross verification of Declaration Forms and TINXSYS website-Absence of cross verification of Declaration Forms

The assessing authorities did not ensure verification of utilisation statements of declaration forms as no scrutiny of returns/tax audit was ever conducted. Further, there was no system of sending details of utilisation of declaration forms of a dealer to the other concerned dealer of other circle for cross verification of such transactions at the time of his assessment.

No information regarding dealers and forms issued to the dealers had been uploaded on the TINXSYS website. While verifying the data relating to the State of Sikkim available on the website, it was seen that no dealer details were uploaded on the website for the year 2005 to 2010. Only numbers of dealers available in the State for the years from 2007 to 2010 were uploaded in the website. Other details like, issue and utilisation of various statutory forms, periodic returns, commodity master[2], district master[3], office master[4], etc. were not uploaded for any of the year. Non-uploading of data on the site deprived other States to have access to the database of declaration forms issued to dealers of Sikkim which defeated the objective of creation of the website. However, after March 2011, the Division has now started uploading the details of 'C' forms issued to the dealers.

We suggest that declaration forms be issued only after ensuring receipt of details of utilisation of declaration forms issued earlier. Issue register of declaration forms may be maintained properly showing clearly opening balance, receipt, issue, closing balance, etc. and forms should be issued chronologically. The Division may upload the dealers' details and forms issued to the dealers on the TINXSYS website and utilise the website for cross verification purposes.

4.6.13.8.5 CST returns verification and assessment-Returns not furnished and assessments of dealers not done

While scrutinising assessment and other records of the CST dealers, we observed that most of

[2] *Each and every item is given a code number in schedule of rates under VAT Act.*
[3] *Name of the Charge Office with its code under whose jurisdiction such dealers fall.*
[4] *Name of the Circle Office with its code under whose jurisdiction the said Charge Office is located.*

the dealers either did not submit CST returns or submitted CST returns irregularly. The Division did not scrutinise any CST return of any dealer to verify, *prima facie*, correctness of the returns. The Division conducted assessments of only 14 (three industrial dealers, eight cardamom dealers and three scrap dealers) out of 75 CST dealers during 2007-08 to 2009-10. The Division stated (February 2011) that most of the industrial dealers had been exporting their products as stock transfer and hence, their non-assessment did not have adverse effect on revenue. However, necessary action was being taken for assessment of the remaining dealers.

The Division may ensure submission of CST returns by each and every CST dealer regularly and scrutinise each and every CST return and complete assessment of all dealers involved in Inter State trades and commerce.

4.6.13.8.6 Enforcement measures

The Division could not detect any dealer found utilising invalid/ fake declaration forms in the past and hence no dealer could be blacklisted and name of such dealer could be circulated among various units of the States.

The State Government/ Department has not so far established/ created any Inter State Investigation Wing/ Investigation Wing/ Intelligence Wing to assist the Division in cross verification of transactions with different States.

Compliance deficiencies

4.6.13.8.7 Irregular grant of exemption by misutilisation of 'C' forms

The cases in these paragraphs relate to deficiencies/irregularities on 'C' forms. Scrutiny of assessment records of a dealer dealing in "large cardamoms" revealed that the dealer was assessed (June 2010) under CST Act for the year 2009-10 for a gross turnover of ₹ 46.41 lakh, and tax amount of ₹ 0.93 lakh was assessed by the assessing authority at the rate of two *per cent* on production of 'C' forms in support of such transactions. Cross verification revealed that two 'C' forms amounting to ₹ 7.27 lakh shown as issued by two dealers of Maharashtra were found not issued by them to the dealer. Accordingly, the dealer had evaded a tax liability of ₹ 0.15 lakh as given in the following table and was also liable to pay penalty under CST Act for misutilisation of forms:

Table-4.21

(Amount in ₹)

Name of the assessed dealer	'C' form No.	Name of the dealer by whom shown as issued	Amount of the 'C' form	Tax payable at the rate of four *per cent*	Tax paid at the rate of two *per cent*	Tax less paid
M/s P D Enterprise, Jorethang	MH09/ 0321885	M/s S Narendra Kr & Co., Mazgoan	3,75,503	15,020	7,510	7,510
-do-	MH09/ 0543615	M/s Panchseel Trading Co., Mazgoan	3,51,737	14,070	7,035	7,035
Total			**7,27,240**	**29,090**	**14,545**	**14,545**

4.6.13.8.8 *Irregular grant of concession/exemption without production of 'C' forms and under assessment of tax due to wrong calculation of taxable turnover*

Four cardamom dealers were assessed under CST Act for the years 2004-05 and 2006-07 to 2008-09 during 2007-08 to 2009-10 for a gross turnover of ₹ 183.83 lakh and taxes levied accordingly. However, while verifying the assessment records of the dealers, it was seen that no 'C' forms were available in support of their Inter State transactions for ₹ 80.45 lakh. In the absence of 'C' forms, the dealers were liable to be assessed at the rate of 10 *per cent* and 4 *per cent* for the year 2004-05 and 2006-07 to 2008-09 respectively. Further, it was also seen that in four cases, the dealers declared excess turnover (with reference to turnover assessed by the assessing authorities) for a particular year either in their returns or in the 'C' forms submitted to the assessing authorities. The details are given in the following table:

Table-4.22

***(Amount in* ₹)**

Name of dealer	Accounting year	Date of assess-ment	Turnover assessed	Turnover as per returns	Amount for which 'C' form produced	Tax assessed by the Division	Tax liable to be assessed	Tax under-assessed
Bikash Enterprises, Rangpo	2004-05	06.06.07	6,21,665	6,21,665	Nil	18,650	62,167	43,517
Dipchand Basudeo, Gyalshing	2006-07	11.05.07	35,08,752	29,30,332	15,68,100	1,05,262	1,24,669	19,407
	2007-08	09.09.07	29,98,436	--	Nil	75,047	1,19,937	44,890
Shree Trade Agencies, Jorethang	2006-07	11.06.07	9,99,104	9,94,817	93,200	29,975	39,029	9,054
	2007-08	11.06.07	10,38,096	12,32,972	5,77,922	31,144	43,540	12,396
P.D. Enterprises, Jorethang	2006-07	11.05.07	12,82,432	13,44,410	13,79,885	38,473	41,397	2,924
	2007-08	02.05.08	20,21,120	23,12,377	19,80,781	60,634	72,687	12,053
	2008-09	05.06.10	59,13,666	59,13,606	47,38,594	1,18,279	1,41,780	23,501
Total			**1,83,83,271**	**1,53,50,179**	**1,03,38,482**	**4,77,464**	**6,45,206**	**1,67,742**

From the above statement it could be seen that these irregular grants of exemptions without submission of 'C' forms and under valuation of taxable turnover have resulted in under assessment of tax of ₹ 1.68 lakh.

Further scrutiny of assessment records and quarterly returns submitted by M/S SBL (SKM) Private Limited, Majhitar, for the period of assessment (except for the quarters September 2003, December 2003 and March 2004) revealed that during the assessed period the dealer disclosed its Inter State turnover of ₹ 741.64 lakh in its quarterly returns. Taking into account the Departmental assessed figures for the above three quarters at ₹ 46.88 lakh for the year 2003-04, dealer's total turnover for the years 1995-96 to 2004-05 as calculated by us worked out to ₹ 788.52 lakh. The under valuation of turnover of ₹ 161.70 lakh of the dealer for which 'C' forms were also not submitted and accordingly, the dealer was liable to be assessed for above turnover at the rate of 10 *per cent* with an additional tax liability of ₹ 16.17 lakh.

The Division stated (February 2011) that the audit observation had been noted and assessing

authorities were verifying the factual details after which necessary action would be taken.

4.6.13.8.9 Non-payment of assessed tax by the dealers and short assessment of tax due to wrong calculation of turnover of the dealer

SBL (SKM) Private Limited, Majhitar, a manufacturer of homeopathic medicines, was assessed (2008-09) under CST Act for a gross turnover of ₹ 626.82 lakh for the years 1995-96 to 2004-05, and tax of ₹ 28.69 lakh at the rate of four *per cent,* including penalty of ₹ 3.61 lakh, on the basis of production of 'C' forms in support of their transaction was assessed by the assessing authority. A demand notice for the payment of the above assessed tax was issued to the dealer on 14 July 2008. The dealer did not pay the assessed tax and represented (August 2009) for grant of exemption for the assessed tax. His representation was turned down and the dealer was intimated (September 2009) the decision of the Division with direction to pay the assessed tax immediately. The dealer had not paid the assessed tax till January 2011. Similarly, in respect of Sikkim Jewels Limited, Gangtok an assessed amount of ₹ 25.90 lakh (August 2009/December 2010) remained un-realised from the dealer till September 2011. Thus, the demands of assessed tax of ₹ 54.59 lakh raised (during July 2008 to December 2010) were not realised by the Division till November 2011. The Division stated (February 2011) that necessary action was being taken to realise the assessed tax.

4.6.13.8.10 Evasion of tax by misutilisation of 'F' forms

M/s C G Foods India Private Limited, Rangpo, a manufacturer of ready to eat foods, was assessed (March 2010) under CST Act for the assessment years 2007-08 and 2008-09 for a gross turnover of ₹ 23.59 crore and ₹ 37.95 crore respectively of which exemption of CST was given on stock transfer of ₹ 18.08 crore and ₹ 26.96 crore respectively which was supported with declaration forms 'F'. Cross verification of these forms revealed that 14 'F' forms amounting to ₹ 131.69 lakh for the year 2007-08 and two 'F' forms amounting to ₹ 21.54 lakh for the year 2008-09 shown as issued by the dealers of Nagaland were found to be from the unregistered dealers. Accordingly, the dealer evaded a tax liability of ₹ 19.15 lakh at the normal VAT rate of 12.5 *per cent* on the above turnover of ₹ 153.23 lakh by utilisation of forms which were shown as issued by the dealers of other State found to be unregistered dealers. The dealer was also liable to pay penalty under CST Act for misutilisation of 'F' forms.

Further, three 'F' forms of a dealer of Bihar, utilised by the above assessed dealer amounting to ₹ 4.13 lakh, were found not having been issued to the dealer. Accordingly, the dealer evaded a tax liability of ₹ 0.52 lakh at the normal VAT rate of 12.5 *per cent* on the above turnover as given in the following table and was also liable to pay penalty under CST Act for misutilisation of forms:

Table-4.23

Assessment year	'F' form No.	Value of the 'F' form (In ₹)	Name of the form issuing dealer	Name of the form issuing office
2007-08	GOB/F 156365	2,29,010	Laxmi Agency (RC No. 10301182139)	Muzaffarpur West Circle, Bihar
2008-09	GOB/F 156366	1,49,118	-do-	-do-
-do-	GOB/F 156367	34,617	-do-	-do-
	Total	**4,12,745**		

Similarly, cross verification in respect of 'F' forms used by M/s C G Foods India Private Limited, Rangpo revealed that three 'F' forms amounting to ₹ 97.29 lakh for the year 2007-08 shown as issued by the dealers of Mizoram and five 'F' forms amounting to ₹ 126.98 lakh for the year 2008-09 shown as issued by the dealers of Nagaland were found to be issued to dealers other than those to whom these were shown as issued. Accordingly, the dealer evaded a tax liability of ₹ 28.03 lakh at the normal VAT rate of 12.5 *per cent* on the above turnover of ₹ 224.26 lakh by mis- utilisation of 'F' forms and also was liable to pay penalty under CST Act.

All the cases require verification by the Department for realisation of correct tax dues including penalties for misutilisation of Forms.

4.6.13.8.11 Variation between the figures of the 'F' forms as disclosed by the issuing dealers and those disclosed by the utilising dealers

Cross verification in respect of 'F' forms used by M/s C G Foods India Private Limited, Rangpo (Sikkim dealer) revealed that in case of 23 'F' forms the dealer had shown stock transfer for an amount of ₹ 323.09 lakh whereas cross verification results revealed that ₹ 137.23 lakh only was shown as stock receipts by the issuing dealers of the respective States against the said 'F' forms. The excess stock transfer of ₹ 185.86 lakh shown by the Sikkim dealer led to evasion of a tax liability of ₹ 23.23 lakh on the inference that the goods were sold locally, for which penalty under CST Act is also leviable for inflating the transaction figures in the forms. Details are given below:

Table-4.24

(₹ in lakh)

Name of the issuing State	Assessment year	No. of 'F' forms	Amount shown as transfer by the utilising/ assessed dealer	Amount shown as transfer by the issuing dealer	Difference in amount	Tax evaded
Mizoram	2007-08	1	19.23	14.85	4.38	0.55
-do-	2008-09	4	127.10	94.47	32.63	4.08
Manipur	2007-08	7	42.94	6.11	36.83	4.60
-do-	2008-09	11	133.82	21.80	112.02	14.00
Total		**23**	**323.09**	**137.23**	**185.86**	**23.23**

Cross verification further revealed that in case of two 'F' forms the amount disclosed by the utilising dealer was less than the amount disclosed by the issuing dealers as given in the following table:

Table-4.25

(Amount in ₹)

Name of the issuing State	Assessment year	'F' form no.	Amount shown as transfer by the issuing dealer	Amount shown as transfer by the utilising/ assessed dealer	Difference in amount
Uttarakhand	2008-09	D049183	8,18,084	4,14,220	4,03,864
Manipur	2008-09	S015779	2,47,896	2,26,578	21,318
Total			**10,65,980**	**6,40,798**	**4,25,182**

As the Sikkim dealer had suppressed the value of goods transferred on 'F' forms outside the State, suppression of sales within the State cannot be ruled out. Hence, the Division needs to investigate these cases to determine the consequential actual tax foregone.

4.6.13.9 Computerisation

In relation to Inter State trade and commerce, the Division could computerise information and data relating to Way Bill issue (since April 2006), Way Bill endorsement (since April 2006), details of issue of 'C' form (since July 2009) and details of utilisation of 'C' form (since 2009) only. Schemes for online issue of statutory forms, filing of e-Return etc. have not so far been introduced in the State as other States like Gujarat.

The Division stated (February 2011) that the provision for online issue of statutory forms and filling of e-return would be catered by Mission Mode Project for Commercial Tax under which the Division had been working with NIC, Karnataka in accordance with project approved by the Ministry of Finance.

4.6.13.10 Conclusion

The Division did not maintain data bank of dealers involved in Inter State trade and commerce. The Division got printed declaration forms long back during 1983 without assessing its requirement taking into account the pace of issue of declaration forms, which could not be fully utilised even after 28 years and the Division did not also maintain the clear position of stock available with them. The Division continued to issue declaration forms to the dealers without ensuring submission of details of utilisation of declaration forms issued earlier and issue register of declaration forms was also not being maintained properly. The Division has not installed a system of verification of each and every declaration form submitted by the dealers with the database available in the TINXSYS website before allowing exemption/concession of tax. The Division has also not installed a system of picking up samples of declaration forms and taking them up for further verification with the concerned States and also a system of uploading the details of utilisation of declaration forms in the TINXSYS website.

The Division did not ensure submission of CST returns by each and every dealer and failed to assess all dealers involved in Inter State trade and commerce as out of 75 dealers, only 14 dealers were assessed during 2007-08 to 2009-10. The assessments of dealers were completed without cross verification of declaration forms submitted and forms were not on record in some cases pointed out by us. Demands raised were not realised for long periods.

4.6.13.11 Recommendations

The Government may consider implementation of the following recommendations for rectifying the system and compliance issues:

- Maintain data bank of dealer involved in Inter State trade and commerce;
- Print declaration forms assessing its requirements taking into account pace of issue of declaration forms;
- Maintain proper records of declaration forms printed, issued and closing stock;
- Ensure issue of declaration forms to the dealers only after receipt of details of utilisation of declaration forms issued earlier;
- Issue declaration forms chronologically and not randomly to have a track of declaration forms;
- Install a system of verification of each and every declaration form submitted by the dealers with the database available in the TINXSYS website before allowing exemption/concession of tax;
- Install a system of picking up a sample of declaration forms and taking them up for further verification with the concerned States and also a system of uploading the details of utilisation of declaration forms in the TINXSYS website; and
- Ensure submission of CST returns by every dealer and assess all dealers involved in Inter State trade and commerce.

4.6.14 Evasion of tax due to concealment of turnover

Non-detection of the concealment of purchase turnover by the Commercial Taxes Division led to evasion of tax of ₹ 4.77 crore.

According to Section 37 of the Sikkim Value Added Tax (VAT) Act 2005, the prescribed authority shall, within the time and in the manner prescribed, scrutinise every return filed under Section 30. Further, the Division has a system of issue and utilisation of import way bills for importing any goods from outside the State and export way bills for exporting any goods from the State and each and every such way bill is entered in the computerised data of the Division maintained at their Check Posts. For complete scrutiny of returns, the Division should cross verify the figures of the way bills with the figures of the returns.

Scrutiny of records (February-March 2011) in respect of the Division revealed that a number of dealers involved in various trades such as vehicle trade, wholesale trade, electronic items, hardware, furniture, etc., were not assessed. However, our scrutiny, on the basis of computerised details of the import way bills endorsement for the period 2007-08 onwards revealed that the dealers had been concealing their purchases and consequent sales turnovers. The Division had never cross checked the correctness of the turnovers with reference to the import way bills endorsement details of the individual dealers.

A test check of records done by us revealed that 10 dealers during the period 2007-08 to 2009-

10 had concealed their purchase turnovers to the extent of ₹ 38.16 crore with consequential evasion of VAT of ₹ 4.77 crore.

The matter was reported to the Government/Department (May 2011); their reply has not been received (November 2011).

4.6.15 Irregular grant of exemption and non-assessment/non-payment of Central Sales Tax

Irregular grant of CST exemption and non-submission of quarterly returns, 'C' forms in support of Inter State trade, non-assessment of dealer led to loss of revenue of ₹ 6.41 crore.

Sections 6 and 6A of CST Act, 1956 provides that every dealer who claims exemption/ concession of tax shall furnish a proof in the form of declaration in respect of subsequent sales. Rule 11 of CST (Sikkim) Rules, 1983 further stipulates that every dealer liable to pay tax and every dealer registered under the Act shall furnish a return in Form I in respect of each period of his turnover as referred to Rule 11 of CST (Registration and Turnover) Rules, 1957 to the appropriate Sales Tax Officer quarterly within fifteen days from the expiry of each quarter.

On scrutiny (March 2011) of records we observed that one industry[5] had approached the Government for issue of notification exempting it from payment of any tax including CST under CST Act in pursuance of the State Industrial Policies. The Cabinet approved exemption on 25 January 2008 to the said industry for payment of CST for a period of seven years from the date of its commercial production. In this connection, we observed that granting of CST exemption by the Government under Clause 10 of the Annexure vide notification dated 18 December 1996 was irregular since Government itself had clarified in Clause 2(iv) of the said notification that it was applicable only to those industries which had started their commercial production on or before 31 March 1996. Since this industry had started its commercial production on 10 December 2003, it did not come under the ambit of the said notification. Further, the notification of December 1996 was repealed vide subsequent notifications dated 6 July 2000 and 13 August 2003 both of which did not have any provision for exemption of CST.

Scrutiny of records further revealed that during the period 2006-07 to 2009-10, the industry did not submit any return to the Division except CST returns for the quarters ending March 2008, September 2008, March 2009 and VAT return for the quarter ending December 2007. Scrutiny of the above returns revealed that the industry had been exhibiting its entire production as sale through Inter State trade. However, the industry had neither submitted any 'C' form in support of its Inter State trade till May 2011, nor was any CST paid towards its tax liability.

Scrutiny of export way bills endorsement details of the industry available in the computerised data of the Division itself revealed that during the period 2006-07 to 2009-10, the industry

[5] *M/s Akshay Ispat and Ferro Alloys Private Limited, Mamring, an industry registered as dealer under Central Sales Tax (CST) Act for manufacture of ferro silicon, which started its commercial production since 10 December 2003.*

made an Inter State trade of ₹ 139.53 crore. In the absence of any return and 'C' form in support of these transactions, the industry was liable to pay CST amounting to ₹ 6.41 crore (₹ 1.38 crore at the rate of 10 *per cent* on the turnover of ₹ 13.75 crore for the year 2006-07 and ₹ 5.03 crore at the normal tax rate of VAT of 4 *per cent* chargeable on its products on the turnover of ₹ 125.78 crore for the period 2007-08 to 2009-10).

The Division replied (September 2011) that the decision taken by the State Government was in exercise of its power conferred by the CST Act and such decision is not subject to audit observation.

The reply of the Division is not acceptable since the notification of the December 1996 was already repealed. Thus, inaction of the Division in realising Government revenue resulted in a non-recovery of ₹ 6.41 crore.

Our verification and discussion with the Division revealed that the industry has closed down and hence, recovery of the taxes due now appears doubtful.

4.6.16 Undue financial benefit

Non-assessment of M/s Sikkim Distilleries Limited (SDL) by Commercial Tax Division provided undue financial benefit to it with consequential non-realisation of SST/ CST of ₹ 46.40 crore over a period of three to 11 years.

M/s Sikkim Distilleries Limited (SDL), Rangpo was registered as a manufacturer of India Made Foreign Liquor (IMFL) under Central Sales Tax (CST) and Sikkim Sales Tax (SST) Acts.

Rule 11 of CST (Sikkim) Rules, 1983 stipulates that every dealer liable to pay tax and every dealer registered under the Act shall furnish a return in Form I in respect of each period of his turnover as referred to Rule 11 of CST (Registration and Turnover) Rules, 1957 to the appropriate Sales Tax Officer quarterly within fifteen days from the expiry of each quarter. Sections 6 and 6A of CST Act 1956 further provide that every dealer claiming exemption/ concession of tax shall furnish a proof in the form of declaration form in respect of the subsequent sale of goods. Furthermore, under Section 11 of Sikkim Sales Tax Act 1983, every registered dealer shall furnish such returns in prescribed form in respect of each period of his turnover and before furnishing such return, shall pay to the Government prescribed amount of tax due under this Act for such period.

Despite specific requisitions and personal persuasions up to the level of Special Commissioner (February/ March 2011), except sales turnover for the period 1999-2000 to 2007-08, the Commercial Tax Division could neither furnish any detail regarding the payments of various taxes by the SDL, nor could they furnish the reason for non-furnishing/ non-maintenance of records and/ or non-payment of any tax by the SDL. The details of tax liability are given in the following table:

Table-4.26

(Amount of ₹)

Particulars	Amount of tax
Sikkim Sales Tax @ 20 *per cent* on local sales turnover of ₹ 2,07,56,21,678 during the period 1999-2000 to 2007-08	**₹ 41,51,24,336**
CST @ 10 *per cent* on the Inter State turnover of ₹ 40,72,45,580 for the period 1999-2000 to 2004-05 for which no 'C'/'F'/'H' forms furnished	₹ 4,07,24,558
CST @ 20 *per cent* on the Inter State turnover of ₹ 4,09,81,739 for the period 2005-06 to 2007-08 for which no 'C'/'F'/'H' forms furnished	₹ 81,96,348
Total CST payable	**₹ 4,89,20,906**
Total tax payable	**₹ 46,40,45,242**

Thus, due to non-maintenance of relevant records, non-assessment of tax and non-issuance of demand notice, an amount of ₹ 46.40 crore could not be realised from the SDL over a period ranging from three to 11 years. While non-assessment and non-issuance of demand notice over such a long period is an undue financial benefit of deferral payment extended to the unit and is fraught with the risk of non-realisation, the Division did not realise the Government revenue.

In its reply, the Commercial Taxes Division stated (September 2011) that SDL went through financial crisis during 2007-08 to 2009-10 as financial misappropriation by successive management was allegedly detected. The State Government had to interfere by taking over the management directly under itself for two years. During this period, the company failed to remit the tax regularly. Subsequently, as the new management of the company approached the State Government for relief from arrear tax in compensation of the loss of partial benefit, the company was eligible as per industrial policy under notification no. GO/2-DI/1996-97. The request was under consideration with the State Government.

The reply is not acceptable as the Division has not stated as to whether the dealer has submitted any return for the period 1999-2000 to 2007-08 and paid any tax for the period 1999-2000 to 2007-08 which indicates that the dealer has not submitted any return and has not paid any tax liability for the period 1999-2000 to 2007-08. Further, exemption from CST, if any, was possible prior to the commencement of business and any post-facto exemption, if given by Government, would be irregular and would facilitate covering up of the tax arrears.

4.6.17 Non-realisation of Environment Cess

Non-registration of industrial dealers under Environment Cess Act and concealment of sales turnover by other dealers led to non/short realisation of cess of ₹ 11.43 crore.

Since April 2007, the State Government introduced 'The Sikkim Ecology Fund and Environment Cess Act 2005'. Under this Act, all the dealers, including manufacturers, who were involved in the procurement and sale of non-biodegradable materials as specified in the schedule II of the Act in the State of Sikkim, were liable to be registered under this Act and were also liable to pay Environment Cess at the rate of one *per cent* of its sales turnover in the State. However, under notification dated 10 April 2008 (Gazetted on 16 April 2008) issued by Law Department, the Government amended the said Act and as per the amended provisions, the persons engaged in the business of manufacturing of goods as specified in Schedule II shall

pay Cess at the rate of 0.50 *per cent* on the total purchase invoice value with effect from 16 April 2008. In view of above, it was clear that from the period 2008-09 onwards, the manufacturing industries were liable to pay cess at the rate of 0.50 *per cent* of its purchased invoice value. The Commercial Tax Division, FRED was responsible for implementation of this Act.

(a) Test check (March 2011) of records of 26 such industrial units revealed that these industries had neither been registered under Environment Cess Act nor had they paid the Cess to the Government so far. There was no document to prove that the Division had ever taken any action to get all the industrial units registered under this Act and to realise the amount of Cess payable by these industries. However, from the import way bill endorsement details of these industries available in the computerised data of the Division, it was seen that during the period 2008-09 to 2009-10, these industries had made import of various raw materials worth ₹ 1,732.56 crore for its use in the manufacturing process on which these industries were liable to pay the Cess of ₹ 8.66 crore at the rate of 0.50 *per cent* of its purchase invoice value. Due to not taking any action for registration of these industries under Environment Cess Act, the amount of ₹ 8.66 crore could not be realised by the Division.

(b) Our scrutiny further revealed that five major motor vehicle dealers registered under the Act, who collected Cess on sale of vehicles and spare parts, either short deposited or did not deposit the amount of Cess in the Government account. The total sales turnover as declared in the quarterly returns by these dealers during 2007-08 to 2009-10 was found to be lesser than the actual turnover verified by Audit from the import way bill endorsement details of these dealers available in the computerised data of the Division. As per records available with the Division, the dealers deposited ₹ 1.66 crore against the actual liability of ₹ 2.78 crore towards Cess leading to a short/ non-deposit of Cess amounting to ₹ 1.12 crore. It was further seen that during 2007-08 to 2009-10, 15 other major dealers of various items also had not shown their actual sales turnover as compared to the volume of business done by these dealers on the basis of purchases made by them which led to an additional short/ non-deposit of Cess to the tune of ₹ 1.65 crore.

Thus, inaction of the Division in getting the industrial dealers registered under the Environment Cess Act and acceptance of incorrect turnovers in the returns of the other dealers led to an aggregated non/ short realisation of cess to the tune of ₹ 11.43 crore.

The matter was reported to the Government/ Department (May 2011); their reply has not been received (November 2011).

4.6.18 Non-payment of tax liabilities

Non-assessment of dealer led to non-payment of CST liability of ₹ 7.84 crore.

Rule 11 of CST (Sikkim) Rules 1983 stipulates that every dealer liable to pay tax and every dealer registered under the Act shall furnish a return in Form I in respect of each period of his turnover to the appropriate Sales Tax Officer quarterly within fifteen days from the expiry of each quarter. Sections 6 and 6A of CST Act 1956 further provides that every dealer who claims

exemption/ concession of tax shall furnish a proof in the form of declaration form in respect of subsequent sales.

M/s Sheela Foam Private Limited, Bagheykhola[6] submitted its quarterly CST returns for the period 2003-04 to 2009-10 exhibiting most of its turnover as sale in the course of Inter State trade, stock transfer and few transactions as export outside India, without payment/ short payment of tax on its Inter State trade and without submission of the supporting Inter State declaration forms. As per industrial policies of the Government, notified on 13 August 2003 and amended on 1 May 2007, the industry was not eligible for exemption from payment of CST. However, vide letter dated 19 May 2004, the Commerce and Industries Department intimated the Division that the industry was exempted from paying local sales tax and CST. While letter issued by an executive cannot supersede the notification(s) issued earlier, on the basis of this letter, the industry had been approaching the Division for exemption of CST on its Inter State trade. Despite the clarification of the Division about its ineligibility for any exemption, the industry did not pay any CST. Finally, the Division assessed (8 February 2011) its Inter State turnover for the period 2003-04 and 2004-05. The Division assessed for the period of 2003-04 and 2004-05 only in February 2011 without taking into account the period of 2005-06 to 2009-10 which was stated to be due owing to the reason that the firm could provide complete record for assessment for those two financial years only and issued (11 February 2011) demand notice for payment of CST of ₹ 49.62 lakh. The same was, however, not paid by the firm. Instead, the firm filed review petition (3 March 2011) and considering the petition a superseding order was passed (16 July 2011). From the returns of the industry, it was seen that the industry made a sale of ₹ 66.75 crore in course of Inter State trade during the period 2005-06 to 2009-10 without submission of 'C' forms in support of Inter State trade, 'F' forms in support of stock transfer and 'H' forms in support of export outside India. In the absence of requisite declarations, the industry was liable to pay CST at the normal rate of 12.5 *per cent* of VAT or 10 *per cent* whichever was lower for the period up to March 2007 and at VAT rate of 12.5 *per cent* for the period 2007-08 onwards. Taking into account the tax rate of 10 *per cent* upto March 2007 and 12.5 *per cent* from 2007-08 onwards, the industry was liable to pay CST of ₹ 7.84 crore as given in the following table:

[6] *An industry registered under CST and VAT Acts for manufacture of mattresses and other items of coir and PU foam, started its commercial production on 7 October 2003.*

Table-4.27

(Amount in ₹)

Gross turnover declared in quarterly returns for the period 2005-06 to 2009-10	69,68,42,356
Less sales within Sikkim	2,93,75,567
Net turnover in the Inter State trade (IST)	66,74,66,789
Turnover shown as export outside India without submission of 'H' forms	24,76,529
IST shown as stock transfer without submission of 'F' forms	3,63,39,321
IST shown as exempted sale without submission of 'C' forms	66,74,66,789
IST on which tax paid but not supported by 'C' forms	97,33,995
Amount of tax paid on above IST	4,14,458
Since no supporting declaration forms produced, 10 *per cent* chargeable tax on net IST of ₹ 18,57,75,699 for the year 2005-06 to 2006-07	1,85,77,570
Since no supporting declaration forms produced, 12.5 *per cent* chargeable tax on net IST of ₹ 48,16,91,090 for the years 2007-08 to 2009-10	6,02,11,386
Total CST payable	7,87,88,956
Less tax already paid	4,14,458
Net CST payable by the industry	**7,83,74,498**

Despite the industry being defaulter in submission of requisite forms and payment of CST, the Division continued to issue all statutory forms to the industry which led to non-payment of tax liability to the tune of ₹ 7.84 crore.

The Division replied (September 2011) that loss of revenue estimated in the observation for the financial years 2005-06 to 2009-10 by computing CST at ten *per cent* due to non-submission of Form 'C', 'F' or 'H' is not appropriate. The dealer has filed relevant declaration forms for major part of the turnover. It has requested for time to obtain the forms for residual part of turnover. The Division also replied that not only did it stop issue of statutory declaration forms, it also initiated the process of cancellation of CST and VAT registration of the dealer on account of non-payment of tax. In recourse of the plea of the dealer that it has applied for order of the State Government for exemption from levy of CST, the Division required the dealer to furnish security against payment of CST, if the order is denied. By withholding issue of declaration forms the dealer was compelled to furnish security deposit of ₹ 30 lakh and ₹ one crore.

The Division's reply is not acceptable as it failed to furnish the copy of the original declaration forms which would have indicated that the dealer had not submitted the same and hence, normal rate of tax was payable by the dealer. Further, fact remained that the export way bill endorsement details of the said industry available in the computerised data of the Division itself showed that the dealer had regularly been issued export way bills. It was also seen that the dealer had been issued 'C' forms as and when requested for. The security deposit is not the payment of tax liability.

Thus, inaction of the Division led to non-payment of CST liability by the industry to the tune of ₹ 7.84 crore.

EXCISE (ABKARI) DEPARTMENT

4.7 State Excise

4.7.1 Tax administration

Excise (Abkari) Department is one of the major revenue earning Departments of the State and the contribution of the Excise receipts to the total tax revenue of the State during the last five years were between 19.18 and 25.61 *per cent.* The Department is responsible for implementation of the following State/Central Acts in the State:

(a) Sikkim Excise Act, 1992;

(b) Medicinal & Toiletries Preparation Act, 1955 (Central Act); and

(c) Narcotic and Psychotropic Substances Act, 1985 (Central Act).

The State Excise Act provides for manufacture, possession, sale, transport, import and export of alcoholic liquor and imposition of duty of Excise therein and for matter connected therewith. The revenue to the State Government by way of Excise duty, vend fee, export fee, license fee, etc. is collected by the State Government on alcoholic liquor under the provision of the Sikkim Excise Act. As far as the Medicinal and Toilet Preparation Act is concerned, it is an enactment of the Central Government which provides for manufacture, possession, sale, etc. of all the alcoholic medicinal and toiletries products. The implementation of the Act is done by the State Government through the Excise Department and Excise Revenue as per the rates prescribed under the Rule is collected and retained by the State Government. The Narcotic and Psychotropic Substances Act is a Central Act and it provides for the control on trafficking and consumption of narcotic and psychotropic substances defined thereunder. The Narcotic and Psychotropic Substances Act is implemented at the State level through Excise, Health and Police Departments. As per the allocation of business for the Departments of the Government of Sikkim, the responsibility for implementation and co-ordination with the State level agencies and the Central Government is that of the Excise Department.

4.7.2 Analysis of budget preparation

Budget is prepared with the previous year's budget as a base in consultation with the FRED and the revenue budget for the current year is increased by 12.5 *per cent* of previous year.

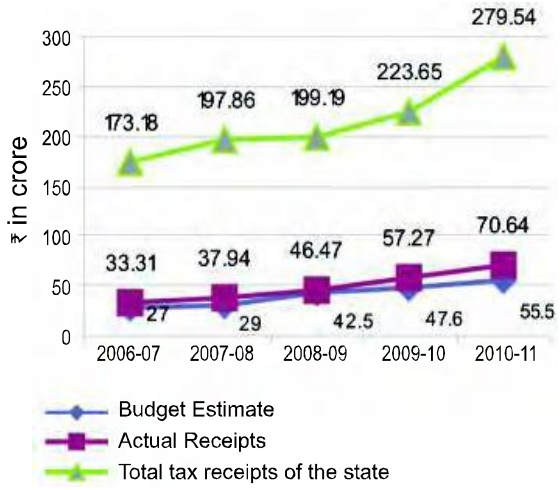
4.7.3 Trend of receipts

Actual receipts from State Excise during years 2006-07 to 2010-11 along with the total tax receipts during the period is exhibited in the following table:

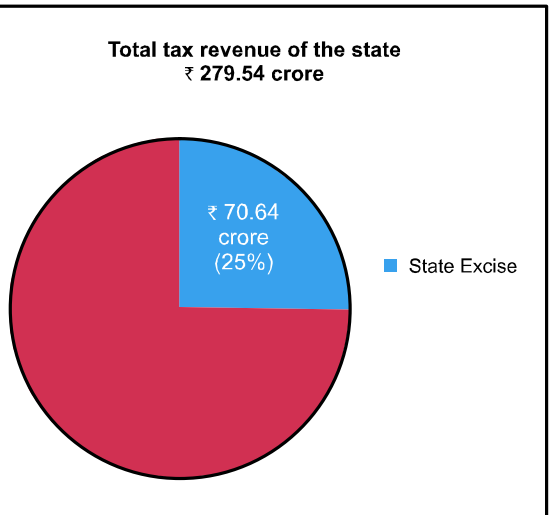
Table-4.28

(₹ in crore)

Year	Budget estimate	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the state	Percentage of the actual receipts vis-à-vis total tax
2006-07	27.00	33.31	6.31	27.37	173.18	19.23
2007-08	29.00	37.94	8.94	30.83	197.86	19.18
2008-09	42.50	46.47	3.96	9.32	199.19	23.33
2009-10	47.60	57.27	9.67	20.32	223.65	25.61
2010-11	55.50	70.64	15.14	29.16	279.54	25.27



Trend of State Excise receipt over last five years vis-à-vis estimate



Contribution of State Excise in total tax receipts of the State in 2010-11

It can be observed from the above table that the actual receipts exceeded the budget estimate during all the five years. The reasons reported by the Department were better management of revenue (for 2006-07, 2009-10, 2010-11) and addition of more industries (for 2006-07). It clearly indicates that the Department had not taken into account all the inputs while preparing the budget and this resulted in variation in the budget figures and the actual receipts.

4.7.4 Analysis of arrears of revenue

As reported by the Department, there were no arrears of revenue as the duty is collected at source before issuing permits for importing or manufacturing.

4.7.5 Cost of collection

The gross collection in respect of State Excise receipts, expenditure incurred on their collection and the percentage of such expenditure to gross collection during the years 2008-09, 2009-10 and 2010-11 along with the relevant All India average percentage of expenditure on collection to gross collection of preceding years is indicated in the following table :

Table-4.29

(₹ in crore)

Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage of expenditure to gross collection of preceding year
2008-09	46.47	2.36	5.08	3.27
2009-10	57.27	3.62	6.32	3.66
2010-11	70.64	3.93	5.56	3.64

Thus, the percentage of expenditure on collection during all three years was higher than the All India averages which the Government needs to look into. The reason for excess in 2010-11 as reported by the Department was due to extensive touring and training of Excise personnel for collection of revenue.

4.7.6 Impact of audit

4.7.6.1 Position of IRs

During the last five years, we, through the IRs, have pointed out deficiencies with revenue implication of ₹ 2.01 crore in 19 cases. Of these, the Department/Government had accepted audit observations in 19 cases involving ₹ 2.01 crore and had since recovered ₹ 0.05 crore. The details are shown in the following table:

Table-4.30

(₹ in crore)

Year	No. of units audited	Amount objected		Amount accepted		Amount recovered	
		Cases	Amount	Cases	Amount	Cases	Amount
2005-06	01	03	0.19	03	0.19	-	-
2006-07	01	03	0.57	03	0.57	-	-
2007-08	01	05	0.27	05	0.27	01	0.02
2008-09	01	04	0.27	04	0.27	01	0.03
2009-10	01	04	0.71	04	0.71		

The above table indicates that during the last five years only 3 *per cent* of the accepted amount was recovered by the Department.

4.7.6.2 Position of Audit Reports

In the ARs 2005-06 to 2009-10 the cases of under/non-assessment, loss of revenue, non-levy of penalty, etc. were indicated, involving ₹ 1.75 crore. The Department has accepted the observations of ₹ 0.26 crore of which no recovery was made till March 2011 as shown in the following table:

Table-4.31

(₹ in crore)

Year of Audit Report	Paragraphs included		Paragraph accepted		Amount recovered	
	No	Amount	No	Amount	No	Amount
2005-06	1	1.49	0	0	-	0.00
2006-07	-	-	-	-	-	-
2007-08	1	0.26	1	0.26	-	0.00
2008-09	-	-	-	-	-	-
2009-10	-	-	-	-	-	-

The above table indicates that during the year 2005-10 no recovery was made by the Department. The Department had not taken any initiative to recover the amount as pointed out in ARs.

The Government needs to look into the recovery of arrears of revenue.

4.7.7 Internal audit

There is no separate Internal Audit Wing in the Department. Internal audit of all the Departments are conducted by the Internal Audit Wing of FRED.

The Government may issue necessary instruction to the Internal Audit Wing for conducting internal audit of the Department frequently.

4.7.8 Results of audit

Test check of the records of one unit relating to Excise Department revealed loss of revenue and other deficiencies amounting to ₹ 15.82 crore in three cases which fall under the following categories:

Table-4.32

(₹ in crore)

Sl. No.	Category	No of cases	Amount
1	Loss of Government revenue	02	7.33
2	Others	01	8.49

An illustrative case involving ₹ 7.50 crore is mentioned in the following paragraph.

4.7.9 Loss of revenue

Non-fixation of norm for production of beer resulted in a revenue loss of ₹ 6.67 crore on excise duty and ₹ 83.19 lakh on education cess.

Production of beer by breweries in Sikkim is regulated under the Sikkim Excise Act, 1992 and Sikkim Excise (Brewery) Rules, 2000. The Act and Rule of the State did not prescribe any norm for minimum yield of beer from the raw materials used in the brewing process. The executive instructions issued by the Government of West Bengal (Excise Manual) in 1918 (WBEM) under Bengal Excise (BE) Act, 1909 and the rules made thereunder prescribe that the average yield from the raw materials of 15.42 kg malt or 14.52 kg rice flake or 12.70 kg sugar would be 81.823 bulk liters (BL) of wort[7]. Further, under the West Bengal Excise (Foreign Liquor) Rules (WBEFL Rules), the minimum yield of beer should be 92 *per cent* of wort accepted for fermentation.

Scrutiny of records revealed (April 2011) that M/s Yuksum Breweries Limited, Melli brewed 2,61,03,000 BL of wort during 2009-10 by consuming 37,37,475 kg malt, 12,33,960 kg rice flake and 7,71,225 kg sugar. As compared with the norms for brewing fermentable wort prescribed in the WBEM, the yield should have been 3,17,54,545.18 BL of wort. Taking into

[7] *Wort means liquor obtained by the exhaustion of malt or grain by the solution of sugar in the process of brewing.*

account of the minimum of 92 *per cent* of the fermentable wort, the shortfall of 56,51,545.18 BL of wort resulted in short yield of 51,99,421.57 BL of beer as given in the following table:

Table – 4.33

Name of raw materials	Raw materials to be consumed for production of 81.823 BL of worts (Kg)	Raw materials used (Kg)	Wort to be produced with raw materials used (BL)	Wort actually produced (BL)	Short production (BL)	Short production of beer due to short production of wort (BL)*
Malt	15.42	37,37,475	1,98,32,128.21			
Rice flake	14.52	12,33,960	69,53,602.55	2,61,03,000	56,51,545.18	51,99,421.57
Sugar	12.70	7,71,225	49,68,814.42			
Total			3,17,54,545.18			

**Taking into account of the minimum of 92 per cent of fermentable wort*

Thus, non-fixation of norm for yield from the raw materials used in the production process, the Government sustained a loss of revenue to the extent of ₹ 6.67 crore towards excise duty (@ ₹ 100 per 7.8 BL of beer) and ₹ 83.19 lakh towards education cess (@ ₹ 1.60 per BL of beer) that could have been charged on the value of production.

The matter was reported to the Government/ Department (June 2011); their reply has not been received (September 2011).

We recommend that the Government reviews the matter regarding fixation of production norms in interest of revenue involved.

FINANCE, REVENUE AND EXPENDITURE DEPARTMENT (DIRECTORATE OF STATE LOTTERIES)

4.8 State Lotteries

4.8.1 Tax administration

The Lottery Division of FRED has been organising and conducting lotteries through distributors with whom agreement is entered into from time to time. Lottery is one of the most important sources of non-tax revenue of the State and comprises mainly of minimum assured revenue from marketing agents, unclaimed prize money, interest on default payment of prize money in time. The lottery business is not stable; there are always ups and downs in the market of the lottery.

4.8.2 Analysis of budget preparation

As per prevailing system, estimate of receipts are prepared by the Directorate, Sikkim State Lotteries taking into consideration the actual revenue transferred to the Government account after distributing prize money and release of payment towards cost of paper, printing and transportation of tickets from the different printing press to the destination of the distributor and stockist.

4.8.3 Trend of receipts

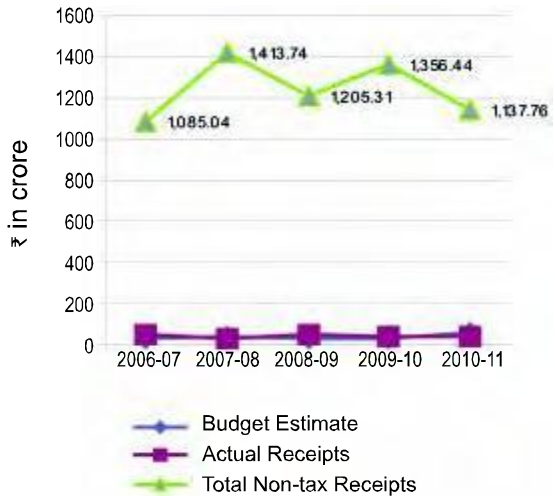
Actual receipts from State lotteries during years 2006-07 to 2010-11 along with the total non-tax receipts during the period is exhibited in the following table and graph:

Table-4.34

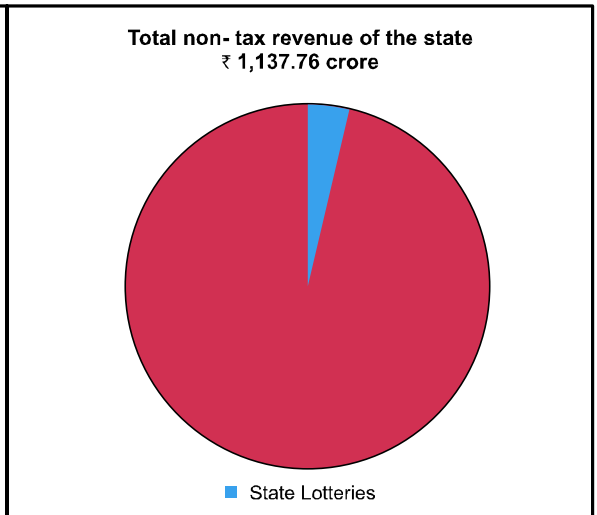
(₹ *in crore*)

Year	Budget estimate*	Actual receipts*	Variation: excess (+)/ shortfall (-)	Percentage of variation	Total non-tax receipts of the state	Percentage of the actual receipts vis-à-vis total tax
2006-07	30.00	50.01	20.01	66.70	1,085.04	4.61
2007-08	35.00	30.84	(-) 4.16	(-)11.89	1,413.74	2.18
2008-09	30.00	43.95	13.95	46.50	1,205.31	3.65
2009-10	30.00	40.90	10.90	36.33	1,356.44	3.02
2010-11	60.00	42.54	(-)17.46	(-)29.10	1,137.76	3.74

**Figures represent net of expenditure*



Trend of State Lotteries receipt over last five years vis-à-vis estimate



Contribution of State Lotteries in total non-tax receipts of the State in 2010-11

The shortfall in achievement of revenue estimate during 2010-11 was attributed by the Department to closure of lottery market in Kerala and other States. It can be observed from the above table that the actual receipts varied with the budget estimate during all the five years. It clearly indicates that the Department had not taken into account all the inputs while preparing the budget and this resulted in variation in the budget figures and the actual receipts.

4.8.4 Analysis of arrears of revenue

The arrear of revenue as on 31 March 2011 amounted to ₹ 27.27 crore, none of which was outstanding for more than five years. The following table depicts the position of arrears of revenue during the period 2006-07 to 2010-11:

Table-4.35

(₹ in crore)

Year	Opening balance of arrears	Amount collected during the year	Closing balance of arrear
2006-07	41.52	50.00	21.52
2007-08	21.52	30.79	25.73
2008-09	25.73	38.09	17.64
2009-10	17.64	40.89	6.75
2010-11	6.75	39.48	27.27

4.8.5 Impact of audit

4.8.5.1 Position of IRs

During the last five years, audit through its IRs had pointed out deficiencies with revenue implication of ₹ 176.10 crore in 17 cases. Of these, the Department/ Government had accepted audit observations in all these cases involving ₹ 176.10 crore and had since recovered ₹ 4.52 crore. The details are shown in the following table:

Table-4.36

(₹ in crore)

Year	No. of units audited	Amount objected		Amount accepted		Amount recovered	
		Cases	Amount	Cases	Amount	Cases	Amount
2005-06	01	03	132.64	03	132.64	-	-
2006-07	01	05	21.84	05	21.84	01	4.20
2007-08	01	01	0.63	01	0.63	-	-
2008-09	01	04	3.49	04	3.49	-	-
2009-10	01	04	17.45	04	17.45	01	0.32

The above table indicates that during the last five years only 3 *per cent* of the accepted amount was recovered by the Department.

4.8.5.2 Position of Audit Reports

In the ARs 2005-06 to 2009-10, the cases of under/non-assessment, loss of revenue and non-levy of penalty involving ₹ 103.29 crore were indicated. The Department has accepted the observations of ₹ 71.92 crore, none of which were recovered till March 2011 as shown in the following table:

Table-4.37

(₹ in crore)

Year of Audit Report	Paragraphs included		Paragraph accepted		Amount recovered	
	No	Amount	No	Amount	No	Amount
2005-06	-	-	-	-	-	-
2006-07	1	15.70	-	-	-	-
2007-08	-	-	-	-	-	-
2008-09	-	-	-	-	-	-
2009-10	3	87.59	1	71.92	-	-

The Department had not taken any initiative to recover the amount as pointed out in ARs.

The Government needs to look into the recovery of arrears of revenue.

4.8.6 Internal audit

There is no separate Internal Audit Wing in the Department. Internal audit of all the Departments are conducted by the Internal Audit Wing of FRED.

The Government may issue necessary instruction to the Internal Audit Wing for conducting internal audit of the Department frequently.

4.8.7 Results of audit

Test check of the records of one unit relating to Directorate of State Lotteries revealed loss of revenue and other deficiencies amounting to ₹ 28.34 crore in three cases which fall under the following categories:

Table-4.38

(₹ in lakh)

Sl No	Category	No of cases	Amount
1	Loss of Government revenue	01	24.14
2	Others	02	2,809.60

During the year, the Department accepted deficiencies of ₹ 0.24 crore in one case.

An illustrative case involving ₹ 0.24 crore is mentioned in the succeeding paragraph.

4.8.8 Undue benefit

Defective agreement with a marketing agent resulted in delay in realisation of Government dues of ₹ 25.79 crore besides a loss of ₹ 24.14 lakh towards non-imposition of interest with consequential extension of undue financial benefit.

With an objective to generate revenue for the State, the Government of Sikkim entered into (9 May 2005) an agreement with a Marketing Agent (MA)[8] for a period of seven years for Computerised Network Lottery for sale of tickets to a variety of users through a process of Online Computerised Lottery System. As per clause 12 of the agreement, the MA shall deposit the sale proceeds (except prizes payable upto ₹ 5,000) in the Government account on a monthly basis. The agreement was revised (April 2008) in which government revenue was reduced to 0.25 *per cent* from 0.50 *per cent* on additional turnover of ₹ 10 crore.

Scrutiny (February 2011) of the agreement revealed that no penal provisions for delayed payments of any Government dues was inserted in the terms of agreement despite the fact that in the agreement drawn (9 May 2005) with the same MA for other lotteries and agreements drawn with other MA[9], the penal clauses i.e., imposition of interest at 12 *per cent* against default in payment or terms of agreement was inserted.

The MA retained ₹ 25.79 crore[10] beyond 30 days of the dates of draws, the delay in deposit

[8] *M/s Sugal and Damini, a partnership firm of New Delhi.*
[9] *with M/s Martin Lottery Agencies Ltd. in February 2001, October 2004.*
[10] *Government revenue ₹ 22.60 crore and Draw expenses ₹ 3.19 crore*

ranging from 7 to 95 days. There being no provision in either of the original and supplementary agreements to safeguard the Government's interest against delay in payment of Government dues, the Department did not take any action on the MA. Thus, the defective agreement resulted into undue financial benefit to the MA and the Government suffered a loss of ₹ 24.14 lakh[11] towards interest.

In reply, the Department stated (July 2011) that penal interest at the rate of 12 *per cent* against all the defaulting payments have been imposed and a clause in this regard was incorporated in the supplementary agreement. The fact remained that delayed action in imposing penalty from October 2010 resulted in undue retention of Government money by the MA and a loss of interest to Government.

[11] *Calculated at 12 per cent per annum stipulated in agreements drawn with other marketing agents.*

CHAPTER – V

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

5.1 Overview of State Public Sector Undertakings

Introduction

5.1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Sikkim, the State PSUs occupy an insignificant place in the State economy. The State PSUs registered a turnover of ₹ 42.81 crore as per their latest finalised accounts as of September 2011. This turnover of PSUs was equal to 0.76 *per cent* of State Gross Domestic Product (GDP) for 2010-11[1]. Major activities of Sikkim State PSUs are concentrated in power, finance and infrastructure sectors. The State working PSUs incurred a loss of ₹ 11.40 crore[2] in the aggregate for 2010-11 as per their latest finalised accounts. They had employed 881 employees as of 31 March 2011. The State PSUs do not include two[3] Departmental Undertakings (DUs) and one[4] Co-operative Bank, which carry out commercial operations but are a part of Government departments.

5.1.2 As on 31 March 2011, there were 15 PSUs as per the details given below. None of these companies were listed on the stock exchange(s).

Table – 5.1

Type of PSUs	Working PSUs	Non-working PSUs[5]	Total
Government Companies	9	3	12
Statutory Corporations	2	1	3
Total	**11**	**4**	**15**

Audit Mandate

5.1.3 The Companies Act, 1956 is not extended to the State of Sikkim. The Government Companies in Sikkim are registered under the 'Registration of Companies Act, Sikkim 1961'. The accounts of these companies are audited by Statutory Auditors (Chartered Accountants) who are directly appointed by the Board of Directors (BoDs) of the respective companies. Besides the statutory audit, audit of these companies had also been taken up by the Comptroller and Auditor General of India (CAG) on the request of the Governor of the State under Section 20(1) / 20(2) of the Comptroller and Auditor General's (Duties, Powers and

[1] *The State GDP for 2010-11 is ₹ 5,652.01 crore.*
[2] *Appendix 5.2*
[3] *Government Fruit Preservation Factory and Temi Tea Estate*
[4] *Sikkim State Co-operative Bank Ltd.*
[5] *Non-working PSUs are those which have ceased to carry on their operations.*

Conditions of Service) Act, 1971.

5.1.4 There are three Statutory Corporations in the State, *viz*. State Bank of Sikkim (SBS), State Trading Corporation of Sikkim (STCS) and Sikkim Mining Corporation (SMC) established under the proclamations of the erstwhile Chogyal (King) of Sikkim. The accounts of these Corporations are audited by the Chartered Accountants, directly appointed by the BODs of the respective Corporations. Audit of these Corporations was taken up by CAG under Section 19(3) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Investment in State PSUs

5.1.5 As on 31 March 2011, the investment (capital and long-term loans) in 15 PSUs was ₹ 492.99 crore as per details given below.

Table – 5.2

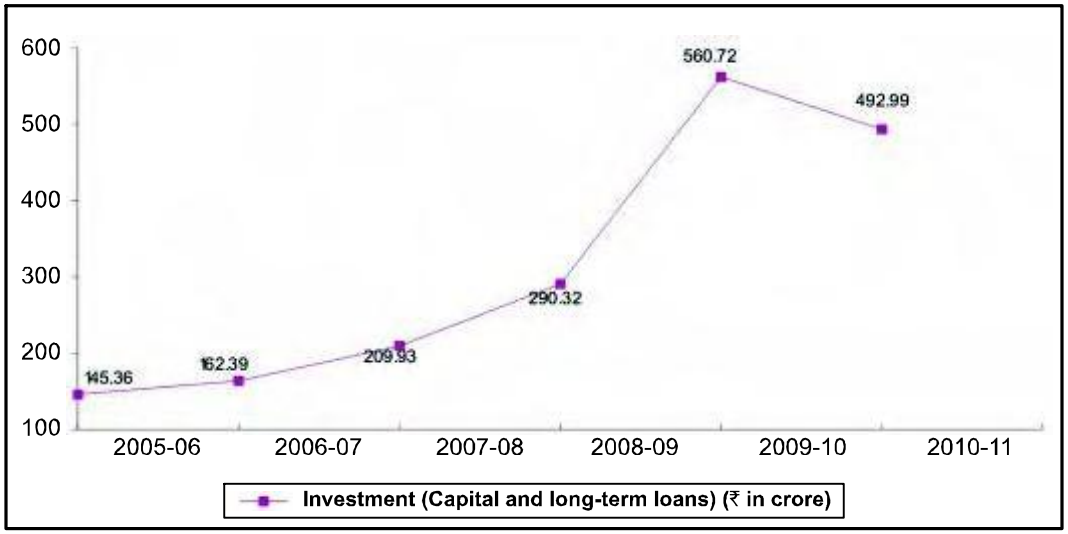
(₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	78.96	395.90	474.86	2.19	-	2.19	477.05
Non-working PSUs	3.43	0.01	3.44	12.50	-	12.50	15.94
Total	***82.39***	***395.91***	***478.30***	***14.69***	***-***	***14.69***	***492.99***

A summarised position of Government investment in State PSUs is detailed in **Appendix-5.1**.

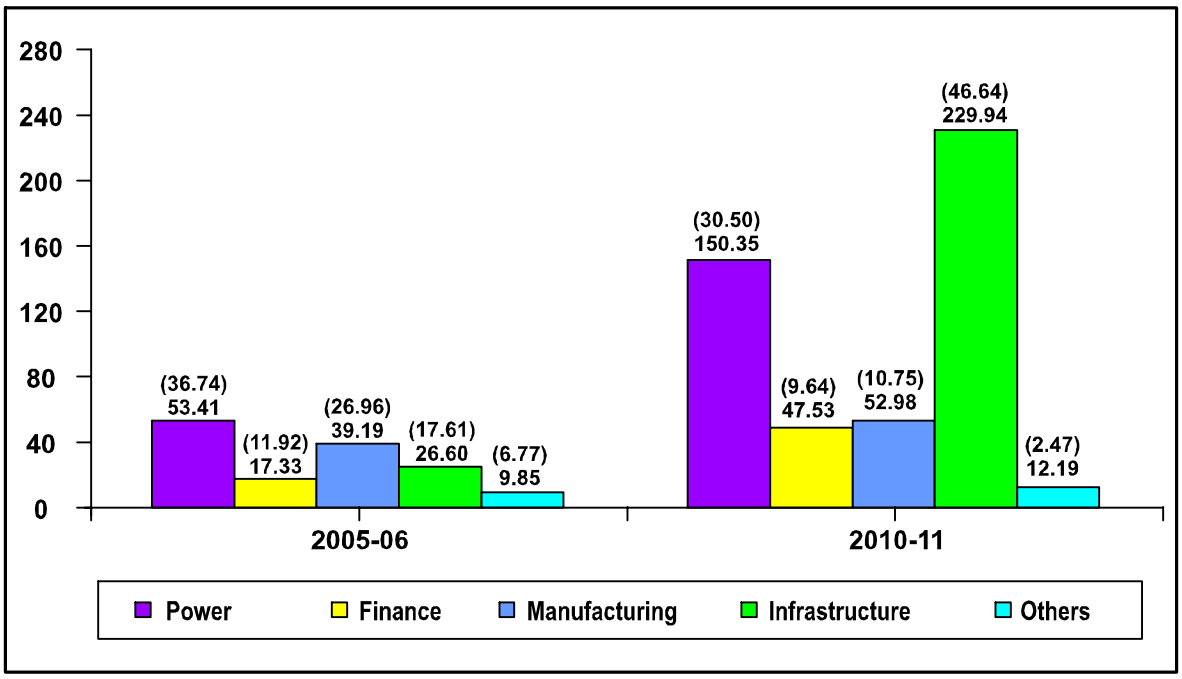
5.1.6 As on 31 March 2011, of the total investment in State PSUs, 96.77 *per cent* was in working PSUs and the remaining 3.23 *per cent* in non-working PSUs. This total investment consisted of 19.69 *per cent* towards capital and 80.31 *per cent* in long-term loans. The investment has grown by 285.75 *per cent* from ₹ 145.36 crore in 2005-06 to ₹ 560.72 crore in 2009-10. However, due to decrease in the long term loans, the total investment has decreased to 12.08 *per cent* from ₹ 560.72 crore in 2009-10 to ₹ 492.99 crore in 2010-11 as shown in the graph below.

Chart – 5.1



5.1.7 The total investments in various sectors and percentage thereof at the end of 31 March 2006 and 31 March 2011 are indicated below in the bar chart.

Chart – 5.2



[Figures in brackets show the percentage of total investment (₹ in crore)]

5.1.8 The thrust of PSUs investment was mainly in power and finance sectors during the six years 2005-06 to 2010-11. The investment in power sector has grown by 181.50 *per cent* from ₹ 53.41 crore in 2005-06 to ₹ 150.35 crore in 2010-11. The finance sector had also registered increase by 174.26 *per cent* from ₹ 17.33 crore in 2005-06 to ₹ 47.53 crore in 2010-11. The increase shown in infrastructure sector was mainly due to loan of ₹ 210.77 crore given during the year 2009-10 to Sikkim Industrial Development and Investment Corporation Ltd. (SIDICO) to facilitate the development of infrastructure including the acquisition of land and development of area around the upcoming airport in Sikkim.

Budgetary outgo, grants/subsidies, guarantees and loans

5.1.9 The details regarding budgetary outgo towards equity, grants / subsidies, guarantees issued and interest waived in respect of State PSUs are given in **Appendix-5.3**. The summarised details are given below for three years ended 31 March 2011.

Table – 5.3

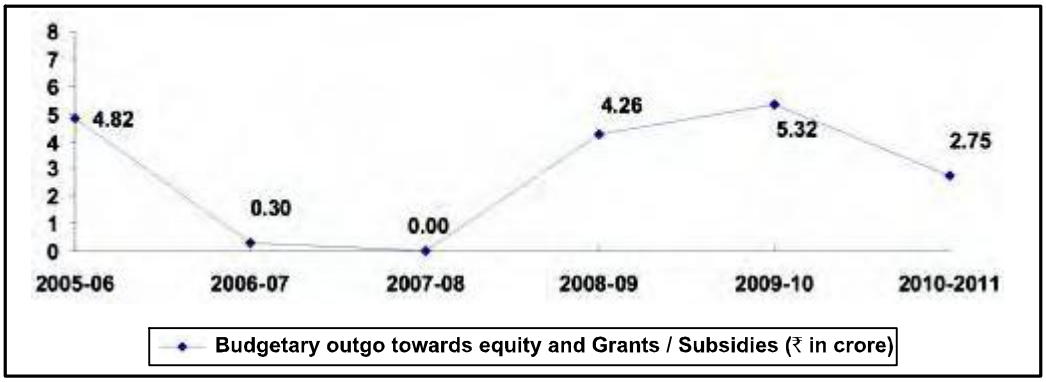
(₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	5	3.05	4	2.10	4	0.96
2.	Grants/Subsidy received	3	1.21	2	3.22	1	1.79
3.	**Total Outgo (1+2)**	**8**	**4.26**	**6**	**5.32**	**5**	**2.75**
4.	Loans written off	1	113.40	-	-	-	-
5.	Interest/Penal interest written off	2	12.99	1	0.17	1	0.12
6.	**Total Waiver (4+5)**	**2**	**126.39**	**1**	**0.17**	**1**	**0.12**
7.	Guarantees issued	1	9.52	2	290.44	1	3.28
8.	Guarantee Commitment	2	85.10	3	187.05	2	246.70

5.1.10 Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Ltd. (SABCCO) had received grant of ₹ 1.79 crore from the Government of Sikkim (GOS) in the financial year 1998-99. The same had been wrongly included as shares held by Social Welfare Department, GOS till financial year 2009-10. The correct nature of receipt has been accounted for during the financial year 2010-11. In addition, Sikkim Power Development Corporation Ltd. (SPDC) had received subsidy to the extent of ₹ 3.00 crore from Ministry of Non Renewable Energy during the year 2010-11. Further, the waiver of dues of ₹ 0.12 crore has been made in 2010-11 due to penal interest waived off in respect of Sikkim Industrial Development and Investment Corporation Limited (SIDICO).

5.1.11 The details regarding budgetary outgo towards equity and grants / subsidies for past six years are given in the graph below.

Chart – 5.3



5.1.12 The guarantee commitment at the end of year has increased from ₹ 187.05 crore in 2009-10 to ₹ 246.70 crore in 2010-11. As on 31 March 2011, guarantee amounting to ₹ 35.93 crore and ₹ 210.77 crore were outstanding against SABCCO and SIDICO respectively. On any guarantee given to a public body, a guarantee commission at the rate of one *per cent* is charged by the State Government. An amount of ₹ 2.85 crore only was paid in July 2010 by SIDICO. No guarantee commission was paid by other concerned PSUs.

Reconciliation with Finance Accounts

5.1.13 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2011 is stated below.

Table – 5.4

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	73.57	80.40	6.83
Loans	37.03	2.03	35.00
Guarantees	246.69	246.70	0.01

5.1.14 Audit observed that the differences occurred in respect of eight PSUs and some of the differences were pending reconciliation since 2004-05. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

5.1.15 The financial results of PSUs, financial position and working results of working Statutory Corporations are detailed in **Appendices 5.2, 5.5, 5.6** and **5.7** respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSU turnover and State GDP for the period 2005-06 to 2010-11.

Table – 5.5

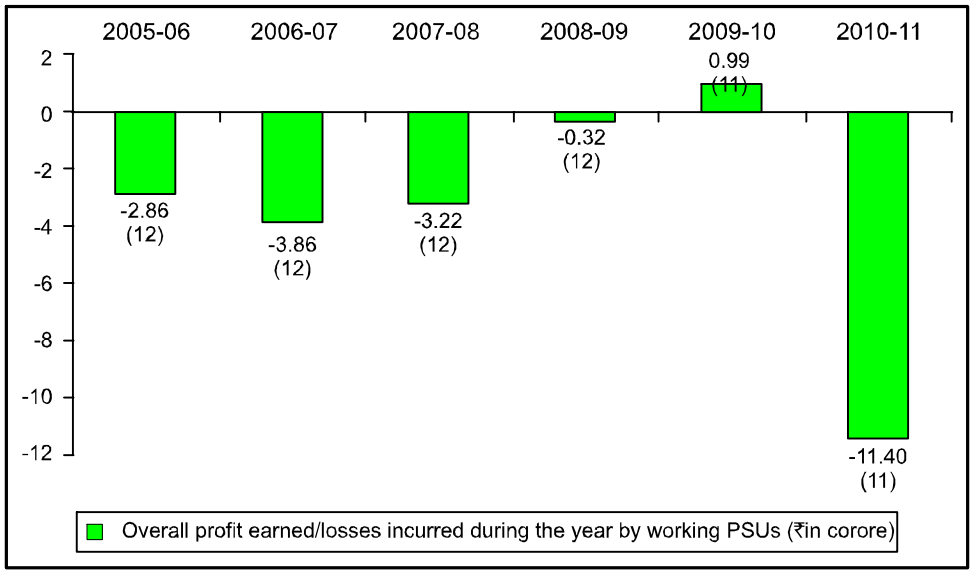
(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Turnover[6]	34.26	45.80	44.44	31.34	41.98	42.81
State GDP	1,993.11	2,161.45	2,506.34	3,229.44	4,740.42[7]	5,652.01[8]
Percentage of Turnover to State GDP	1.72	2.12	1.77	0.97	0.89	0.76

5.1.16 Profit earned/ Losses[9] incurred by the State working PSUs during 2005-06 to 2010-11 are given below in the bar chart.

[6] *Turnover as per the latest finalised accounts as of 30 September 2011.*
[7] *Provisional Estimate*
[8] *Quick Estimate*
[9] *Figures are as per the latest finalised accounts during the respective years.*

Chart – 5.4



[Figures in brackets show the number of working PSUs in respective years)

As per finalised accounts, out of 11 working PSUs, seven PSUs[10] incurred a loss of ₹ 13.72 crore whereas four PSUs[11] earned a profit of ₹ 2.32 crore during the year 2010-11. The major profit was earned by SBS and STCS, i.e. ₹ 1.30 crore and ₹ 0.62 crore respectively.

5.1.17 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the State working PSUs incurred losses to the tune of ₹ 3.45 crore. Year wise details from Audit Reports are stated below:

Table – 5.6

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	Total
Net profit / (loss)	(0.32)	0.99	(11.40)	(10.73)
Controllable losses as per CAG's Audit Report	0.42	0.24	2.79	3.45
Infructuous Investment	-	2.58	-	2.58

5.1.18 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the losses can be minimised substantially. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

5.1.19 Some other key parameters pertaining to State PSUs are given below:

[10] *Sikkim Poultry Development Corporation (SPDCL), Sikkim Hatcheries Limited (SHL), Scheduled Tribe/Scheduled Caste & Other Backward Classes Development Corporation Limited (SABCCO), Sikkim Jewels Limited (SJL), Sikkim Times Corporation Limited (SITCO), Sikkim Power Development Corporation (SPDC) and Sikkim Precision Limited (SPIL).*

[11] *Sikkim Industrial Development & Investment Corporation Limited (SIDICO), Sikkim Tourism Development Corporation Limited (STDC), State Bank of Sikkim (SBS) and State Trading Corporation of Sikkim (STCS).*

Table – 5.7

(₹ in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Return on Capital Employed (*per cent*)	0.74	0.81	1.80	3.38	2.00
Debt	77.07	124.61	194.46	462.76	395.91
Turnover[12]	45.80	44.44	31.34	41.98	42.81
Debt/ Turnover Ratio	1.68:1	2.80:1	6.20:1	11.02:1	9.25:1
Interest Payments	16.46	29.68	5.52	7.33	24.56
Accumulated losses	58.35	58.06	66.86	68.62	69.82

(Above figures pertain to all PSUs except for turnover which is for working PSUs).

5.1.20 There was marginal increase in turnover and relatively more decrease in debts during the year 2010-11. The decrease in the debts was mainly in respect of SIDICO and SABCCO. Further, there was marginal decrease in percentage return on capital employed during the year 2010-11.

5.1.21 The State Government had not formulated (September 2011) any dividend policy under which PSUs are required to pay a minimum return on their paid up share capital. As per their latest finalised accounts, four PSUs earned an aggregate profit of ₹ 2.32 crore but none of the PSUs declared any dividend. The State Government may frame a dividend policy to ensure that a minimum return is received on its investment.

Arrears in finalisation of accounts

5.1.22 The Companies Act, 1956 is not extended to the State of Sikkim. The Government companies in Sikkim are registered under the Registration of Companies Act, 1961 and the statutory corporations are governed under the proclamation of the erstwhile Chogyal (King) of Sikkim. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2011.

Table – 5.8

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Number of Working PSUs	12	12	11	11	11
2.	Number of accounts finalised during the year	05	19	24	10	8
3.	Number of accounts in arrears	38	31	18	19	22
4.	Average arrears per PSU (3/1)	3.17	2.58	1.64	1.73	2.00
5.	Number of Working PSUs with arrears in accounts	12	12	11	11	9
6.	Extent of arrears (in years)	2 to 5	1 to 4	1 to 4	1 to 4	1 to 5

5.1.23 The table above indicates that the PSUs were able to finalise and gradually reduce the backlog in arrears of accounts with exception of three[13] PSUs which had not finalised the accounts for earlier years. Only two[14] working PSUs had finalised their accounts for the year

[12] *Turnover of working PSUs as per the latest finalised accounts as of 30 September 2011.*
[13] *State Bank of Sikkim, State Trading Corporation of Sikkim and Sikkim Precision Industries Ltd.*
[14] *Sikkim Jewels Ltd. and Sikkim Times Corporation Ltd.*

2010-11. The delay in finalisation of accounts of the remaining nine working PSUs was due to delay in compilation/ adoption of accounts by the BoDs of the respective PSUs.

5.1.24 In addition to above, there were arrears in finalisation of accounts by non-working PSUs ranging from two to 15 years.

5.1.25 The State Government had invested ₹ 5.45 crore (Equity ₹ 1.36 crore and Grants ₹ 4.09 crore) in four working PSUs during the years for which accounts have not been finalised as detailed in **Appendix- 5.4**. In the absence of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested had been achieved. Government's investments in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts might also result in risk of leakage of public money.

5.1.26 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed by Audit about the arrears in finalisation of accounts, majority of the PSUs failed to finalise their accounts in time. As a result, the net worth of these PSUs could not be assessed in audit.

In view of above state of arrears, it is recommended that the Government may impress upon respective PSUs to expedite the process of finalisation of accounts and bring them upto date.

Winding up of non-working PSUs

5.1.27 There were four non-working PSUs (three Companies and one Statutory Corporation) as on 31 March 2011. None of the PSUs have commenced liquidation process. The numbers of non-working Companies at the end of each year during past five years are given below.

Table – 5.9

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
No. of non-working Companies	3	3	3	3	3
No. of non-working Corporations	-	-	1	1	1
Total	**3**	**3**	**4**	**4**	**4**

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. During 2010-11, one non-working PSU[15] incurred an expenditure of ₹ 19.20 lakh towards salaries of its employees which was financed by the State Government.

5.1.28 The stages of closure in respect of non-working PSUs are given below.

[15] *Sikkim Mining Corporation*

Table – 5.10

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of non-working PSUs	3	1	4
2.	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started.	2[16]	1[17]	3

5.1.29 During the year 2010-11, no Company/ Corporation was wound up. The Government may make a decision regarding winding up of these three non-working PSUs.

5.1.30 The Government of Sikkim decided to close down three working PSUs[18] which were incurring losses as there was no possibility of their turnaround. These three PSUs had stopped their operations and employees were relieved during April 2011.

Accounts Comments and Internal Audit

5.1.31 Four working Companies forwarded their eight audited accounts to the Accountant General during the year 2010-11[19]. Out of these, five accounts of two Companies were selected for supplementary audit. Also two accounts of one Company received during the earlier years were selected for supplementary audit. In respect of one working company, a non-review certificate was issued. The audit reports of statutory auditors and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

Table – 5.11

(₹ in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Increase in loss	2	1.13	-	-	6	29.93
2.	Increase in profit	-	-	1	0.03	1	2.59
3.	Decrease in loss	-	-	-	-	3	1.49
4.	Decrease in profit	-	-	-	-	1	1.05
5.	Non-disclosure of material facts	-	-	2	-	-	-
6.	Errors of classification	3	9.89	2	0.06	5	7.77
		5	**11.02**	**5**	**0.09**	**16[20]**	**42.83**

5.1.32 During the year, the statutory auditors had given unqualified certificates for three accounts and qualified certificates for four accounts. Additionally, CAG also qualified seven accounts during the supplementary audit.

5.1.33 Some of the important comments in respect of accounts of Companies finalised

[16] *Sikkim Flour Mills Limited and Chandmari Workshop and Automobiles Limited.*
[17] *Sikkim Mining Corporation*
[18] *Sikkim Jewels Limited, Sikkim Time Corporation Limited and Sikkim Precision Industries Limited*
[19] *During the period from October 2010 to September 2011*
[20] *Significant impact on 16 instances of seven PSUs*

during 2010-11 are stated below.

State Bank of Sikkim (2005-06)

- Non-provision towards service tax payable to the Central Excise Department, resulted in understatement of Other Liabilities & Provisions by ₹ 0.52 crore and consequential overstatement of profit for the current year by ₹ 0.33 crore and understatement of accumulated loss by ₹ 0.19 crore.
- Non-provision in respect of dues, shown as recoverable from the employees and parties, who expired resulted in overstatement of Advances with consequent understatement of accumulated loss to the extent of ₹ 6.20 crore.
- The commission on transactions made on behalf of government was undercharged during 2005-06 as the Bank continued to charge commission on turnover basis rather than on transaction basis. This resulted in understatement of the Other Income by ₹ 2.03 crore and also led to understatement of profit with a consequential overstatement of accumulated loss for the year by similar amount.
- As per the notification issued by the Income Tax Department, Government of Sikkim, the bank was liable to pay income tax on its turnover. During the year 2005-06 the bank accrued an income tax liability of ₹ 0.62 crore on the total turnover of ₹ 20.69 crore. The bank, however, did not provide for the tax liability, which resulted in overstatement of profit by ₹ 0.62 crore with corresponding understatement of other liabilities & provisions by similar amount.

Sikkim Jewels Limited (2008-09)

- Non-provision towards outstanding dues from ancillary units resulted in overstatement of investment by ₹ 6.51 crore and understatement of loss for the year 2008-09 to that extent.
- The company invested ₹ 49.15 lakh towards the needle & Syringe Project during 2004-05 to manufacture disposable syringes for supply to hospitals. Since the project was abandoned during September 2005 itself and the company could not dispose off these machines, the amount of ₹ 49.15 lakh accounted towards the project cost had to be written off. This had resulted in overstatement of Current Assets, Loans & Advances and understatement of Loss for the year by ₹ 49.15 lakh.

Sikkim Jewels Limited (2010-11)

- The Government of Sikkim has communicated (March 2011) the decision of the Cabinet to close down the company, along with two other sick PSUs. The company had calculated the liability towards the amount of compensation payable to the employees on its closure. Since the company was aware of its liability towards the compensation, necessary provisions were not created in the accounts to meet the above liability. This had resulted in understatement of current liabilities and provisions and the loss for the year 2010-11 by ₹ 8.13 crore.

5.1.34 None of the working Statutory Corporation forwarded its accounts to the Accountant General for the year 2010-11.

Recoveries at the instance of audit

5.1.35 During the course of propriety audit in 2010-11, recoveries of ₹ 36.82 crore were pointed out to the Management of various PSUs. No recovery was made by the PSUs.

Status of placement of Separate Audit Reports

5.1.36 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory Corporations in the Legislature by the Government.

Table – 5.12

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	State Trading Corporation of Sikkim	2004-05	2005-06 to 2007-08	August 2011	Yet to be presented
2.	State Bank of Sikkim	2004-05	2005-06	August 2011	Yet to be presented

Delay in placement of SARs weakens the legislative control over Statutory Corporations and dilutes the latter's financial accountability. The Government should ensure prompt placement of SARs in the legislature(s).

Disinvestment, Privatisation and Restructuring of PSUs

5.1.37 During the year 2010-11, there had been no privatisation (partial or complete) of any activity of these Companies or Corporations, and the Government had also not contemplated for disinvestments of shares in any Company/ Corporation.

Reforms in Power Sector

5.1.38 The State Government targeted the setting up of State Electricity Regulatory Commission (SERC) by May 2003. In terms of the Electricity Act 2003, the State Government was also required to constitute a three member Selection Committee for purpose of selecting members of the SERC. The State Government finally constituted the State Regulatory Commission on April 2011.

A Memorandum of Understanding (MoU) was signed (December 2002) between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below:

Table – 5.13

Sl. No.	Milestone	Achievement as at March 2011
1.	Setting up of SERC.	SERC in the State has been set up in April 2011.
2.	100 *per cent* metering of all consumers.	As on date, out of 83,034 consumers, 59,152 consumers (71.24 *per cent*) were metered (September 2011).
3.	100 *per cent* metering and energy audit and accounting for each 11 KV feeder.	11 KV feeder metering has been completed but due to malfunctioning of meters at a number of installations, proper energy auditing for each 11 KV feeder could not be accomplished. However, under R-APDRP the metering of 11 KV feeders in Gangtok and Upper Tadong town has been taken up and is expected to be completed by March 2012.
4.	Mandatory installation of capacitor for consumers of more than 10 HP.	As motors of 10 HP capacity are installed in industrial applications/units only, the concerned units have installed capacitors of required capacities.
5.	Computerised billing and Management Information System (MIS).	Computerised billing is being done in four Sub-divisions in Gangtok. The MIS was under implementation under R-APDRP scheme for Gangtok.
6.	Consumer indexing.	Consumer Indexing has been started at Gangtok under R-APDRP Scheme. The detail indexing was being done as per Government of India guidelines and expected to be completed within this current financial year.

5.2 Performance Audit of Power Distribution Utilities

Executive Summary

The distribution system of the power sector constitutes the final link between the power section and the consumer. The efficiency of the power sector is judged by the consumers on the basis of performance of this segment. The real challenge of reforms in the power sector lies in efficient management of the distribution system. The National Electricity Policy (NEP) in this regard inter-alia emphasises on the adequate financing support to aid restructuring of distribution utilities, efficiency improvements and recovery of cost of services provided to consumers to make power sector sustainable with reasonable and affordable prices.

The Energy & Power Department (EPD), as part of power sector reforms, was to be unbundled into various category of companies, viz. generation co, transmission co and distribution co. However, unbundling was not carried out in the State of Sikkim, although a separate Corporation was formed during 1998 to look after the generation aspect. The business of the power distribution in Sikkim is carried out by EPD. The turnover of the EPD was ₹ 100 crore in 2010-11, which was equal to 1.77 per cent of State Gross Domestic Product[21].

Audit objectives

The performance review on the power distribution utilities of the EPD was conducted to ascertain whether the department was able to adhere to the aims and objectives stated in the National Electricity Policy / Plan. The objectives of the performance review were to assess whether the network planning and execution was adequate and effective. The implementation of the Central Scheme, additions to distribution network, operational, billing and collection efficiency, energy conservation and monitoring were also assessed.

[21] *Quick Estimate*

Distribution Network Planning

The increase in transformation capacity to 162.90 MVA in 2010-11 could not match the pace of growth in consumer demand (175.73 MVA). This led to overloading of network and consequential rotational cuts in distribution of electricity.

Implementation of Centrally sponsored Schemes

The Rajiv Gandhi Grameen Vidyutikaran Yojna (RGGVY) was launched in April 2005 and the scheme was implemented through the Rural Electrification Corporation (REC). REC had sanctioned ₹ 148.91 crore (February 2009) for implementation of RGGVY Scheme in Sikkim, out of which EPD had spent ₹ 92.10 crore for rural electrification. However, in the state of Sikkim, the scheme was belatedly commenced from 2008-09 onwards due to delayed release of funds by Rural Electrification Corporation (REC). Out of 443 villages in the State, till date (October 2011) 386 villages were electrified which constituted 87.13 per cent. The GOI launched the Restructured APDRP (R-APDRP) in July 2008 and sanctioned ₹ 26.30 crore for Part A work. Out of which ₹ 7.89 crore (30 percent of the project cost) was released for implementation. There was delay in completion of the scheme and inability to spend the loan received from GOI. The AT&C losses had increased from 38.69 per cent in 2006-07 to 46.81 per cent in 2010-11, significantly higher than the prescribed norm of 15 per cent laid down by the Central Electricity Authority (CEA) with overall financial implication of ₹ 95.71crore.

Operational Efficiency

Sub-transmission and distribution losses ranged between 28.89 and 31.68 per cent during the last five years due to which EPD sustained a revenue loss of ₹ 90.50 crore. The failure of DTRs ranged between 6.82 per cent to 8.85 per cent which was in excess of norms due to inadequate steps for preventive maintenance and overloading. No capacitor bank had been installed by the department. Further, the EPD did not adopt the LT less system by replacing the LT Lines with HT lines to minimise the distribution losses as envisaged by GOI.

Financial Management

Rush of expenditure particularly in closing month of the financial year was noticed which is regarded as a breach of financial regularity. Failure to follow prudent financial management norms in formulating its budget resulted in persistent savings. The realisation per unit decreased (8.33 per cent) from ₹ 1.56 to ₹ 1.43 during review period, the cost per unit decreased (44.34 per cent) from ₹ 3.09 to ₹ 1.72 during the corresponding period due to increase in share of free power.

Recovery of cost of operations

The EPD was not able to recover its cost of operations. The decrease in revenue gap has been mainly due to decrease in purchase of power, increased cost of O&M expenses and establishment expenditure and high percentage of AT & C losses.

Tariff fixation

The tariff was lower than the breakeven level. The deficit in recovery of cost was alarming and the same could be brought down by improving reduction in/control of AT & C losses, conversion of LT lines to HT lines, metering of unmetered connections/defective meters, improving billing and collection efficiency.

Subsidy and cross subsidisation

The GoS does not provide any subsidy to the EPD. The Department did not maintain the level of cross subsidy at plus or minus 20 per cent of average cost of supply as laid down in the NEP.

Billing Efficiency

The EPD has not set up the SERC and fixed the tariff on its own. The assessed sales had increased from 1.72 MUs to 2.50 MUs over a period of five years ending March 2011. However, the free supply was showing

decreasing trend with overall reduction in assessed sales to total sales from 21.70 per cent in 2006-07 to 9.77 per cent in 2010-11 indicating an improvement in the energy billed. Instances of undue favour to consumers to the tune of ₹ 2.22 crore were noticed.

Revenue Collection Efficiency

The revenue realisation has decreased from 52.49 per cent in 2006-07 to 36.70 per cent in 2010-11 resulting in outstanding dues to the extent of ₹ 94.85 crore.

Consumer Satisfaction

The EPD has not constituted any cell for redressal of grievances of consumers. On feedback received from the consumers on quality of supply of power, majority of the consumers were satisfied with the power supply and prompt action taken against their complaints. Receipt bills on time and prompt rectification of the error in the bill as and when it was brought to the notice.

Conclusion and Recommendations

The Department could not recover the cost of operations in any of the five years under review. This was mainly due to operational inefficiencies, inefficient revenue collection and increase in cost of expenditure etc. It also failed to complete the schemes within the time schedule as stipulated resulting in delayed benefit to the consumers.

The review contains the following recommendations;

- *Plan the capacity addition in accordance with the load growth to ensure stable and quality power supply.*
- *The Department must ensure timely completion/ implementation of the Central Schemes such as RGGVY and R-APDRP in order to avoid further delay and cost over run.*
- *The Department should keep in place a system to check that the estimates for the projects are correctly assessed.*
- *The Department must take steps to bring down transmission and distribution losses to the approved levels.*
- *The Department must prescribe a preventive maintenance schedule to avoid frequent failure of distribution transformers. History cards, Asset Registers must be maintained by all divisions.*
- *The Department should install capacitor bank to improve the power factor by regulating the current flow and voltage regulation.*
- *The Department should adopt LT less system of distribution through replacement of existing LT lines by HT lines to reduce the distribution losses.*
- *The Department should ensure that the funds available for the implementation of the schemes are utilised wisely.*
- *The Department must take adequate measures for providing incentives for energy conservation.*
- *The Department must take up energy audit in order to have better and more accurate monitoring of the consumption of electricity by consumers; elimination of wastages and increase in revenue.*

Introduction

5.2.1 Electricity is an essential requirement for all facets of our life. It has been recognised as a basic human need. It is a critical infrastructure on which the socio-economic development of the country depends. Supply of electricity at reasonable rate to rural India is essential for its

overall development. Equally important is availability of reliable and quality power at competitive rates to Indian industry to make it globally competitive and to enable it to exploit the tremendous potential of employment generation. Service sector has made significant contribution to the growth of our economy. Availability of quality supply of electricity is very crucial to sustained growth of this segment. Recognising that electricity is one of the key drivers for rapid economic growth and poverty alleviation, the nation has set itself the target of providing access to all households in next five years.

The distribution system of the power sector constitutes the final link between the power section and the consumer. The efficiency of the power sector is judged by the consumers on the basis of performance of this segment. However, it constitutes the weakest part of the sector, which is incurring huge losses. In view of the above, the real challenge of reforms in the power sector lies in efficient management of the distribution system. The National Electricity Policy in this regard *inter alia* emphasises on the adequate transition from financing support to aid restructuring of distribution utilities, efficiency improvements and recovery of cost of services provided to consumers to make power sector sustainable with reasonable and affordable prices besides others.

Power sector reforms in Sikkim

5.2.2 As part of power sector reforms, the Energy & Power Department (EPD) was to be unbundled into various category of companies, viz. generation co, transmission co and distribution co. but no unbundling were carried out in the State of Sikkim, although a separate corporation was formed during 1998 to look after the generation aspect. However, the Department still has 12 generation stations under their control. Consequently, the business of distribution of power in Sikkim is carried out by EPD. The day-to-day operations are carried out by the Principal Chief Engineer-cum-Secretary of the Department with the assistance of Chief Engineers, Executive Engineers and Divisional Engineers.

Vital parameters of Electricity Supply in Sikkim

5.2.3 Sale of energy increased from 211.93 Million Units (MUs) in 2006-07 to 384 MUs in 2010-11 registering an increase of 81.19 *per cent* during 2006-11. As on 31 March 2011, the State (Department) had distribution network of 7,783.27 CKM, 18 sub-stations and 1,868 transformers of various categories. The number of consumers was 0.83 lakh. The turnover of the Department was ₹ 100 crore in 2010-11, which was equal to 1.77 *per cent* of State Gross Domestic Product. It employed 3,850 employees as on 31 March 2011.

NEP aims to bring out reforms in the Power Distribution sector with focus on system upgradation, controlling and reduction of T & D losses and power thefts and making the sector commercially viable besides financing strategy to generate adequate resources. It further aims to bring out conservation of energy to optimise utilisation of electricity with focus on demand side management and load management. In view of the above, we conducted performance review on the working of the Power Distribution Utilities in the State Sector to ascertain whether they were able to adhere to the aims and objectives stated in the National Electricity

Policy & Plan and how far the distribution reforms have been achieved.

Performance review on power sector

5.2.4 A review on Transmission & Distribution of Power Department was included in the Report of the Comptroller and Auditor General of India (Civil), Government of Sikkim for the year ended 31 March 2003. The Report was discussed by PAC which gave its recommendations in its 59th Report (June 2005).

Scope and Methodology of Audit

5.2.5 The present performance audit conducted during February 2011 to April 2011 covers the performance of the department during the period from 2006-07 to 2010-11. The review mainly deals with Network Planning and execution, Implementation of Central Schemes, Operational Efficiency, Billing and Collection efficiency, Financial Management, Consumer Satisfaction, Energy Conservation and Monitoring. The audit examination involved scrutiny of records at the Head Office and 10 out of 18 sub-stations.

The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of explaining audit objectives to top management, Scrutiny of records at Head Office and selected units, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the Management and issue of draft review to the Management for comments.

Audit Objectives

5.2.6 The objectives of the performance audit were to assess:

- Whether aims and objectives of National Electricity Policy/Plans were adhered to and distribution reforms achieved;
- Adequacy and effectiveness of network planning and its execution;
- Efficiency and effectiveness in implementation of the central schemes such as, Restructured Accelerated Power Development & Reform Programme (RAPDRP) and Rajiv Gandhi Grameen VidyutikaranYojna (RGGVY);
- Operational efficiency in meeting the power demand of the consumers in the state;
- Billing and Collection Efficiency of revenue from consumers;
- Whether Financial Management was effective and surplus funds, if any, were wisely invested;
- Whether a system is in place to assess consumer satisfaction and redressal of grievances;
- That energy conservation measures were undertaken; and
- That a monitoring system is in place and the same is utilised in review of overall working of Energy & Power Department (EPD).

Audit Criteria

5.2.7 The audit criteria adopted for assessing the achievement of the audit objectives were:

- Provisions of Electricity Act 2003;
- National Electricity Plan, Plans and norms concerning distribution network of EPD and Planning criteria fixed by the EPD;
- Terms and conditions contained in the Central Scheme Documents;
- Standard procedures for award of contract with reference to principles of economy, efficiency and effectiveness;
- Norms prescribed by various agencies with regard to operational activities;
- Norms of technical and non-technical losses;
- Guidelines/ instructions/ directions of State Government; and
- Best performance under various parameters in the regions/ all India averages.

Audit Findings

5.2.8 We explained the audit objectives to the Department during an 'Entry Conference' held on 1 February 2011. Subsequently, audit findings were reported to the Department and the State Government in July 2011 and also discussed in an 'Exit Conference' held on 18 October 2011. The Exit Conference was attended by Principal Chief Engineer-cum-Secretary and Chief Engineers of the EPD. The department/ State Government replied to audit findings in August/October 2011. The views expressed by them have been considered while finalising this Review. The audit findings are discussed in subsequent paragraphs.

Distribution Network Planning

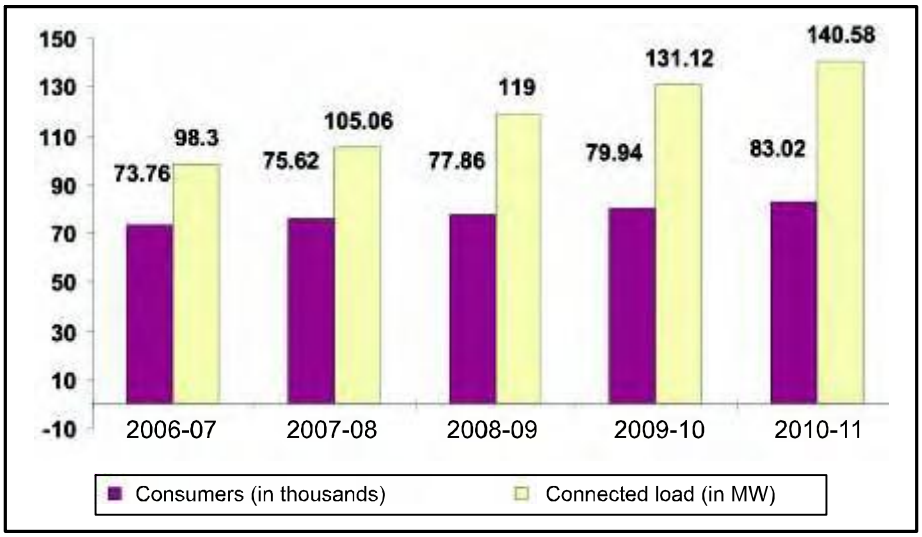
5.2.9 The National Electricity Policy was evolved with the following aims and objectives to be achieved.

- Access to electricity –Available for all household in next five years from 2005.
- Supply of reliable and quality power of specified standards in an efficient manner and reasonable rates.

To ensure access by all to electricity the Power Department in the State are required to prepare annual plan for creation of infrastructural facilities for efficient distribution of electricity so as to cover maximum population in the State. Besides the Department is required to upkeep the existing network, additions in distribution network as planned keeping in view the demand/connected load, anticipated new connections and growth in demand. We observed that EPD prepared plans for augmentation of their distribution Network on need basis and techno-economical viability.

The particulars of consumers and their connected load during review period is given below in bar chart.

Chart – 5.5



While the system improvement and rural electrification schemes have been dealt with separately under subsequent paragraphs, the particulars of distribution network planned vis-à-vis achievement there against in the State as a whole is depicted in **Appendix - 5.8**. As compared to the growth (43.01 *per cent*) of connected load of 98.30 MW in 2006-07 to 140.58 MW (equivalent to 175.73 MVA at 0.80 Power Factor) in 2010-11 as depicted in the graph, the increase in transformer capacity was from 117.93 MVA to 162.90 MVA only (38.13 *per cent*). Thus, the increase in distribution capacity could not match the pace of growth in consumer demand. Further, taking into account the connected load of 140.58 MW as at the end of March 2011, the requirement of transformers capacity would be 175.73MVA. However, this capacity was not adequate to meet the projected load demand as per the report of 17 Electric Power Survey Committee. This would lead to overloading of network and consequential rotational cuts in distribution of electricity.

The Department accepted (October 2011) that there was a difference in consumer demand and supply.

Some of the observations on poor planning are discussed below:

Inadequate transformation capacity

5.2.9.1 Transformer is a static device installed for stepping up or stepping down voltage in transmission and distribution of electricity. The energy received at high voltage (132 KV, 66 KV, 33 KV) from primary sub-stations is transformed to lower voltage (11 KV) at 33/11 KV sub-stations of the Distribution to make it usable by the consumers. In order to cater to the entire connected load, the transformation capacity should be adequate. The ideal ratio of transformation capacity to connected load is considered as 1:1. The table below indicates the details of transformation capacity at 66/11 KV sub-stations and connected load of the consumers in the State during the period 2006-11.

Table – 5.14

(in MVA)

	Transformation Capacity	Connected load	Gap in Transformation capacity	Ratio of Transformation capacity to connected load
2006-07	117.93	122.75	4.82	0.96
2007-08	127.34	131.30	3.96	0.97
2008-09	145.19	148.74	3.55	0.98
2009-10	157.06	163.85	6.79	0.96
2010-11	162.90	175.17	12.27	0.93

It can be seen from the table above that the ratio of transformation capacity to total connected load ranged between 0.93 and 0.98. Thus, the gap in transformation capacity ranges from 2 *per cent* to 7 *per cent*. Such gap of transformation capacity led to overloading of the system resulting in frequent tripping and adverse voltage regulation with consequential higher quantum of energy losses.

The Department stated (November 2011) that the gap in transformation capacity and connected load has not affected supply of power to consumers. However, the Department assured that efforts would be made to increase the transformation capacity vis-à-vis the connected load.

Implementation of Centrally Sponsored Schemes

Rural Electrification

Rajiv Gandhi Grameen Vidyutikaran Yojna (RGGVY)

5.2.10 The National Electricity Policy states that the key objective of development of the power sector is to supply electricity to all areas including rural areas for which the Government of India (GOI) and the State Governments would jointly endeavour to achieve this objective.

Accordingly, the GOI launched (April 2005) 'Rajiv Gandhi Grameen VidyutikaranYojana (RGGVY) with the goal of electrifying all un-electrified villages and providing access to electricity (free of charge to consumers coming under Below Poverty Line (BPL) category) to all households in the next five years. For implementation of the programme, GOI was to provide 90 *per cent* of the expenditure as grant and Rural Electrification Corporation (Nodal Agency) the balance 10 *per cent* as loan. REC had sanctioned ₹ 148.91 crore (February 2009) for implementation of RGGVY Scheme in Sikkim.

Besides, the GOI notified the Rural Electrification Policy (REP) in August 2006. The REP *inter alia* aims at providing access to electricity for all households by 2009 and Minimum lifeline consumption of one Unit per household per day as a merit good by the year 2012. The other RE schemes, viz., Accelerated Electrification of one lakh villages and one crore households, Minimum Needs Programme were merged into RGGVY. The features of the erstwhile 'KutirJyoti Programme' were also suitably integrated into this scheme.

However, in the state of Sikkim, the RGGVY scheme belatedly commenced from 2008-09 onwards due to delayed release of funds by REC. Out of ₹ 132.48 crore received from REC up to 31 March 2011, EPD had spent ₹ 92.10 crore for rural electrification. The position of the funds available vis-à-vis utilised during the three years ending 31 March 2011 is depicted in the table below.

Table – 5.15

(₹ in crore)

Year	Opening Balance	Funds received during the year	Total funds available	Funds Utilised	Unspent funds at the end of the year
2008-09	-	43.97	43.97	3.22	40.75
2009-10	40.75	44.89	85.64	63.28	22.36
2010-11	22.36	43.62	65.98	25.60	40.38

Out of 25 virgin villages, 23 villages had been electrified. In respect of 418 selected villages for intensive electrification, 363 villages had been electrified till October 2011. Thus the total 386 villages were electrified which constituted 87.13 *per cent*. The overall electrification included the coverage of 8,801 BPL households (76.8 *per cent)* as against the target of 11,458 BPL households (October 2011).

5.2.10.1 Loss of interest due to release of free mobilisation advances

The Department had released interest free Mobilisation Advance (MA) aggregating to ₹ 33.36 crore to the contractors before commencement of the project. However, there was no provision for grant of MA to the contractors either in Sikkim Financial Rules or in Sikkim PWD Code and Manual. The Department, in contravention of the provision of rules provided MA in April/ May 2009 to eight contractors which remained unadjusted for the period ranging between 176 days to 699 days. This resulted in loss of interest of ₹ 2.49 crore since the Department had been paying interest at the rate of 12.25 *per cent* for loan availed from REC. This was also contrary to the recommendation (February 2005) of the Public Accounts Committee (PAC) that grant of MA should be discouraged. Further instructions of Central vigilance Commission also do not encourage interest free mobilisation advance, it should be need based and interest needs to be charged, its recovery schedule and other relevant details explicitly stipulated in the tender document upfront. However the Letter of Award specified only provision of Mobilisation Advance of 25 *per cent* of total erection charges as initial advance and not as interest free advance.

The very purpose of releasing the MA was to avoid delay in completing the works due to financial constraints. However, it was noticed that the work was not completed as per the scheduled completion period (July 2010) i.e. 18 months from the date of issue of the letter of intent (Feb. 2009). Even after a lapse of 10 months, out of 443 villages, 386 (87.13 *per cent*) have been electrified till date (October 2011).

The Department appreciated the audit contention and intimated that with the amendment of the Sikkim Public Works Manual (effective from September 2009), department had started to invariably charge interest on MA.

5.2.10.2 Acceptance of exorbitant rate in RGGVY Scheme

EPD had awarded (February 2009) the works under RGGVY in eight packages (one in East, two in West, three in North & two in South) to the lowest bidders in each districts. Comparative scrutiny of rates of RGGVY scheme with other similar nature of works of different schemes like NEC, NLCPR and other maintenance works executed during the same period by the Department (March 2011) revealed that while the rates for other schemes arrived after tender were at par with Schedule of Rates (SOR) 2008, the rates accepted for RGGVY Scheme were exorbitantly high, almost 200 *per cent* above the SOR 2008. For instance, the rate of 11/0.43 KV, 3 phase 25 KVA Distribution Transformer as per SOR 2008 was ₹ 55,800 whereas the rate as per RGGVY estimate was ₹1,68,286 (201 *per cent* above the SOR).

Evaluation of nine out of 23 payment bills pertaining to RGGVY Scheme with the rates of prevailing SOR 2008 revealed that the rates were much higher than SOR 2008.The financial implication worked out on the basis of rates of items available in the SOR 2008 was ₹ 11.20 crore in excess which benefited the contractor.

In reply, the Department stated (August 2011) that though the DPR was submitted as per the SOR of 2008, the rates submitted by the lowest bidder in eight packages were approved by the Government/REC. The reply was not acceptable as the rates for similar nature of works of different schemes like NEC, NLCPR and similar nature of maintenance work carried out by the Department (March 2011) with same specification executed during the same period were on the lower side which the tender committee should have analysed and accordingly retendered the entire works.

5.2.10.3 Irregular selection of consultancy

MECON Limited (A Government of India Enterprise) was appointed (February 2007) as a consultant for implementing the RGGVY Scheme. The procedure adopted by the Department was not transparent as appointment of the consultancy was done without publicity and obtaining the best economical rates. It charged 7 *per cent* of the total project cost as consultancy fees. However, other Works Department was paying 2.5 *per cent* of entire architectural & related service in implementation of the project. Even MECON Limited had admitted (January 2010) to surrender 3.5 *per cent* of consultancy fee on the revised estimates as the rate charged by them was on higher side. Further, an adhoc payment of ₹ 2.50 crore had been made (March 2009) to MECON which included ₹ 1.25 crore in excess, considering the consultancy fee of 3.5 *per cent* to be surrendered. However, the Department has so far paid ₹ 6.62 crore but the excess payment of ₹ 1.25 crore has not been recovered from M/s Mecon till date.

Further, it was seen that the engineers of Energy & Power Department prepared DPR based on the Schedule of Rate 2003-04 upon which Ministry of Power (MOP), GOI through REC sanctioned (June 2006) a sum of ₹ 56.25 crore. The cost of RGGVY Project was enhanced (February 2009) to ₹ 148.91 crore and the revised cost was supervised by MECON Limited. However, the records relating to the enhancement of project cost to ₹ 148.91 crore was not

available with the Department. Hence, the correctness of cost escalation could not be verified in audit.

The Department confirmed (May 2011) that MECON was engaged on nomination basis without tendering to avoid delay in selection of Consultant and to get the best expertise and quality for execution of the project. The Department further considered (November 2011) the audit observations and assured to adjust rebate of 3.5 *per cent* from the subsequent payments. The reply of the department was not tenable in view of the fact that CVC in its circular (5 July 2007) emphasised that the award of contract on nomination basis is prohibited as it interferes with the fundamental right guaranteed under Article 14 of the Constitution unless the case falls within the exceptions such as natural calamities, emergencies, availability of single source of supply and non-availability of supplies in spite of repeated tendering.

5.2.10.4 Irregular appointment of Consultant

The Ministry of Power, GOI (January 2008) had launched a "National program on Franchise Capacity building" to impart training to franchisees and also to build a cadre capable of trainers within the Utilities/ department to supplement this initiative. Based on the guidelines issued by REC, the EPD adopted (October 2008) "Model C – Input based Franchisees" as the same Module was adopted by Meghalaya State Electricity Board having similar pattern. Accordingly, the engineers of EPD had undergone training to implement franchisee and in addition the guidelines for franchisee development in Sikkim were readily made available by REC.

Thereafter, the EPD entered into an agreement (May 2009) with M/s Feedback Ventures Pvt. Ltd., Gurgaon as Consultant for implementation of Rural Franchisee at retainer fee of ₹ 45.51 lakh for initial period of nine months. The same was later extended for another nine months and the firm claimed additional cost of ₹ 45.51 lakh since there was delay in implementation of RGGVY scheme by the Department.

Audit is of the view that the appointment of M/s Feedback Ventures Pvt. Ltd. as consultant for deployment of franchise in Sikkim was only duplication of work as the Officers of EPD had already undergone training to implement franchisee and in addition the guidelines for franchisee development in Sikkim were readily made available by REC. This resulted in avoidable expenditure of ₹ 91.02 lakh.

In reply, the department stated (August 2011) that the additional cost of ₹ 45.51 lakh has not been paid and only ₹ 40 lakh have been paid till date. The additional fund had been requisitioned from REC and the liability of ₹ 50.02 lakh would remain to be paid due to non completion of RGGVY Scheme.

5.2.10.5 BPL electrification

The Rural Electrification Policy (REP) was framed in August 2006. The REP *inter alia* aims at providing access to electricity for all households by 2009 and minimum lifeline consumption of one Unit per household per day as a merit good by the year 2012. The Department of Economics, Statistics, Monitoring & Evaluation, Government of Sikkim, based on certain

criteria had listed out 21,618 households under BPL category in the State. However, it was noticed that the selection of BPL households were done as per the recommendation of the Panchayats and as approved by the DDO's of the respective districts totaling to 11,458 households. The criterion for selection of the BPL households by the Panchayats' was not on record. We observed that only 8,801 BPL households had been electrified till October 2011.

- The expenditure per household was calculated at the rate of ₹ 1,800 and ₹ 2,200 for the 10th and 11th Plan respectively and the Department had indented various suppliers for supply of materials required to provide one point free connection service to the BPL households in respect of 5,460 households only out of 11,458 households as identified by the Department. It was seen that power connection in respect of East and South districts were made at the rate of ₹ 2,200 per household and for West at the rate of ₹ 1,500 per household. On analysis of the items of work, it was noticed that the materials supplied for West District did not include items like G.I. service pipe, PVC/ HR PVC insulated unsheathed s/c electrolytic annealed copper wire (used for internal wiring), F.T. switch 6A one way and G.I. earthing spike with nuts, bolts and washer. As these items were integral part and without which the electrification of any household is incomplete, it can be construed that the very objective of providing quality free power supply to the BPL households in West district got defeated. Thus, the payment of ₹ 26.82 lakh was wasteful since electrification work without the above items would not serve any purpose.
- In reply, the department stated (August 2011) that the selection of BPL household was done on the basis of recommendations by the Gram Panchayat unit and for the difference in cost of ₹ 700, correspondence was being made to REC for sanction of additional cost to meet the liability. The reply was not correct as Department had formulated its own criteria for selection of BPL household and there was mismatch between the number of BPL household selected by the Department and by the Economics, Statistics, Monitoring and Evaluation Department.

Project and Contract Management

5.2.11 Utilisation of funds for additional work not covered under approved DPR to the extent of ₹ 92.15 lakh

As per the DPR prepared by the EPD, the administrative approval to the work on renovation, improvement and strengthening of 66 KV Switch Yard and construction of 1x7.5 MVA, 66/11KV Substation at lower Lagyap Hydel Project Ranipool, East Sikkim at an estimated cost of ₹ 4.66 crore was accorded (October 2009) by the GOI under North East Council (NEC) funding. Accordingly the work was put to tender (January 2010) with work value of ₹ 4.18 crore. The Department awarded (August 2010) the above work to a Government contractor, the lowest bidder, at the quoted rate of 22 *per cent* below the tender value. Thus, there was saving of ₹ 92.15 lakh.

We observed that in order to utilise the saving amount of ₹ 92.15 lakh the Department prepared

an estimate for supplementary work valuing ₹ 1.13 crore. The supplementary work was awarded to same contractor at 22 *per cent* below the work value since the proposed work were integrated or correlated with the ongoing work.

This additional works valuing ₹ 1.13 crore was neither covered under the sanctioned estimated cost of DPR forwarded to NEC nor was any approval obtained to use the saving amount from NEC. The Department, basically to avoid saving and to limit the expenditure within estimated cost of ₹ 4.66 crore had taken the additional work which was irregular. Besides, if the execution of supplementary work was necessary then the same should have been incorporated in the DPR forwarded to NEC.

The Department stated (February 2011) that the items included in the supplementary estimate was earlier included in the scheme which was turned down as it was not within the ambit of their guidelines and used the saving amount for the supplementary work.

Restructured Accelerated Power Development and Reforms Programme

5.2.12 GOI had approved the Accelerated Power Development and Reforms Programme (APDRP) to leverage the reforms in power sector through the State Governments. This scheme was implemented by the EPD through the State Government with the objective of upgradation of sub-transmission and distribution system including energy accounting and metering, for which financial support was provided by GOI.

In order to carry on the reforms further, the GOI launched the Restructured APDRP (R-APDRP) in July 2008 as a Central Sector Scheme for XI Plan. The R-APDRP scheme comprises of Part A and B. Part A was dedicated to establishment of IT enabled system for achieving reliable and verifiable baseline data system in all towns besides installation of SCADA[22]/Distribution Management System. For this, 100 *per cent* loan is provided, and was convertible into grant on completion and verification of same by Third Party independent evaluating agencies. The Part B of the scheme deals with strengthening of regular sub-transmission & distribution system and upgradation of projects.

5.2.12.1 Financial Performance

The details of the funds released by GOI, mobilised from other agencies (including REC/ PFC/ Commercial Banks), utilisation there against and balances in respect of the EPD in the State is depicted below.

Table – 5.16

(₹ in crore)

Year	Funds released by		Funds available	Funds utilised	Balance	Percentage of balance to funds available
	GOI	Others				
2009-10	-	6.37	6.37	-	6.37	100
2010-11	-	1.52	7.89	0.54	7.35	93

[22] *Supervisory Control And Data Acquisition – It generally refers to industrial control systems: computer systems that monitor and control industrial, infrastructure, or facility-based processes.*

5.2.12.2 Delay in execution of project under R-APDRP scheme

EPD appointed (February 2009) M/s Wipro Limited as an IT Consultant from amongst the empanelled list of IT Consultants for implementation of the scheme. Under Part (A) scheme two towns, viz. Gangtok and Upper Tadong (which were eligible for consideration under R-APDRP) were selected. Accordingly, Wipro prepared (June 2009) DPR with the estimated cost of ₹ 26.30 crore which was approved (September 2009) by GOI with the stipulation that the work was to be completed within three years (i.e. by September 2012) from the date of approval of the scheme. Accordingly, the PFC (the Nodal Agency) for implementation of R-APDRP released (March 2010), ₹ 7.89 crore (30 percent of the project cost).

On implementation of R-APDRP scheme, the following deficiencies were noticed:

- Even after a lapse of 24 months, only 60 percent of the work was completed for which the payment had been made by the EPD. The delay in work was attributed to belated placement of order (June 2010) to IT Implementing agency (TCS) for software and hardware network equipments for Data Center and obtaining of meters from the suppliers for ring fencing work by the department.
- Due to this delay the Department was unable to spend the loan received from PFC and invested (20 May 2010) ₹ 7 crore in short term deposits at an interest rate of 4.75 *per cent*, after keeping the fund idle for 44 days in the current account, which could have earned ₹ 4.01 lakh towards interest by investing the idle fund in term deposit, for a minimum period of three months.
- On maturity the amount was further reinvested along with interest for another 200 days. Had the Department invested the fund for a year at a stretch, it could have earned an interest of ₹ 60.20 lakh whereas the Department earned only ₹ 38.39 lakh by investing in two short term periods. Thus there was an interest loss of ₹ 21.81 lakh.
- Although the validity period for Bank Guarantee from M/s Wipro had expired (December 2010), the same has not been renewed till date.

The Department stated (October 2011) that the delay was due to belated placement of order to IT implementing agency (TCS) for software and hardware equipments for data centre and the decision to club Sikkim with West Bengal for achieving cost benefit. Further, there was a delay of 18 months for finalising the rates as TCS was unwilling to take up the work in Sikkim at par with the rates charged in West Bengal.

5.2.12.3 Establishment of IT enabled system

Part – A of the R-APDRP scheme is dedicated to establishment of IT enabled system and SCADA/ Distribution Management System.

Out of ₹ 7.90 crore received, EPD made payments of ₹ 54.03 lakh towards consultancy charges, but till date (October 2011) only initial works such as ring fencing works had been completed subject to certification by third party inspection. The certification has not been issued by the third party so far and project is scheduled to be completed by September 2012 which is doubtful.

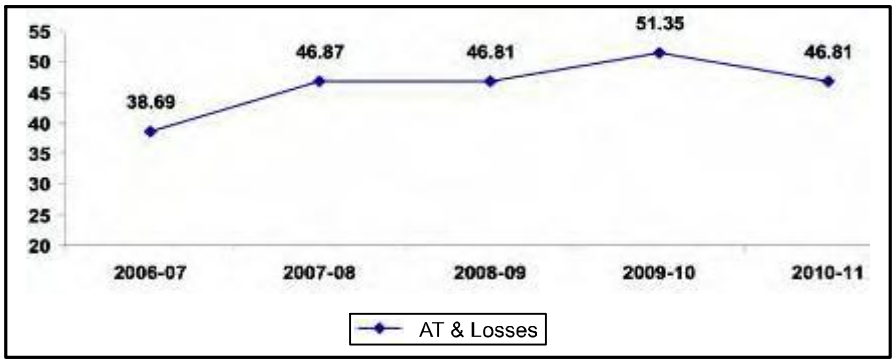
5.2.12.4 Strengthening of sub-transmission and distribution system

Part-B of the Scheme deals with strengthening of regular sub-transmission & distribution system and also upgradation of the distribution system. The focus in this part was on reduction of AT&C losses on sustainable basis. 90 *per cent* of the cost was to be provided as loan by GOI which would be converted into grant being a special category State on achieving 15 *per cent* AT&C loss for five years in the Project area. 10 *per cent* was to be provided as loan from PFC/REC/other sources. PFC sanctioned (August 2010) the scheme and the first installment of ₹ 20.54 crore was released in March 2011. However, the department has stated that the works relating to Part B have been taken up in two divisions identified under the scheme.

5.2.12.5 Aggregate Technical & Commercial Losses

One of the prime objectives of R-APDRP scheme was to strengthen the distribution system with the focus on reduction of Aggregate Technical & Commercial Losses (AT & C losses) on sustainable basis. The graph below depicts the AT & C losses over the review period in the Department.

Chart – 5.6



AT & C losses is a new concept in monitoring of performance indices in power sector for the State. It may be seen that the AT&C losses had increased from 38.69 *per cent* in 2006-07 to 46.81 *per cent* in 2010-11, significantly higher than the prescribed norm of 15 *per cent* laid down by the Central Electricity Authority (CEA). The main reasons for such high energy losses were insufficient transformation capacity, non-installation of capacitor banks and significant quantum of unmetered consumers. Further, due to non-constitution of SERC, the Department had not been able to formulate any conclusive reformatory measures and also not succeeded in bringing down the AT&C losses. The total losses in excess of norm during the five years ending 31 March 2011 aggregated to 676.16 MUs with overall financial implication of ₹ 95.71crore **(Appendix - 5.9).**

The Department had confirmed (August 2011) that steps were being taken to meter all the consumers along with installation of capacitor banks to reduce the AT&C losses. The SERC has now been constituted (April 2011) in the State.

5.2.12.6 Consumer metering

Attainment of 100 *per cent* metering was one of the objectives of the R-APDRP scheme. But

the same could not be completed. As on 31 March 2011, there were 28.75 *per cent* un-metered consumers in the State.

Operational efficiency

5.2.13 The operational performance of the EPD is judged on the basis of availability of adequate power for distribution, adequacy and reliability of distribution network, minimising line losses, detection of theft of electricity, etc. These aspects have been discussed below.

Purchase of Power

5.2.13.1 The demand for energy has been increasing year after year in the State due to economic development. Assessment of future demand and requirement of power is calculated on the basis of past consumption trends, present requirement, load growth trends and T & D losses and its trend.

The details of demand of power assessed for the State based on the report of 17 EPS and actual power purchased during the period 2006-07 to 2010-11 in respect of the State as a whole were as under:

Table – 5.17

(in Million Units)

Year	Demand assessed in EPS	Actual power purchased	Power surplus
(1)	(2)	(3)	(4) = (3 – 2)
2006-07	234	560.33	326.33
2007-08	247	580.21	333.21
2008-09	264	540.18	276.18
2009-10	285	490.49	205.49
2010-11	305	450.00	145

The Department purchases power as per the entitlement for schedule of drawl of power allotted by Eastern Regional Power Committee (ERPC) which is in excess of the demand assessed in EPS. Hence, the surplus power is being traded outside.

Sub-transmission & Distribution Losses

5.2.13.2 The distribution system is an important and essential link between the power generation source and the ultimate consumer of electricity. While energy is carried from the generation source to the consumer, some energy is lost in the network. For efficient functioning of the system, it must be ensured that there are minimum losses in sub-transmission and distribution of power. The losses at 33KV stage are termed as sub-transmission losses while those at 11 KV and below are termed as distribution losses. These are based on the difference between energy received (paid for) by the Distribution Department and energy billed to consumers. The percentage of losses to available power indicates the effectiveness of distribution system. The losses occur mainly on two counts, i.e., technical and commercial. Technical losses occur due to inherent character of equipment used for transmitting and distributing power and resistance in conductors through which the energy is carried from one place to another. On the other hand, commercial losses occur due to theft of

energy, defective meters and drawal of unmetered supply, etc.

The table below indicates the energy losses for the EPD in the State as a whole for last five years upto 2010-11.

Table – 5.18

(In Million Units)

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Energy purchased	310.20	375.22	393.48	512.12	540.00
2.	Energy sold (billed)	211.93	260.25	277.31	363.30	384.00
3.	Energy losses (T&D) (1 – 2)	98.27	114.97	116.17	148.82	156.00
4.	Percentage of energy losses (*per cent*) {(3 / 1) x 100}	31.68	30.64	29.52	29.06	28.89
5.	Average realisation rate per unit (in ₹)	1.56	1.45	1.45	1.30	1.43
6.	Value of T&D losses (₹ in crore) (3 x 5)	15.33	16.67	16.84	19.35	22.31

The T&D losses ranged between 28.89 and 31.68 *per cent* during the last five years ending 31 March 2011. In the absence of SERC, the Department had not fixed norms for T&D losses. However, the total value of the T&D losses over the period of five years was ₹ 90.50 crore. Reduction in these losses is the most significant step towards making the Department financially self-sustaining. The importance of reducing losses can be gauged from the fact that a one *per cent* decrease in losses could add ₹ 0.22 crore[23] to the revenue of the Department annually.

The Department stated (May 2011) that on successful completion of schemes like reduction of LT lines, higher voltage profile and upgradation of distribution substations T&D loss will be reduced to the target set by the Central Utilities.

5.2.13.3 Performance of Distribution Transformers

In absence of SERC, the Department had not fixed any norms for failure of Distribution Transformers (DTRs). The details of actual DTRs failed and the expenditure incurred on their repairs is depicted in the table below.

Table – 5.19

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Existing DTRs at the close of the year (in Number)	1,459	1,525	1,614	1,710	1,868
2.	DTR Failures (in Number)	129	135	110	122	133
3.	Percentage of failures	8.84	8.85	6.82	7.13	7.12
4.	Norms allowed by Deptt. (in percentage)	4	4	4	4	4
5.	Excess failure percentage over norms	4.84	4.85	2.82	3.13	3.12
6.	Expenditure on repair of failed DTRs (₹ in crore)	0.26	0.33	0.29	0.48	0.57

[23] *156.00 MUs x 1 per cent x 1.43*

The failure of DTRs ranged between 6.82 *per cent* and 8.85 *per cent*. Failure of DTRs could be minimised by taking adequate steps for preventive maintenance and avoiding overloading of the same. Cause-wise analysis of failure of DTRs revealed that the percentage of failure due to overloading ranged between 39.09 to 48.06 *per cent* during the years under review as shown in the table below.

Table – 5.20

Year	Total Number of DTRs failed during the year[24]	Number of failures due to over-loading	Percentage of failures due to over-loading
2006-07	129	62	48.06
2007-08	135	60	44.44
2008-09	110	43	39.09
2009-10	122	48	39.34
2010-11	133	56	42.11

The percentage of failure due to overloading though alarming has decreased from 48.06 in 2006-07 to 42.11 in 2010-11. We observed that History cards and Asset Registers were not maintained for distribution transformers and power transformers. As a result, the procurement date and the periods for which the transformers were in service were not ascertainable. No age-wise analysis of transformers was carried out.

The Department had not prescribed any maintenance schedule for distribution transformers or any system of feedback of maintenance performed by the divisions to the circle / Head Office for monitoring and control.

The maintenance of transformers was done on need basis. Whenever any fault/ defect was noticed in transformer, it was sent to the private repair center and was subsequently replaced by another transformer. The replacement of transformer was based on availability of transformer with the supplier. On completion of repairs of the defective transformer the same would be sent to other sub-stations as per the requirement. Thus, the defective transformers sent for repair by one Sub-Division never came back to same Sub-Division as it would be forwarded to another sub-station according to requirement. Hence, scheduled delivery by the firm after repair could not be monitored indicating inadequate planning mechanism.

The Department noted (May 2011) the audit observation and assured to take steps for its implementation in future.

5.2.13.4 Capacitor Banks

Capacitor bank improves power factor by regulating the current flow and voltage regulation. In the event of voltage falling below normal, the situation can be set right by providing sufficient capacity of capacitor banks to the system as it improves the voltage profile and reduces dissipation of energy to a great extent thereby saving loss of energy. However, no capacitor banks have been installed in the State of Sikkim.

The Department stated (November 2011) that the capacitor banks was not required to be

[24] *Excluding failures due to manufacturing defects*

installed in the sub-stations as the load pattern was generally resistive. However, the capacitor banks had been installed in the industrial units having mostly inductive loads.

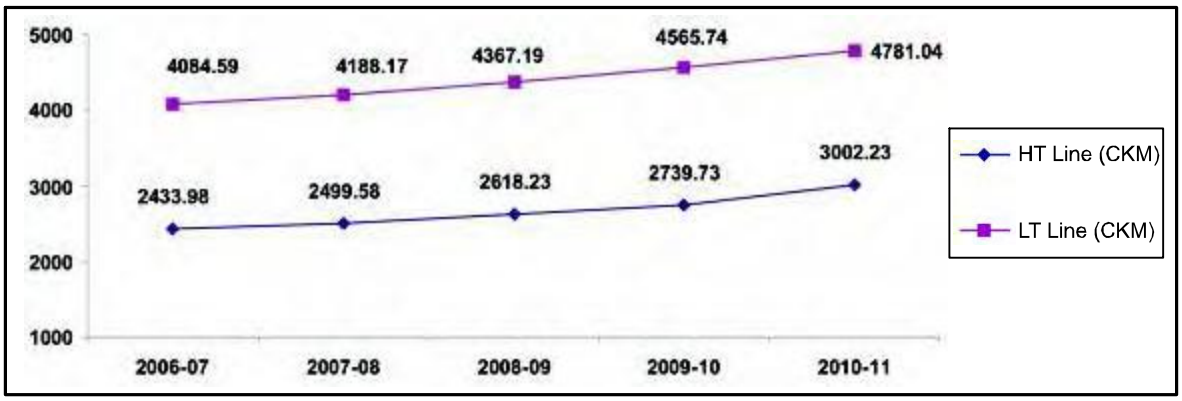
5.2.13.5 Commercial losses

The majority of commercial losses relate to consumer metering and billing besides pilferage of energy. While the metering and billing aspects have been covered under implementation of R-APDRP scheme and billing efficiency, respectively, the other observations relating to commercial losses are discussed below.

5.2.13.6 Implementation of LT less system

High voltage distribution System is an effective method of reduction of technical losses, prevention of theft, improved voltage profile and better consumer service. The GOI had also stressed (February 2001) the need to adopt LT less system of distribution through replacement of existing LT lines by HT lines to reduce the distribution losses. The HT-LT ratio over the review period is depicted in the graph below:

Chart – 5.7



The distribution network in the State was comprised of more of LT lines compared to HT Lines, which indicated that the EPD could not adopt the LT less system by replacing the LT Lines with HT lines to minimise the distribution losses as envisaged by GOI.

The Department stated (October 2011) that they have started to adopt LT less system of distribution through replacement of existing LT lines by HT lines to reduce the distribution losses.

5.2.13.7 Conversion of LT Conductors into Aerial Bunch Cables

Aerial Bunch cables prevent illegal tapping of low voltage distribution lines and help in reducing overloading of Distribution Transformers and maintain voltage of the supply. However, the Department had not installed the Aerial Bunch cables till date.

5.2.13.8 High incidence of theft

Substantial commercial losses are caused due to theft of energy by tampering of meters by the consumers and unauthorised tapping/hooking by the non-consumers. As per section 135 of

Electricity Act 2003, theft of energy is an offence punishable under the Act. The Department had not constituted any vigilance squad for conducting regular and routine raids to detect theft/ pilferages of electricity.

The department had not fixed any targets for checking theft cases. However on examination of records of west circle, it revealed that 83 cases were detected by the officers of the EPD, however, no case was filed against the offenders and no fine was imposed for theft of energy. The Division also failed to enforce the codal provision providing for compounding of the offence and realising a minimum fee of ₹ 4,000 from the offenders. This resulted in non-realisation of revenue of ₹ 3.32 lakh (83 x ₹ 4,000). No such records were maintained by other divisions.

5.2.13.9 Performance of Raid Team

In order to minimise the cases of pilferage/loss of energy and to save the Department from sustaining heavy financial losses on this account, Section 163 of Electricity Act 2003, provides that the licensee may enter in the premises of a consumer for inspection and testing the apparatus. The Department had not constituted any vigilance squad for conducting regular and routine raids to detect theft/ pilferages of electricity.

Financial Management

5.2.14 Being a State Government Department, EPD receives funds from the State Government through the budget. The Department had been meeting its expenditure as per the budget allocation of the Government and the revenue was deposited to the Government account. It did not resort to raising of funds from the public. Hence, the financial structure was different from that of a commercial undertaking as follow:

Table – 5.21

(₹ in thousand)

Sl No	Particulars	2007-08		2008-09		2009-10		2010-11	
		Plan	Non Plan	Plan	Non Plan	Plan	Non Plan	Plan	Non Plan
1	Grant through State Budget	5,64,902	2,11,385	7,69,877	2,55,162	1,266,042	3,53,969	7,35,924	3,66,246
2	Expenditure during April to December	2,51,789	1,53,696	3,98,928	1,86,024	5,15,869	1,85,313	4,79,718	2,74,837
3	Expenditure during January	94,139	13,434	41,110	11,882	11,820	27,576	97,959	28,199
4	Expenditure during February	51,184	21,131	64,158	15,006	41,978	50,650	81,544	25,241
5	Expenditure during March	1,63,181 (29 %)	22,937 (11 %)	2,65,430 (35 %)	41,369 (16 %)	4,97,585 (47 %)	90,985 (26 %)	73,086 (10 %)	37,433 (10 %)
	Total Expenditure	**5,60,293**	**2,11,198**	**7,69,626**	**2,54,281**	**10,67,252**	**3,54,524**	**7,32,307**	**3,65,710**
6	Excess (+)/ Savings (-)	(-) 4,609	(-) 187	(-) 251	(-) 881	(-) 1,98,790	555	(-)3,617	(-)536

Rush of expenditure particularly in closing month of the financial year was regarded as a breach of financial regularity. However, expenditure during the month of March varied from

47 *per cent* to 10 *per cent* of the total expenditure for the years 2007-08 to 2010-11. The Department could not meet the plan expenditure during the five years ending March 2011. Failure to follow prudent financial management norms in formulating its budget resulted in persistent savings.

The particulars of cost of electricity vis-à-vis revenue realisation per unit therefrom are indicated below.

Table – 5.22

(₹ in crore)

Sl. No.	Description	2006-07	2007-08	2008-09	2009-10	2010-11
1.	**Income**					
(i)	Revenue from Sale of Power	33.16	37.66	40.31	47.39	55.00
(ii)	Revenue subsidy & grants	-	-	-	-	-
(ii)	Other income -	-	-	-	-	
	Total Income	**33.16**	**37.66**	**40.31**	**47.39**	**55.00**
2.	**Distribution (In MUs)**					
(i)	Own generation	34.55	46.21	48.00	38.54	43.00
	Free power	23.58	44.16	262.13	348.34	352.00
	Purchases (net of trading)	252.07	284.85	83.35	125.24	145.00
(ii)	Net Power available for Sale	310.20	375.22	393.48	512.12	540.00
(iii)	Less: Sub-transmission & distribution losses	98.27	114.97	116.17	148.82	156.00
	Net power sold	**211.93**	**260.25**	**277.31**	**363.30**	**384.00**
3.	**Expenditure**					
(a)	**Fixed cost**					
(i)	Establishment & Administrative expenses	9.59	9.59	12.46	22.20	22.86
(ii)	Depreciation	-	-	-	-	-
(iii)	Interest and finance charges	-	-	-	-	-
(iv)	Other Expenses	-	-	-	-	-
	Total fixed cost	**9.59**	**9.59**	**12.46**	**22.20**	**22.86**
(b)	**Variable cost**					
(i)	Purchase of Power	46.38	58.96	20.34	34.07	30.02
(ii)	Electricity Duty	-	-	-	-	-
(iii)	Transmission/ Wheeling Charges	-	-	-	-	-
(iv)	Repairs & Maintenance	9.27	8.51	10.51	11.77	12.76
(v)	Other expenses	0.32	0.45	0.46	0.48	0.53
	Total variable cost	**55.97**	**67.92**	**31.31**	**46.32**	**43.31**
(c)	**Total cost 3(a) + (b)**	**65.56**	**77.51**	**43.77**	**68.62**	**66.17**
4.	Realisation (₹ per unit)	1.56	1.45	1.45	1.30	1.43
5.	Fixed cost (₹ per unit)	0.45	0.37	0.45	0.61	0.59
6.	Variable cost (₹ per unit)	2.64	2.61	1.13	1.27	1.13
7.	Total cost per unit (in ₹) (5+6)	3.09	2.98	1.58	1.88	1.72
8.	Contribution (4-6) (₹ per unit)	(-) 1.08	(-) 1.16	0.32	0.03	0.30
9	**Profit (+)/Loss(-) per unit (in ₹) (4-7)**	**(-) 1.53**	**(-) 1.53**	**(-) 0.13**	**(-)0.58**	**(-)0.29**

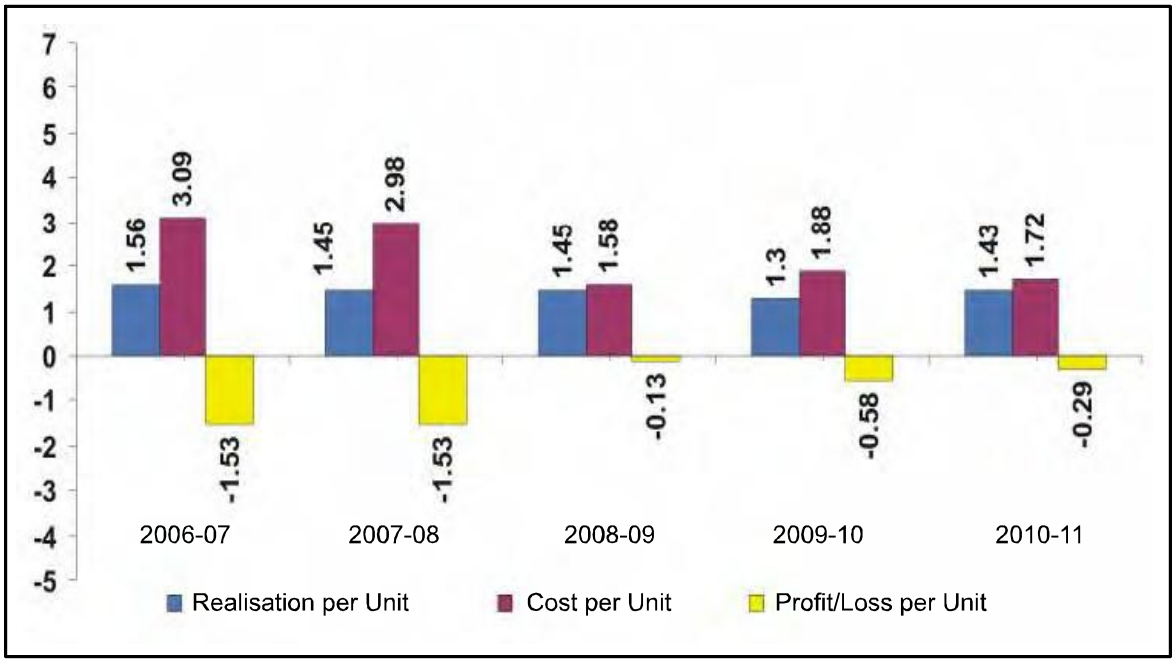
It may be seen that though the realisation per unit decreased from ₹ 1.56 to ₹ 1.43 during review period (8.33 *per cent*), the cost per unit decreased from ₹ 3.09 to ₹ 1.72 (44.34 *per cent*) during the corresponding period due to increase in share of free power. Further, the contribution per unit had increased by 127.78 *per cent* during the period 2006-11.

The expenditure relates to the department as a whole. EPD has not apportioned the expenditure for Distribution sector separately.

5.2.14.1 Recovery of cost of operations

The EPD was not able to recover its cost of operations. During the last five years ending 2010-11, the loss per unit showed as given in the graph below:

Chart – 5.8



The working results indicate that there was a revenue gap of ₹ 32.40 crore in 2006-07 which decreased to ₹ 11.17 crore during 2010-11. This was mainly due to availability of more free power and decrease in purchase of power and even though the cost of operational and maintenance expenses and establishment expenditure had increased.

The financial viability of the EPD was generally influenced by the various factors which are discussed in following paragraphs:

5.2.14.2 Adequacy of revision of tariff to cover the cost of operation

The EPD had not set up the SERC as envisaged under Section 82(1) of the Electricity Act, 2003. In the absence of the Commission, the Department had been fixing and regulating the tariff under the provisions of Electricity Act. The Department had not revised the tariff to reduce revenue losses during the period covered by audit.

The last electricity tariff revision was made in February 2006. The criteria adopted by the Department while revising the tariff was based on the purchase price of electricity from the Central Sector Generating Stations which was on elevated side than the tariff fixed for the domestic consumers. It had increased the tariff (2005-06) by 15 *per cent* in respect of all categories of consumers with an expected annual increase of ₹ 3 crore in revenue.

The EPD had not revised its power tariff during the last five years ending March 2011 even though the cost of generation and procurement of power has gone up significantly. Tariffs have not kept pace with the increase in cost. No remedial action on fixation of a rational and realistic tariff was taken by the Department due to which Department had sustained revenue loss of ₹ 106.24 crore during the period 2006-07 to 2010-11.

The Department accepted and stated (August 2011) that SERC had been constituted in April 2011 and the entire Tariff petition for fixation of tariff in future would be filed to the SSERC taking into consideration the increase in price of power and establishment cost.

5.2.14.3 Subsidy Support and cross subsidisation

The Government of Sikkim does not provide any direct subsidy to the EPD.

5.2.14.3.1 Cross subsidisation

Section 61 of Electricity Act 2003 stipulates that the tariff should progressively reflect the average cost of supply (ACOS) of electricity and also reduce cross subsidy in a phased manner as specified by the Commission. National Tariff Policy envisaged that the tariff of all categories of consumer should range within plus or minus 20 *per cent* of the ACOS by the year 2010-11. The position as regards cross-subsidies in various major sectors is depicted in the table below.

Table – 5.23

Particulars	2006-07		2007-08		2008-09		2009-10		2010-11	
Average cost of supply (ACOS) (paise per unit)	309		298		158		188		172	
Average Revenue from										
	Paise per unit	Percentage of ACOS	Paise per unit	Percentage of ACOS	Paise per unit	Percentage of ACOS	Paise per unit	Percentage of ACOS	Paise per unit	Percentage of ACOS
Domestic	160	51.78	160	53.69	160	101.27	160	85.11	160	93.02
Commercial	260	84.14	260	87.25	260	164.56	260	138.30	260	151.16
Industrial	255	82.52	255	85.57	255	161.39	255	135.64	255	148.26
Agricultural	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A	N.A
Others[25]	150	48.54	150	50.34	150	94.94	150	79.79	150	87.21

The average cost of supply (ACOS) had gradually come down from ₹ 3.09 per unit in 2006-07 to ₹ 1.72 per unit in 2010-11 due to availability of more free power from National Hydroelectric Power Corporation. Without increasing the tariff, the cross subsidy underwent changes during the years from 2008-09 to 2010-11. While all types of consumers were enjoying the supply of electricity at price much lower than the average cost of supply during 2006-07 and 2007-08, the industrial and commercial consumers started paying at the increased rate during 2008-09 to 2010-11. However, the EPD did not control the supply rate to

[25] *Including Railways, Public Works, Street lighting, etc.*

the prescribed limit plus or minus 20 *per cent* of ACOS as laid down under NEP.

The Department stated (November 2011) that due to non-increase of tariff, EPD was not able to maintain the level of 20 *per cent* of ACOS but efforts would be made to reduce the deviation from NEP.

5.2.14.4 Revenue billing and collection efficiency

5.2.14.4.1 Billing efficiency

As per procedure prescribed in the tariff, the Department is required to take the reading of energy consumption of each consumer at the end of the notified billing cycle. After obtaining the meter readings, the Department issues bill to the consumers for consumption of energy. Sale of energy to metered categories consists of two parts, viz., metered and assessed units. The assessed units refer to the units billed to consumers in case meter reading is not available due to meter defects, door lock, etc. Billing of all the consumers were being done at division level. Consumers were billed on monthly basis. The efficiency in billing of energy lies in distribution/sale of maximum energy by the Department to its consumers and realise the revenue from them in time.

Table – 5.24

(Figures in MUs)

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Energy available for sale	211.93	260.25	277.31	363.30	384.00
2.	Energy billed	165.94	219.67	237.36	324.98	346.50
3	Free Supply	44.27	38.64	38.00	36.00	35.00
4.	Assessed sales	1.72	1.94	1.95	2.32	2.50
5.	Total Assessed sales (3+4)	45.99	40.58	39.95	38.32	37.50
6.	Assessed sales as percentage of total sales	21.70	15.59	14.41	10.55	9.77

The assessed sales had increased from 1.72 MUs to 2.50 MUs over a period of five years ending March 2011. However, the free supply was showing decreasing trend with overall reduction in assessed sales to total sales from 21.70 *per cent* in 2006-07 to 9.77 *per cent* in 2010-11 indicating an improvement in the energy billed.

Instances of undue favour to consumers in various forms are illustrated below:

Incorrect application of tariff

5.2.14.4.2 Irregular billing of street light and observation thereof

The Tariff Schedule stipulated that energy charges for public and street lighting in urban areas would be paid at the rate of ₹ 3.50 per unit by the Urban Development and Housing Department and ₹ 1.95 per unit by the RMMDD in rural areas.

We observed (April 2011) that the energy consumption for street light was assessed on lump sum basis[26] by the EPD, despite provisions in the Tariff Schedule for installation of meter /

[26] *No. of bulbs x 70 watts x 0.6 (load factor) x 10 hours x 30 days x 12 months x ₹ 1.50*

metering equipments. The same was not done till date (September 2011). We also observed that the Department had levied ₹ 1.50/per unit irrespective of rural and urban areas. Thus, the gap between the tariff rate and average tariff ranged from ₹ 2 to ₹ 0.45 per unit. Since the Department did not segregate the urban and rural energy consumption separately, the loss of revenue on account of less levy of rate per unit could not be quantified by Audit.

The department stated (November 2011) that measures were being initiated for installation of energy meters in all rural and urban areas and streamline the tariff for the same.

5.2.14.4.3 Under assessment of revenue

According to Clause XVIII of departmental tariff effective from 04 March 2006, in case the meter of a consumer was found defective, the consumer would be billed for the period on the basis of average consumption of previous three months prior to the date of meter becoming defective.

We observed that the Department was billing consumers with defective meter at an average rate based on the total load of the consumer instead of average rates of previous three months as per the departmental tariff. However, the average monthly reading could have been worked out by taking into consideration the previous three months reading prior to the meter being defective which was readily available in the demand registers. Had the department billed these customers as per the norms fixed in the tariff, it could have avoided loss of revenue to the extent of ₹ 1.69 crore.

The Department stated (November 2011) that the matter would be verified and corrective measures be taken accordingly.

5.2.14.4.4 Non-levy of late payment surcharge

Tariff order (March 2006) issued by the Department had provided levy of late payment surcharge (LPS) at the rate of 10 *per cent* per annum on domestic, commercial and LTIS consumers and at the rate of 15 *per cent* per annum on HTIS and Bulk supply consumers on an Annual basis on the amount of bill remaining unpaid. It was observed in divisions of EPD that late payment surcharge of ₹ 53.29 lakh was not levied on consumers for late payment/non-payment of bills.

The Department stated (June 2011) that surcharge was levied upto the month of February and the arrears of March had been levied in the subsequent year. It was observed that the arrears of March are levied after a period of 11 months in the next subsequent year resulting in loss of revenue.

Revenue collection efficiency

5.2.15 As revenue from sale of energy is the main source of income of EPD, prompt collection of revenue assumes great significance. The salient features of the collection mechanism being followed by the Department are as follows:

- Consumers other than HT make payments of the bills by cash into the Government account at the counters of State Bank of Sikkim (SBS) (which is banker to the State

Government) and cheques at the Department. The Department reconciles receipt of revenue into Government account on receipt of bank challan from SBS.

- Revenue billed in respect of HT services was collected in cheque by Revenue inspectors and the same was deposited into Government account maintained at SBS and reconciled subsequently.
- All consumers were required to pay current charges within 15 days from the date of the billing, failing which the consumers could not avail of the rebate at the rate of 10 *per cent* on the billed amount provided by the Department and surcharge for arrears outstanding at the end of financial year were levied at the rate of 10/15 *per cent*.

The table below indicates the balance outstanding at the beginning of the year, revenue assessed during the year, revenue collected and the balance outstanding at the end of the year during last five years ending 2010-11.

Table – 5.25

(₹ In crore)

S. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1	Balance outstanding at the beginning of the year	26.22	30.01	41.51	54.61	76.32
2	Revenue assessed/Billed during the year	36.95	49.16	53.41	69.10	73.53
3	Total amount due for realisation (1+2)	63.17	79.17	94.92	123.71	149.85
4	Amount realised during the year	33.16	37.66	40.31	47.39	55.00
5	Amount written off during the year	-	-	-	-	-
6	Balance outstanding at the end of the year	30.01	41.51	54.61	76.32	94.85
7	Percentage of amount realised to total dues (4/3)	52.49	47.57	42.47	38.31	36.70

- The balance dues outstanding at the end of the year increased from ₹ 30.01 crore in 2006-07 to ₹ 94.85 crore in 2010-11.
- No age-wise analysis of above outstanding had been done by the EPD.

The Department stated (November 2011) that action was being initiated to recover the balance dues from the consumers wherever possible.

Consumer Satisfaction

5.2.16 One of the key elements of the Power Sector Reforms was to protect the interest of the consumers and to ensure better quality of service to them. The consumers often face problems relating to supply of power such as non-availability of the distribution system for the release of new connections or extension of connected load, frequent tripping on lines and/ or transformers and improper metering and billing.

The Department was required to introduce consumer friendly actions like introduction of

computerised billing, online bill payment, establishment of customer care centres, etc. to enhance satisfaction of consumers and reduce the advent of grievances among them. The billing issues have already been discussed in preceding paragraphs. The redressal of grievances is discussed below.

5.2.16.1 Redressal of Grievances

The EPD had not constituted any cell for redressal of grievances of consumers. To enable the compilation of complaints for assessing the performance on this account, separate registers were to be maintained by the Department. However, it was seen that the Department was not consistent in maintaining the records such as complaint registers, as only few of the sub-divisions maintained these basic records. Complaint registers in respect of five sub divisions of West District and two sub divisions of East District were made available.

On quality of power supply provided to consumers, Audit circulated questionnaires to various consumers in each district. On the feedback received, majority of the consumers were satisfied with the power supply and prompt action taken against complaints from the consumers, received bills on time and any error on bills were rectified promptly without delay. Some consumers had suggested that the Department should take steps to lay underground cable rather than overhead line and the Department should organise power awareness camp for safe power.

Energy Conservation

5.2.17 Recognising the fact that efficient use of energy and its conservation is the least-cost option to mitigate the gap between demand and supply, the GOI enacted the Energy Conservation Act, 2001. The conservation of energy being a multi-faceted activity, the Act provides both promotional and regulatory roles on the part of various organisations. The promotional role includes awareness campaigns, education and training, demonstration projects, R & D and feasibility studies. The regulatory role includes framing rules for mandatory audits for large energy consumers, devising norms of energy consumption for various sectors, implementation of standards and provision of fiscal and financial incentives.

We observed that the EPD had neither taken any measures providing incentives for energy conservation nor for encouraging reduction of T&D losses. But the department had initiated to install Compact Fluorescent lamp (CFL) under RGGVY scheme. Also the Department had taken initiative to replace the existing high wattage street light fittings with LED lamp. Energy conservation under BEE programme incandescent lamps were being replaced by free low wattage Light Emitting Diodes (LED) lamps.

Energy Audit

5.2.18 A concept of comprehensive energy audit was not put in place with the objective of identifying the areas of energy losses and taking steps to reduce the same through system improvements besides accurately accounting for the units purchased/ sold and losses at each level. The main objectives of energy audit are as follows:

- Better and more accurate monitoring of the consumption of electricity by consumers;
- Elimination of wastages;
- Reduction of downtime of equipment;
- Massive savings in operational costs and increase in revenue, etc.

No Energy Audit had been done by the EPD. The Department stated that the Energy audit was being initiated.

Monitoring by top Management

5.2.19 The EPD plays an important role in the State economy. For such a giant organisation to succeed in operating economically, efficiently and effectively, there must be a Management Information System (MIS) for monitoring by top management. However, we noticed that the co-ordination between the divisions, sub divisions and the Headquarters was found wanting which was evident from the fact that the data/ information were not being sent to the Headquarters for consolidation.

Although management replied that MIS was in place yet no records were furnished.

Acknowledgement

5.2.20 Audit acknowledges the co-operation and assistance extended by the staff and the Management of the EPD at various stages of conducting the performance review.

Conclusion

- *In Sikkim, the electricity generation, transmission and distribution still remains with the Department. Although the State Electricity Regularity Commission was established in April 2011, the electricity reforms are yet to take place in the State.*
- *The process of unbundling of the Department into various categories of companies, viz. generation, transmission and distribution companies required to be initiated.*
- *The distribution transformation capacity could not match with the connected load which resulted in overloading and consequential failure of DTRs and rotational power cuts.*
- *The Department failed to complete the Centrally sponsored schemes within the stipulated time schedule resulting in delayed benefit to the consumers.*
- *The Department could not recover the cost of operations in any of the five years under review. This was mainly due to increase in cost of expenditure and inefficient revenue collection, etc.*
- *The concept of comprehensive energy audit was not put in place.*

Recommendations

Distribution Network Planning

- Plan the capacity addition in accordance with the load growth to ensure stable and

quality power supply.

Implementation of Central Schemes

- The Department must ensure timely completion/ implementation of the Central Schemes such as RGGVY and R-APDRP in order to avoid further delay and cost overrun.

Project & Contract management

- The Department should keep in place a system to check that the estimates for the projects are correctly assessed.

Operational efficiencies

- The Department must take steps to bring down transmission and distribution losses to the approved levels.
- The Department must prescribe a preventive maintenance schedule to avoid frequent failure of distribution transformers. History cards, Asset Registers must be maintained by all divisions.
- The Department should install capacitor bank to improve the power factor by regulating the current flow and voltage regulation.
- The Department should adopt LT less system of distribution through replacement of existing LT lines by HT lines to reduce the distribution losses.

Financial management

- The Department should ensure that the funds available for the implementation of the schemes are utilised wisely.

Energy Conservation

- The Department must take adequate measures for providing incentives for energy conservation.

Energy Audit

- The Department must take up energy audit in order to have better and more accurate monitoring of the consumption of electricity by consumers; elimination of wastages and increase in revenue.

SIKKIM INDUSTRIAL DEVELOPMENT AND INVESTMENT CORPORATION LIMITED

5.3 Loss of interest

Loss of interest income of ₹ 51.78 lakh due to imprudent investment

The Government of Sikkim has identified Sikkim Industrial Development & Investment Corporation (SIDICO) to undertake the accelerated development of infrastructure including the acquisition and development of area around the upcoming airport in Sikkim (Project). SIDICO, for the purpose of the project, proposed to avail loan of ₹ 330 crore from different banks and financial institutions. The Government appointed SBI Capital Market Limited (SBI Caps) as Financial Adviser for preparation of Information Memorandum and raising of funds. SBI Caps arranged (March 2010) term loan of ₹ 285 crore as against the proposed loan of ₹ 330 crore from the different scheduled banks.

According to the loan arrangement, out of ₹ 285 crore, ₹ 10 crore was to be kept under Debt Service Reserve Account to compensate the service charges for the services rendered by the SIDICO. The Government provided guarantee for the term loan.

We observed (August 2010) that the term loan of ₹ 285[27] crore at an interest rate of 10 *per cent* per annum was sanctioned (March 2010) by the consortium of banks arranged by SBI Caps. As per the directives of the Government the banks had disbursed the entire sanctioned amount in one instalment and SIDICO credited the same in the current account maintained in the respective banks. Out of the above amount, SIDICO had invested ₹ 80 crore under term deposits for 180 days at the interest rate ranging from 4.5 to 6.25 *per cent* per annum in the same banks from where the loan was disbursed, as shown below:

Table – 5.26

Sl. No.	Name of the Bank	Amount kept in term deposits (₹ in crore) for 180 days	Date of investment in FD	Rate of interest on FD (*per cent*)
1.	Bank of Maharashtra	20	30/03/2010	6.25
2.	Dena Bank	30	03/04/2010	4.50
3.	UCO Bank	30	07/04/2010	4.50

The prudent financial management requires that all funds received should be utilised effectively and efficiently. The available funds which are not required should also be wisely invested to earn maximum profit. The SIDICO without assessing the higher rates of interest available invested ₹ 60 crore in Dena Bank and UCO Bank which had lower rates of interest as compared to Bank of Maharashtra during the same period. This resulted in loss of earning of interest of ₹ 51.78 lakh[28].

[27] *Dena Bank ₹ 60 crore, Allahabad Bank ₹ 75 crore, UCO Bank ₹ 100 crore and Bank of Maharashtra ₹ 50 crore*
[28] *₹ 60 crore x 1.75% x 180/365 =51,78,082*

In reply, the Management stated (May 2011) that the amount was invested in the respective Banks from where the loan was availed of and later on, at the time of renewal, investment was made on the basis of highest rate quoted. The fact remained that due to imprudent investment SIDICO suffered loss of interest of ₹ 51.78 lakh.

The matter was reported to the Government (May 2011); its reply was awaited (September 2011).

SIKKIM SCHEDULED CASTES, SCHEDULED TRIBES AND OTHER BACKWARD CLASSES DEVELOPMENT CORPORATION LIMITED

5.4 Blocking of fund

Blocking of funds to the extent of ₹ 35.47 crore due to lack of monitoring and non recovery of loan

The Sikkim Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited (SABCCO) was established in February 1996 with the main objective for promoting economic and development activities for the benefit of Scheduled Castes, Schedule Tribes and Other Backward Classes of Sikkim by providing financial assistance in the form of loan obtained from the Apex bodies. The SABCCO recovers the loan from the beneficiaries in instalments ranging from five to ten years including moratorium period of three to six months. In case of default, interest would be levied at rates ranging from 4 to 7 *per cent* depending upon the quantum of loan disbursed to beneficiaries.

The details of disbursement of loans (scheme wise) are as follows:

Table – 5.27

Sl. No.	Name of the scheme	No. of beneficiaries covered	Amount disbursed (₹ in crore)	Default beneficiaries as on March 2010			
				Number	Amount (₹ in crore)		
					Principal	Interest	Total
1.	NSTFDC[29]	2,455	30.92	1466	10.69	3.97	14.66
2.	NBCFDC[30]	2,157	23.51	1316	8.98	4.18	13.16
3.	NSFDC[31]	994	7.64	525	2.57	0.73	3.30
TOTAL		5,606	62.07	3307	22.24	8.88	31.12

The above table indicates that the recovery performance of the SABCCO was very weak. As against loan of ₹ 62.07 crore disbursed, an amount of ₹ 31.12 crore including principal and interest was outstanding as on 31 March 2010 from 3,307 beneficiaries for more than three to ten years from its disbursement. This constitutes 50 *per cent* of the total loan disbursed.

We further observed that due to lack of monitoring and internal control, 111 default cases amounting to ₹ 1.45 crore relating to Scheduled tribes wherein the beneficiaries did not pay even a single instalment till March 2011. This resulted in blocking of working capital to the

[29] *National Scheduled Tribes Finance and Development Corporation*
[30] *National Backward Classes Finance and Development Corporation*
[31] *National Scheduled Castes Finance and Development Corporation*

extent of ₹ 1.45 crore which deprived the SABCCO to plough back the funds for further loaning activities and make repayment to the Apex Bodies.

During the test check we also noticed the following deficiencies in implementation of the scheme:

- The management sanctioned Hotel/Grocery/Restaurant loans but failed to insist for a copy of trade Licenses as stipulated in Application Form for disbursement of loan.
- Details of the project report/profile were not obtained to analyse the technical and financial viability of the project.
- The beneficiaries applied loan for electrical goods shop whereas the management sanctioned the same as loan for guest house/lodge. Thus, there was a mismatch between the requirement by the beneficiaries and the purpose for which the loan was sanctioned.
- As per policy of SABCCO, all the outstanding loans and advances upto 2003 were treated as Non-Performing Assets (NPA). The management neither filed any recovery suits against the defaulters nor issued reminders /notices for recovery of dues which has become either bad or doubtful.
- As per the terms and conditions of the Apex bodies, the channelising agency (SABCCO) shall form a project implementation committee where the Apex body's nominee would be included for monitoring the implementation of the project. No joint inspection was conducted for monitoring the implementation of the project of the beneficiaries.

The Management stated (July 2011) that ₹ 31.12 crore reflected as principal default in the table was actually pertained to the outstanding amount and not the default amount. As against ₹ 62.07 crore disbursed, their demand overdue payment to Apex bodies was ₹ 11.74 crore only. The Management further stated that the cases where no payment had been made, priority was given to send legal notices to the concerned beneficiaries. The reply of Management was not in line with the observation raised by audit since the amount projected by the Management as ₹ 11.74 crore was the amount overdue for payment to the Apex bodies and not the amount pending recovery from the beneficiaries. Further, as on March 2011, the pending loan recovery more than three to ten years old has increased to ₹ 35.47 crore from 5,789 beneficiaries.

The matter was reported to the Government (April 2011); its reply was awaited (September 2011).

STATE BANK OF SIKKIM

5.5 Avoidable financial loss

Avoidable financial loss of ₹ 2.27 crore due to non-levy of Service Tax

State Bank of Sikkim (SBS) acts as an agency bank for the Government of Sikkim for undertaking various Banking and other financial services. The Bank claims agency commission for the banking service it renders to the Government. Apart from this, the Bank also caters to the demands from the general public.

The banking and other financing services provided by a banking company or financial institution including a non banking financial company were brought under the net of service tax with effect from July 2001 and other commercial entities from September 2004 as per the Finance Act, 2001. Service tax is an indirect tax, the incidence of which shall be passed on to persons to whom banking services are rendered.

We observed (September 2010) that the SBS neither collected / levied service tax from the Government/customers for the services rendered nor paid service tax on the revenue earned from such services for the period from September 2004 to March 2010. As a consequence, Central Excise (CE) Department demanded (September 2009) the particulars of the agency commissions/turnover commissions received from the Government/ customers for undertaking various banking and other financial services for the period from September 2004 to September 2009. The SBS obtained (March 2010) registration from CE authorities and commenced collection of service tax from the Government / customers for providing banking services with effect from April 2010 and remitted the same to CE.

The SBS represented (April 2010) to CE authorities that due to lack of awareness it did not collect service tax from customers for remittance to Central Government.

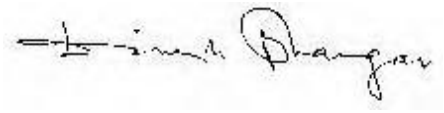
We further noticed that against the total liability of ₹ 2.89 crore towards service tax, the SBS had remitted (August 2010) ₹ 2.23 crore for the period from September 2004 to August 2009 to CE from its own resources and requested the CE Department for waiver of penal interest amounting to ₹ 0.66 crore. In addition, the SBS had also paid ₹ 3.66 lakh towards service tax for the period from September 2009 to March 2010 from its own resources as the same was not collected from the customers.

Thus, payment of service tax aggregating ₹ 2.27 crore from its own resources was avoidable had it been recovered from the customers. This resulted in avoidable financial loss to the extent of ₹ 2.27 crore.

The Management stated (May 2011) that from April 2010 onwards they had initiated the collection of service tax from the customers. They further stated that only after Service Tax Department summoned the bank, the provisions of Service Tax were known to them. The reply was not convincing as the Service Tax was introduced since 1994 and the compliance of the

provisions of Service Tax was a statutory requirement. Due to non adhering to the provisions of the Service Tax Act, the SBS suffered avoidable financial loss of ₹ 2.27 crore which could otherwise be collected from its customers.

The matter was reported to Government (April 2011); its reply was awaited (September 2011).



Gangtok **(Dinesh Bhargav)**
The **Accountant General (Audit), Sikkim**

Countersigned



New Delhi **(Vinod Rai)**
The **Comptroller and Auditor General of India**

Appendix – 1.1.1

Statement showing progress towards achievement of Visions and Goals

(Referred to in Paragraph 1.1.8.1, Page 6)

Sl. No.		Issue	Action initiated
1	Total literacy	Adult education centre in each GPU	One School Mother posted (August 2010) at each GPU. No feedback as to details of training imparted by the SMs was on record.
2	Trained teachers	Teacher Training mission	Not initiated so far.
		Special grievances Cell	Not formed as of October 2011.
		Special pension Cell	Not formed as of October 2011.
		Teacher Transfer Policy	Not framed as of October 2011.
3	Quality education in school	Comprehensive and Continuous Evaluation system	Guidelines issued (October 2010) and CCE made operational from 1st term (October 2011) examination.
		Computer Literacy and English spoken course for teachers	While no effort for spoken English was initiated; computer literacy programme was not revitalised as a follow up of mission statement except for providing computers along with internet facilities under SSA which was also largely defunct.
		Internet facility to all schools.	Out of 776 schools, 15 schools had internet facilities. However, no addition as a follow up of the announcement in Mission statement (August 2010).
		Computer Aided Learning in all schools	Out of 776 schools, 15 schools had internet facilities. However, no addition as a follow up of the announcement in Mission statement (August 2010).
4	SCERT	SCERT creation	The formation of SCERT was notified (Sept. 2010) under RTE; however not constituted as of October 2011 and till such time State Education Institute was partially discharging the SCERT function.

Appendix – 1.1.2

The frameworks stipulated in the respective Acts

(Referred to in Paragraph 1.1.8.5, Page 7)

Sl. No.	Right of Children to Free and Compulsory Education Act		Remarks
	Framed by Central Government	Framed by State Government	
1	Right of child to free and compulsory education	Incorporated in the State Act.	
2	Special provisions for children not admitted to, or who have not completed elementary education.	Incorporated in the State Act.	
3	Right of transfer to other school.	Incorporated in the State Act.	
4	Duty of appropriate Government and local authority to establish school.	Incorporated in the State Act.	
5	Duties of appropriate Government, local authorities, parents and guardian.	Incorporated in the State Act.	
6	Appropriate Government to provide for pre-school education.	Incorporated in the State Act.	
7	Extent of school's responsibility for free and compulsory education.	Incorporated in the State Act.	
8	No capitation fee and screening procedure for admission.	Incorporated in the State Act.	
9	Proof of age for admission	Incorporated in the State Act.	
10	No denial of admission.	Incorporated in the State Act.	
11	Prohibition of holding back and expulsion, physical punishment and mental harassment to child.	Incorporated in the State Act.	
12	No schools to be established without obtaining certificate of recognition.	Incorporated in the State Act.	
13	Formation of School Management Committee and School Development Plan.	Incorporated in the State Act.	
14	Qualifications for appointment and terms and conditions of service of teachers.	Incorporated in the State Act.	
15	Duties of teachers and redressal of grievances.	Incorporated in the State Act.	
16	Pupil-Teacher Ratio.	Incorporated in the State Act.	
	Filling up vacancies of teachers.	Incorporated in the State Act.	
17	Prohibition of deployment of teachers for non-education purposes.	Not incorporated in the State Rule. However, notification brought out in September 2010 to this effect.	Sometimes the teachers are being deputed for census, social and economic survey, election duty, etc.
18	Prohibition of private tuition by teacher.	-do-	
19	Monitoring of child's right to education.	Incorporated in the State Act.	
20	Constitution of State Advisory Council	Incorporated in the State Act.	

Appendix – 1.1.3

Statement showing gross enrolment

(Referred to in Paragraph 1.1.10.1, Page 12)

Dist.	PS/UPS	Gender	2006	2007	2008	2009	2010	2011
East	PS	Boys	16,300	15,230	14,925	14,459	13,140	11,907
		Girls	16,404	15,353	14,951	14,460	13,492	11,884
		Total	32,704	30,583	29,876	28,919	26,632	23,791
	UPS	Boys	5,194	4,886	4,794	4,769	5,478	6,185
		Girls	6,336	6,237	6,328	6,325	7,248	7,743
		Total	11,530	11,123	11,122	11,094	12,726	13,928
	Total		**44,234**	**41,706**	**40,998**	**40,013**	**39,358**	**37,719**
West	PS	Boys	11,188	10,589	10,445	9,906	9,100	8,076
		Girls	11,032	10,499	10,350	9,740	9,135	8,087
		Total	22,220	21,088	20,795	19,646	18,235	16,163
	UPS	Boys	2,899	2,186	2,825	3,086	3,358	3,920
		Girls	3,465	3,472	3,461	3,845	4,162	4,565
		Total	6,364	5,658	6,286	6,931	7,520	8,485
	Total		**28,584**	**26,746**	**27,081**	**26,577**	**25,755**	**24,648**
North	PS	Boys	3,294	3,079	3,172	2,847	2,506	2,175
		Girls	3,360	3,240	3,122	2,899	2,662	2,314
		Total	6,654	6,319	6,294	5,746	5,168	4,489
	UPS	Boys	701	797	783	841	922	1,005
		Girls	855	931	927	973	1,111	1,217
		Total	1,556	1,728	1,710	1,814	2,033	2,222
	Total		**8,210**	**8,047**	**8,004**	**7,560**	**7,201**	**6,711**
South	PS	Boys	11,157	10,407	10,179	9,772	9,404	8,334
		Girls	10,975	10,383	10,259	9,856	9,449	8,220
		Total	22,134	20,790	20,438	19,628	18,853	16,554
	UPS	Boys	2,807	2,863	2,776	2,913	3,279	3,959
		Girls	3,427	3,547	3,569	3,694	4,185	4,860
		Total	6,234	6,410	6,345	6,607	7,464	8,819
	Total		**28,368**	**27,200**	**26,783**	**26,235**	**26,317**	**25,373**
Grand Total		Boys	**53,540**	**50,037**	**49,899**	**48,593**	**47,187**	**45,561**
		Girls	**55,854**	**53,662**	**52,967**	**51,792**	**51,444**	**48,890**
		Total	**1,09,394**	**1,03,699**	**1,02,866**	**1,00,385**	**98,631**	**94,451**

Source: PME Cell

Appendix – 1.1.4

Learning assessment system

Classwise and subject-wise distribution of Achievement (in %age) - Children in different Levels

(Referred to in Paragraph 1.1.11.3, Page 20)

Std.	Sub./ Level	Excellent A (>80%)	High B (60-80 %)	Above Avg. C (45 -60%)	Average D (30- 45%)	Low E (< 30%)
III	English	2.87	40.45	52.55	4.14	0.00
	Mathematics	1.17	4.11	12.32	34.31	48.10
	EVS	5.66	9.91	15.33	26.65	42.45
IV	English	4.60	48.47	44.79	2.15	0.00
	Mathematics	1.13	0.85	5.65	28.53	63.84
	EVS	0.00	8.80	27.11	46.83	17.25
VI	English	10.12	30.67	42.02	12.58	4.60
	Mathematics	0.00	1.63	16.53	44.99	36.86
	Science & Tech.	3.27	7.84	29.41	44.44	15.03
VII	English	2.17	28.79	53.25	14.55	1.24
	Mathematics	0.00	0.00	12.66	45.57	41.77
	Science & Tech.	0.46	5.72	29.06	48.05	16.70

Excellent (>80%); B - High (60-80 %); C- Above Avg (45 -60%); D- Average (30- 45%); E- Low (< 30%)

Appendix – 1.1.5

ASER Survey

(Referred to in Paragraph 1.1.11.4, Page 20)

Class-wise percentage of children by reading level in Elementary Schools 2010

Std.	All India/Sikkim	Nothing	Letter	Word	Level 1 (Std 1 Text)	Level 2(Std 2 Text)	Total
I	***Sikkim***	***6.5***	***39.3***	***41.7***	***8.4***	***4.1***	***100***
	All India	34.0	41.1	17.0	4.4	3.4	100
II	***Sikkim***	***0.4***	***14.9***	***52.6***	***21.1***	***11.0***	***100***
	All India	12.1	32.4	32.4	13.9	9.1	100
III	***Sikkim***	***1.1***	***8.0***	***25.8***	***49.5***	***15.7***	***100***
	All India	6.0	18.8	29.6	25.7	20.0	100
IV	***Sikkim***	0.3	2.7	21.4	46.4	29.3	100
	All India	3.1	10.1	19.4	29.3	38.1	100
V	***Sikkim***	***0.0***	***1.3***	***10.4***	***39.0***	***49.3***	***100***
	All India	2.2	6.7	12.7	25.1	53.4	100
VI	***Sikkim***	***0.0***	***0.6***	***3.8***	***24.2***	***71.4***	***100***
	All India	1.3	4.0	7.6	19.7	67.5	100
VII	***Sikkim***	***0.0***	***0.0***	***1.7***	***19.2***	***79.1***	***100***
	All India	1.0	2.7	5.2	15.0	76.2	100
VIII	***Sikkim***	***0.0***	***0.0***	***2.6***	***5.0***	***92.4***	***100***
	All India	0.7	1.9	3.2	11.3	82.9	100
Total	***Sikkim***	***1.0***	***8.4***	***20.7***	***28.4***	***41.5***	***100***
	All India	8.3	15.9	16.8	18.2	40.9	100

Class-wise percentage of children by Arithmetic level – All Schools 2010

Std.	All India	Nothing	Recognise Numbers		Subtract	Divide	Total
	Sikkim		1-9	11-99			
I	***Sikkim***	***3.9***	***35.3***	***49.6***	***7.2***	***4.2***	***100***
	All India	34.2	42.1	18.2	3.4	2.1	100
II	***Sikkim***	***1.1***	***12.3***	***61.8***	***20.7***	***4.1***	***100***
	All India	12.1	34.9	36.0	12.8	4.3	100
III	***Sikkim***	***1.1***	***5.0***	***40.5***	***44.9***	***8.5***	***100***
	All India	5.6	21.0	36.9	27.0	9.4	100
IV	***Sikkim***	***1.5***	***4.3***	***16.8***	***56.2***	***21.3***	***100***
	All India	2.9	11.9	27.8	35.6	21.8	100
V	***Sikkim***	***0.3***	***0.7***	***12.1***	***44.6***	***42.3***	***100***
	All India	2.1	7.8	19.8	34.4	35.9	100
VI	***Sikkim***	***0.0***	***0.3***	***4.5***	***28.5***	***66.7***	***100***
	All India	1.2	4.5	14.1	30.8	49.3	100
VII	***Sikkim***	***0.4***	***0.0***	***3.7***	***21.9***	***74.0***	***100***
	All India	1.0	3.2	11.5	26.5	57.8	100
VIII	***Sikkim***	***0.0***	***0.0***	***2.3***	***10.7***	***87.0***	***100***
	All India	0.7	2.2	8.8	21.0	67.8	100
Total	***Sikkim***	***1.1***	***7.2***	***24.6***	***31.3***	***35.9***	***100***
	All India	8.2	17.2	22.4	23.7	28.6	100

Class-wise percentage of children in Std V-VIII able to answer questions in everyday math - All Schools 2010

Std.	All India/ Sikkim	Neither	One	Both	Neither	One	Both	Neither	One	Both	Neither	One	Both
		Menu			Calendar			Area			Estimation		
V	*Sikkim*	22.3	26.1	51.7	46.8	19.7	33.5	71.0	14.4	14.6	59.3	16.1	24.6
	All India	32.9	14.3	52.8	47.6	13.9	38.6	64.0	9.0	27.0	53.7	10.4	35.9
VI	*Sikkim*	16.8	14.4	68.9	30.0	19.7	50.3	66.3	17.7	19.1	56.9	14.6	28.6
	All India	23.8	14.0	62.2	37.3	14.1	48.6	53.8	10.9	35.4	44.4	11.3	44.3
VII	*Sikkim*	9.5	11.8	78.7	26.1	17.2	56.8	51.7	16.4	31.9	36.7	14.1	49.2
	All India	17.9	13.6	68.5	29.5	14.2	56.2	46.1	12.4	41.5	38.0	11.1	50.9
VIII	*Sikkim*	1.3	7.8	90.9	10.9	10.2	78.8	30.6	15.8	53.6	18.5	17.0	64.6
	All India	13.7	11.8	74.5	23.6	13.2	63.3	37.3	12.0	50.7	31.7	10.6	57.8

Appendix – 1.1.6

Statement showing completion status of kitchen sheds

(Referred to in Paragraph 1.1.12.7, Page 26)

No of kitchen sheds Approved by GOI (during the year)	No of Kitchen Sheds undertaken for construction by the Department	Amount Approved by GOI @ ₹ 60000 per Kitchen (₹)	Cost of Construction as per the estimate prepared by Engineering Cell of the Deptt. (₹)	Completed so far as per the record submitted to GOI	Remarks
245 (2006-07)	245	1.47 cr	76200*	245	
555 (2006-07)	518	3.33 cr	87,849	518	
59 (2008-09)	96	0.35	87,849	Not yet started.	Payment of ₹ 40,16,160 for Roofing structure already made to Sikkim State Cooperative Supply and Marketing Federation Limited

* *As per the estimate prepared by the Department the Total Cost of Roofing was ₹ 31,196/- (Items : 12+12(a)+18+19+20) i.e. ₹ (12722+5239+1121+8250+1767) but actual cost of Roofing was ₹ 35,221/- as per the Payment made to SIMFED (₹ 728770+₹ 13,41,385)/245 = ₹ 35,221/-*

Appendix – 1.1.7

Statement showing estimates of roofing structure

(Referred to in Paragraph 1.1.12.7, Page 26)

Estimated Amount		As per the Work order issued to District office	
Cost of Roofing	Cost of Civil Work	Cost of Roofing	Cost of Civil Work
31,196	45,004	29,654	46,547

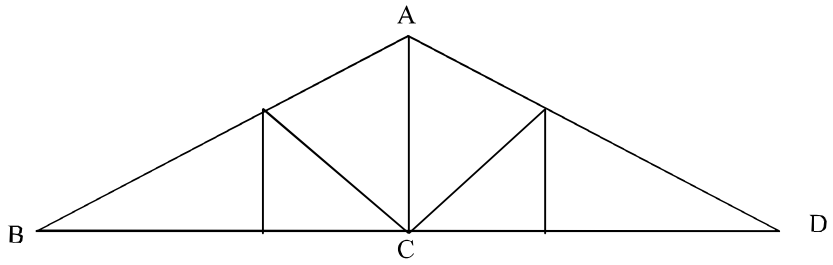
(Actual cost of roofing structure was ₹ 35,221/-)

Appendix – 1.1.8

Statement showing Design and Drawing of the roofing structure

(Referred to in Paragraph 1.1.12.7, Page 27)

The Design and Drawing of the roofing structure was prepared by the Engineering Cell of the Department. The front view of the Roofing Structure as per the drawing was:



Here the Side AB, AD,BD, AND AC represents 40mm Tubular Truss,

Where :

i. AB =3 m
ii. AD = 3 m
iii. BD =4.775 m
iv. AC = 1.2 m

Considering the Triangle ABC which is symmetrical to Triangle ACD, We get:

BC=DC, therefore BC = ½ of BD or ½ of 4.775m = 2.388m

Now applying a basic trigonometry formula (in right angled triangle ABC) of: $a^2+o^2=h^2$ Where 'a' is adjacent side, 'o' is opposite side and 'h' is the hypotenuse of the right angled triangle ABC, we get:

$2.388^2+1.2^2$ = side AB^2 OR 5.70 + 1.44 = 7.14

Therefore AB $= \sqrt{7.14}$ = 2.67m

Therefore the roofing sides i.e. AB and AD is 2.67 m and not 3 m.

In the drawing AB and AD which is shown as 3 m is geometrically an impossible figure.

Appendix – 1.1.9

The list of 23 Schools where Kitchen Shed were constructed both under SSA and MDM

(Referred to in Paragraph 1.1.12.7, Page 27)

Year of Construction under SSA	PS/JHS/SSS	Year of Sanction under MDM	Cost of Construction under MDM (in ₹)
2005-06	**West District**		
	Hee Kyongbari PS	2007-08	87,850
	Lower Tandong PS	2007-08	87,850
	Labdang JHS	2006-07	76,200
	North District		
	Pakshep JHS	2006-07	76,200
	Thibuk JHS	2006-07	76,200
	Tumlong JHS	2006-07	76,200
2006-07	Namphrick JHS	2006-07	76,200
	Lingzya JHS	2006-07	76,200
	Salim Pakyal JHS	2006-07	76,200
	Sarchok JHS	2006-07	76,200
	Bringbong PS	2007-08	87,850
	Hee Rabong PS	2007-08	87,850
	Mangzing PS	2007-08	87,850
	Phedang PS	2007-08	87,850
	Chawang PS	2007-08	87,850
	Bakchya PS	2007-08	87,850
	Tadong PS	2007-08	87,850
	U Mangshila PS	2007-08	87,850
	Naga PS	2007-08	87,850
	Voong PS	2007-08	87,850
	Meong PS	2007-08	87,850
	Maling PS	2007-08	87,850
	Mangan SSS	2006-07	76,200
Total			19,15,700

Appendix – 1.1.10

Short lifting of foodgrain

(Referred to in Paragraph 1.1.12.10, Page 29)

Year		Foodgrains allocated (in MTs)	Foodgrain lifted (in MTs)	Short lifting (in MTs)
01.04.06-31.12.06	PS	1,960.70	1,685.71	274.99
01.04.07-31.12.07	PS	2,026.88	1,411.45	615.43
01.04.08-31.12.08	PS	1,149.50	1,077.57	71.93
	UPS	860.78	686.288	174.492
01.04.09-31.12.09	PS	1,513.75	1,135.17	380.58
	UPS	746.21	559.63	186.58
01.04.10-31.12.10	PS	1,350.40	1,107.70	242.7
	UPS	891	658.7	232.3
			Total	**2,179**

2,179 MT @ ₹ 5,650 per MT = ₹ 1,23,11,350.

Appendix – 1.1.11

Meals served against foodgrain utilised

(Referred to in Paragraph 1.1.12.10, Page 29)

Period	PS/ UPS	Average No of children who actually availed MDM (a)	No of working Days (b)	Foodgrain utilised (in MTs) (c)	No. of meals that should have been served. (d)=(c×1000× 1000)/100	Quantity of Meals Served (e)	Difference (+)less (-) excess (f)=d-e
01.04.06 TO 31.12.06	PS	1,02,520	186	1,685.7	1,68,57,000	1,90,68,720	-22,11,720
01.04.07 TO 31.12.07	PS	88,124	169	1,411.45	1,41,14,500	1,48,92,956	-7,78,456
01.04.08 TO 31.12.08	PS	79,312	189	1,077.57	1,07,75,700	1,49,89,968	-42,14,268
	UPS	22,925		686.29	45,75,253	43,32,825	2,42,428
01.04.09 TO 31.12.09	PS	63,391	180	1,135.17	1,13,51,700	11,410,380	-58,680
	UPS	26,811		559.63	37,30,866	48,25,980	-10,95,114
01.04.10 TO 31.12.10	PS	67,395	175	1,107.7	1,10,77,000	1,17,94,125	-7,17,125
	UPS	27,554		658.7	43,91,333	48,21,950	-4,30,617
					7,68,73,352	**8,61,36,904**	**-92,63,552**

Appendix – 1.1.12

Utilisation of foodgrain *vis a vis* cooking cost

(Referred to in Paragraph 1.1.12.10, Page 29)

Period		Foodgrain utilised (MTs)	Expected Cooking Cost per child per school day # @ ₹ 3.05 (₹ in lakh)	Cooking Cost Utilised (₹ in lakh)	Excess (+) / Less(-)
01.04.06 to 31.12.06	PS	1,685	303.43#	127.05	176.38
01.04.07 to 31.12.07	PS	1,411.45	430.49	158.19	272.3
01.04.08 to 31.12.08	PS	1,077.57	328.66	443.25	-114.59
	UPS	686.288	139.55 *	89.11	50.44
01.04.09 to 31.12.09	PS	1,135.17	346.23	424.67	-78.44
	UPS	746.21	200.48 **	163.10	37.38
01.04.10 to 31.12.10	PS	1107.7	337.85	233.41	104.44
	UPS	658.70	175.65 ***	129.20	46.45
Total					494.36

\# *The rate of cooking cost during academic year 2006 was ₹ 1.8 per child per school day.*

* *The rate of cooking cost during academic year 2008 was ₹ 3.05 per child per school day.*

** *The rate of cooking cost during academic year 2009 was ₹ 4.03 per child per school day.*

*** *The rate of cooking cost during 2010 was ₹ 4 per child per school day.*

Appendix – 1.2.1

Short recovery of site salami from allottee

(Referred to in Paragraph 1.2.7.2, Page 41)

S. N.	Name of allottee	Location of allotment	Total area in sft	Rate at which realised (in sft)	Amount realised (in ₹)	Actual rate in sft	Short realisation (in ₹)
01	Sonam Wangyal Bhutia	DPH Area	520	75	39,000	100	13,000
02	Ugen Tashi	Dev. Area	600	75	45,000	100	15,000
03	Rastaman Rai	Tadong	1200	25	30,000	75	60,000
04	C.C. Sangderpa	Sichey	1100	75	82,500	100	27,500
05	Pabitra Bagdas	DPH Area	360	50	18,000	100	18,000
06	Dadiram Chhetri	DPH Area	200	70	14,000	100	6,000
07	Harka Maya Kunal	Singtam	375	10	3,750	50	15,000
08	Jeewan Kr. Gazmer	DPH Area	360	40	14,400	100	21,600
09	Ongmu Bhutia	DPH Area	450	40	18,000	100	27,000
10	Paul Maya Subba	Singtam	375	10	3,750	50	15,000
11	Man Bdr. Kami	Singtam	375	9	3,230	50	15,375
12	Deepak Kami	Singtam	375	9	3,750	50	15,375
13	Chandra Kr. Gurung	Chandmari	594	75	44,550	100	14,850
14	Sushila Sing	Balwakhani	500	40	20,000	100	30,000
15	Devi Pd. Sharma	DPH Area	600	40	24,000	100	36,000
16	Tashi Thendup Bhutia	DPH Area	300	40	12,000	100	18,000
17	Johney Tamang	Dev. Area	336	40	13,440	100	20,160
18	Doma Sherpa	Dev. Area	400	40	16,000	100	24,000
19	Desang Dorjee Lama	Rangpo	300	10	3,000	50	12,000
20	Bhumika Sharma	Dev. Area	600	40	24,000	100	36,000
21	Satish Chandra Rai	5 Mile Tadong	780	40	31,200	75	27,300
22	Bishnu Bhujel	-do-	780	11	8,240	75	50,260
23	Anu Kumari Rai	-do-	780	40	31,200	75	27,300
24	Lalita Pradhan	-do-	780	40	31,200	75	27,300
25	Amrit Pd. Rai	Singtam Bazaar	300	30	9,000	50	6,000
26	Yam Bdr. Manger	DPH Area	743	21	15,300	100	59,000
27	Laxmi Gurung	Dev. Area	450	17	7,500	100	37,500
28	Pempa Doma Bhutia	DPH Area	455	50	22,500	100	23,000
29	Namrata Rai	DPH Area	500	50	25,000	100	25,000
30	Sita Lohar	DPH Area	300	50	15,000	100	15,000
31	Bindra Maya Biswakarma	DPH Area	400	50	20,000	100	20,000

S. N.	Name of allottee	Location of allotment	Total area in sft	Rate at which realised (in sft)	Amount realised (in ₹)	Actual rate in sft	Short realisation (in ₹)
32	Sunita Cintuary	DPH Area	400	50	20,000	100	20,000
33	Bhagirathi Sharma	DPH Area	375	50	18,750	100	18,750
34	Shova Pradhan	DPH Area	495	50	21,250	100	21,250
35	Laxuman Sewa (Darjee)	DPH Area	360	50	18,000	100	18,000
36	Pemkit Lepcha	Dev. Area	400	50	20,000	100	20,000
37	Santosh Rai	DPH Area	300	50	15,000	100	15,000
38	Shova Rai	DPH Area	300	50	15,000	100	15,000
39	Tek Bdr. Gurung	DPH Area	540	50	22,500	100	22,500
40	Sakun Gurung	DPH Area	540	50	22,500	100	22,500
41	Januki Gurung	DPH Area	540	50	22,500	100	22,500
42	Kumar Pradhan	DPH Area	400	50	20,000	100	20,000
43	Laxmi Bagdas	DPH Area	400	50	20,000	100	20,000
44	Sonam Bhutia	DPH Area	450	50	22,500	100	22,500
45	Mahendra Gurung	Chandmari	450	67	30,000	100	15,000
46	Kendra Bdr. Pradhan	Rangpo	600	30	18,000	50	12,000
47	Urmila Sherpa	Dev. Area	550	50	27,500	100	27,500
48	Bibi Tamang	DPH Area	450	50	22,500	50	22,500
49	Mohan Khati	DPH Area	500	50	25,000	100	25,000
50	Karma Wangdi Bhutia	Pakyong	704	04	3,120	30	18,000
51	Shanti Maya Subba	Pakyong	704	04	3,120	30	18,000
52	Prem Mani Rai	DPH Area	400	50	20,000	100	20,000
53	Tek Bdr. Rai	Dev. Area	506	50	25,300	100	25,300
54	Bikash Pradhan	Dev. Area	500	50	25,000	100	25,000
55	Meena Sharma	Dev. Area	500	50	25,000	100	25,000
56	Rohit Rai	Dev. Area	500	50	25,000	100	25,000
57	Chandra Prasad Sharma	Dev. Area	500	50	25,000	100	25,000
58	Purna Kr. Tamang	Dev. Area	500	50	25,000	100	25,000
59	Rajani Rai	Dev. Area	500	50	25,000	100	25,000
60	Churumani Sharma	Dev. Area	500	50	25,000	100	25,000
61	Krishna Kala Thapa	Dev. Area	506	50	25,300	100	25,300
62	Budha Rani Limboo	Dev. Area	506	50	25,300	100	25,300
63	Satish Kr. Tamang	Dev. Area	506	50	25,300	100	25,300
64	Bimala Mukhia	Dev. Area	500	50	25,000	100	25,000
65	Rudra Prasad Sharma	Dev. Area	506	50	25,300	100	25,300
66	Chunku Bhutia	Deorali	831	50	41,550	100	41,550
67	Chandra Kala Bhujel	Sichey	500	175	87,500	375	1,00,000
68	Kamala Chettri	Makha	600	20	12,000	100	48,000
69	Akash Lama	U/Sichey	704	75	52,800	375	2,11,200

S. N.	Name of allottee	Location of allotment	Total area in sft	Rate at which realised (in sft)	Amount realised (in ₹)	Actual rate in sft	Short realisation (in ₹)
70	Prem Singh Tamang	Tadong	1200	25	30,000	500	5,70,000
71	Dilliram Baraily	Rhenock	1066	05	5,330	150	1,54,570
72	Dhan Kumari Baraily	Dev. Area	560	45	25,300	100	30,800
73	Rupmani Pradhan	Ranipool	470	10	4,700	30	9,400
74	Goma Devi Sharma	Dev. Area	704	36	25,000	100	45,400
75	Man Maya Chetteri	Dev. Area	500	50	25,000	100	25,000
76	Nar Bdr.Chettri	Rangpo	234	10	2,340	50	9,360
77	Dhan Bdr. Diyali	Dev. Area	500	50	25,000	100	25,000
78	Lakhit Lepcha	Makha	600	20	12,000	100	48,000
79	Renuka Khawas	Makha	600	20	12,000	100	48,000
80	Dhan Maya Sharki	Dev. Area	600	50	30,000	500	2,70,000
81	Kanta Lohar	Dev. Area	600	50	30,000	500	2,70,000
82	David Lohar	Dev. Area	600	20	12,000	500	2,88,000
83	Pavitra Tiwari	Makha	600	20	12,000	100	48,000
84	Ratna Bdr. Chettri	Rongneck	704	10	7,040	375	2,56,960
85	Chomu Lepcha	Rongneck	704	19	13,200	375	2,50,800
86	Tshering Dorjee Lepcha	Rongneck	704	19	13,200	375	2,50,800
87	Tek Bdr. Sunwar	Rongneck	704	19	13,200	375	2,50,800
88	Norbu Tsh. Bhutia	Rongneck	704	19	13,200	375	2,50,800
89	Sonam Palden Bhutia	Rongneck	704	19	13,200	375	2,50,800
90	Sonam Rinchen Bhutia	Rongneck	704	19	13,200	375	2,50,800
91	Raju Rai	Lumsey	1200	40	48,000	375	4,02,000
92	S.D. Basi	Balwakhani	1600	250	4,00,000	375	2,00,000
93	Hari Maya Gazmer	Rorathang	450	03	1,350	100	43,650
94	Pema Lepcha	Sichey	2794	120	3,61,350	375	6,86,400
95	Damber Kr. Rai	Jorethang	750	50	37,500	150	75,000
96	Nirmala Rai	Jorethang	750	50	37,500	150	75,000
97	Choden Bhutia	Jorethang	750	50	37,500	150	75,000
98	Soni Rai	Jorethang	750	50	37,500	150	75,000
99	D.P. Rai	Jorethang	750	50	37,500	150	75,000
100	Bijoy Subba	Jorethang	540	50	27,000	150	54,000
101	Krishna Bhandari	Jorethang	750	50	37,500	150	75,000
102	Rabi Gurung	Jorethang	540	50	27,000	150	54,000
103	Easter Tsh. Lepcha	Jorethang	750	50	37,500	150	75,000

S. N.	Name of allottee	Location of allotment	Total area in sft	Rate at which realised (in sft)	Amount realised (in ₹)	Actual rate in sft	Short realisation (in ₹)
104	Narendra Kr. Rai	Jorethang	750	50	37,500	150	75,000
105	Ganesh Prasad	Jorethang	750	50	37,500	150	75,000
106	Chet Raj Agarwal	Jorethang	750	50	37,500	150	75,000
107	Arjun Minda	Jorethang	750	50	37,500	150	75,000
108	Om Prakash Agarwal	Jorethang	750	50	37,500	150	75,000
109	Suraj Rai	Jorethang	750	50	37,500	150	75,000
110	Bishnu Chamling	Jorethang	750	50	37,500	150	75,000
	Grand Total						**82,15,610**

Appendix – 1.2.2

Statement showing the excess payment due to erroneous assessment of land compensation

(*Referred to in Paragraph 1.2.8.2, Page 42*)

S.N.	Name of acquiring department	Area (in hect.)	Market rate at which assessment done (₹/sft)	Valuation done by deptt. (₹)	Maket rate worked out by Audit (₹/sft)	Total valuation i/c solatium and other stauding properties worked out by Audit (₹)	Excess assessment done by deptt.(₹)
01	HRDD (for setting of University at Yangyang, S/Sikkim	125.0172	9.37/sft	26,94,92,492	2.82/sft	11,83,14,715	15,11,77,777
02	UDHD (Ext. of Damthang Bazaar)	1.646	10.42/sft	28,83,278	1.76/sft	6,45,163	22,38,115
03	Tourism (Installation of Ropeway Station at Namchi)	0.0648	343.96/sft	24,06,553	121.29/sft	8,48,611	15,57,942
04	Energy & Power (Transmission line from Chujachen to Phongla, Namthang)	0.475	16.34/sft	13,58,492	4.16/sft	5,48,912	8,09,580
05	RMDD(const. of stadium cum rural community centre at Gagyang)	2.448	12.34/sft	44,80,853	5.54/sft	21,51,523	23,29,330
06	LRDMD (Creation of Land Bank)	5.9380	14.18/sft	1,24,53,548	7.93/sft	69,18,463	55,35,085
07	Tourism (Development of tourist infrastructure including helipad at Lingmoo, S/Sikkim)	25.370	18.20/sft & 12.34/sft	6,98,15,402	12.63/sft & 1.95/sft	2,40,27,287	4,57,88,115
08	Tourism (Tourist Infrastructure at Namphok)	2.7240	15.18/sft	61,59,417	5.31/sft	23,97,222	37,62,195
09	Tourism (For establishment of Fossil Park at Mamley)	4.3120	16/sft	1,17,21,428	3/sft	35,63,639	81,57,789
	Total	**163.683**		**38,07,71,463**		**15,94,15,535**	**22,13,55,928**

Appendix – 1.2.3

Inadmissible payment of solatium

(Referred to in Paragraph 1.2.8.3, Page 43)

(₹ in lakh)

S.N.	Acquiring department	Purpose of acquisition	Total area (in hectare)	Total compensation including solatium and cost of standing properties	Solatium paid
01	UDHD	Creation of Land Bank	12.430	278.72	61.82
02	RMDD	Const. of stadium cum rural community centre at Gagyang	2.448	46.62	10.34
03	Tourism	Tourist Infrastructure at Namphok	2.7240	61.59	13.66
04	PHED	Const. of sewerage treatment plant at Sripatam block	2.2640	46.42	10.23
05	UDHD	Development and disposal of plots at Sokeythang	4.706	3.26	21.32
06	HRDD	Const. of Govt. college at Mangshila	9.213	172.16	39.71
07	UDHD	Various Development purpose	5.0111	923.24	204.86
	Total		**38.7961**		**361.94**

Appendix – 1.2.4

Statement showing excess projection of standing trees in land compensation cases for construction of PMGSY and SPWD roads

(Referred to in Paragraph 1.2.8.11, Page 46)

S.N.	Name of the work	Area	Cost of land	Cost of standing trees	Cost of standing structures	Total compen-sation	Higher cost of standing properties than cost of land and percentage thereof
01	Road from Ganchung to Thangsing, South Sikkim	7.0950 hect	15,09,041	26,61,105	33,19,153	74,89,299	59,80,258 *(396)*
02	-do- at Naku block	4.5730 hect	10,49.021	17,28,075		27,77,096	17,28,075 *(165)*
03	-do- Middle Sanku to Lower Sanku	2.9480 hect	7,28,452	13,18,758		20,47,210	13,18,758 *(181)*
04	-do- at Lower Gom to Kitam PHSC, S/Sikkim	0.1140 hect	28,169	1,28,138	2,04,588	3,60,895	3,32,726 *(1181)*
05	-do- at Tingda to Singthang under Kabi Tingda GPU, N/South	1.9100 hect	4,71,770	2,76,691	14,01,186	21,49,647	16,77,877 *(356)*
06	-do- at 9th mile Niya Bazaar SPWD road to CCCT Chisopani, S/Sikkim	7.7840 hect	19,27,000	16,04,468	20,60,456	55,91,924	36,64,924 *(190)*
07	-do- at Assam block Pastenga to Noop Goan, E/Sikkim	7.3710 hect	18,21,376	16,23,279	10,46,105	44,90,751	26,69,375 *(147)*

S.N.	Name of the work	Area	Cost of land	Cost of standing trees	Cost of standing structures	Total compen-sation	Higher cost of standing properties than cost of land and percentage thereof
08	-do- at NSH to Tinzey under U/Mangshila block, N/Sikkim	4.0340 hect	9,96,398	11,85,477		21,81,875	11,85,477 *(119)*
09	-do- at Jhusing under U/Mangshila block, N/Sikkim	1.0600 hect	2,61,820	4,19,357		6,81,177	4,19,357 *(160)*
10	-do- at Lasso Block, West Sikkim	1.0630 hect	2,62,664	10,35,753		12,98,417	10,35,753 *(394)*
11	-do- at Lower Chongrang Block, West Sikkim	1.5000 hect	3,70,647	8,77,005		12,47,652	8,77,005 *(237)*
12	-do- at 10th mile Okheray to Chengba Goan at Okhrey, West Sikkim	4.5270 hect	11,18,622	30,73,670		41,92,292	30,73,670 *(275)*
13	-do- at Timberbong to Gairi Goan, West Sikkim	2.4250 hect	6,01,410	13,69,716		19,71,126	13,69,716 *(228)*
14	-do- at Dong to Kamrang Govt. College road, South Sikkim	1.1500 hect	12,50,811	19,58,793	10,99,910	43,09,514	30,58,703 *(245)*
15	-do- at NSH to Deythang under Swayem block, North Sikkim	5.9180 hect	14,61,746	34,32,243		48,93,989	34,32,243 *(235)*
16	-do- at Dentam Uttarey SPWD road 5th mile to L/Begha, West Sikkim	4.7020 hect	11,61,863	41,73,451		53,35,314	41,73,451 *(359)*
17	-do- at Singling to Khundurkey block, West Sikkim	5.3050 hect	13,31,628	39,75,308		53,06,936	39,75,308 *(299)*
18	-do- at Lingchom SPWD road to Bangten block, West Sikkim	7.7040 hect	19,15,026	53,07,077		72,22,103	53,07,077 *(277)*
19	PMGSY road from Khorling to Ravikhola	0.4100 hect	1,01,311	1,28,554	13,58,450	15,88,315	14,87,004 *(1468)*
20	-do- at NHS to Robi Chongthong under Namok block, North Sikkim	3.0660 hect	5,57,302	14,23,570		19,80,872	14,23,570 *(255)*
21	-do- at NHS to Men Rongong, North Sikkim	3.6280 hect	8,96,116	17,59,317		26,55,433	17,59,317 *(196)*
22	-do- at DSM road to U/Barfok and Mangzing, North Sikkim	3.2020 hect	7,90,894	10,96,064		18,86,958	10,96,064 *(139)*
23	-do- at Tingvong to Kusung in U/Dzongu, North Sikkim	N.A	10,26,453	17,65,114		27,91,567	17,65,114 *(172)*
24	-do- at Ringhim Gumpa to Kalley busty, N/Sikkim	5.7560 hect	14,21,732	19,70,560		33,92,292	19,70,560 *(139)*
			2,30,61,272	**4,42,91,546**	**1,04,89,848**	**7,78,42,666**	

(1) Cost of land = ₹ *2,30,61,272.00*

(2) Cost of Standing properties = ₹ *5,47,81,394.00*

G. Total = ₹ *7,78,42,666.00*

Appendix – 1.2.5

Allotment of house sites and additional allotment to VIPs/MLAs/Ministers and their family members

(Referred to in Paragraph 1.2.10.4, Page 50)

S. N.	Beneficiaries	Total area allotted and location (in sft)	Additional land allotted (in sft)	Remarks
01	Rastaman Rai, MBC, Adhyaksha, West District	1,200 (Tadong)		Land of Road & Bridges Department
02	C.C. Sandarpa, ST	1,100 (Sichey)		Land of Energy & Power Department
03	Bhim Prasad Bhungel, MLA (Minister)	1,200 (Lumsey, Tadong)	600 (Total 1800 sft)	Land of Road & Bridges Department
04	Mrs. Manita Thapa, MLA	1,200 (-do-)		-do-
05	Mrs. Sabitri Bhandari	1,200 (-do-)		-do-
05	Mrs. Minchom Bhutia, w/o Mingma Sherpa, MLA	1,200 (-do-)		-do-
06	Mrs. Nimthit Lepcha, MLA	1,200 (-do-)		-do-
07	Krishna Kumar Karki	1,200 (-do-)		-do-
08	Srijana Subba, ST	1,200 (-do-)		-do-
09	Bibek C. Sharma	1,200 (Tadong)		
10	Dawcho Lepcha, MLA	1,200 (Lumsey)		Land belonging to Roads & Bridges Department
11	Ganga Ram Rai, MBC	1,200 (-do-)		-do-
13	Bhaichung Bhutia	1,200 (-do-)		-do-
14	Prem Singh Tamang, MLA	1,200 (Flour Mill, Tadong)		
15	Raju Rai, MBC	1,200 (Lumsey)		Land of Roads & Bridges Department
16	S.D. Basi	1,600 (Balwakhani)		
17	Doma Lhamu Rai, MBC	1,200 (Lumsey)		Land of Roads & Bridges Department
18	Pema Lepcha, w/o Sonam Gyatso Lepcha, Ex-MLA	3,123 (Sichey)	2,401 +722 =3,123 However, found during inspection 2,288 + 506 addl. = 2,794	Land of Energy & Power Department
19	S.B. Subedi, MLA (Minister)	2,225 (SNT Complex, Gangtok)	600 (3,157) + 335+245+ 225 (Total = 3,830)	Land of SNT Department

Appendix – 1.2.6

Transfer of Government land to UDHD for allotment of house sites

(Referred to in Paragraph 1.2.10.7, Page 51)

(Area in Hectares)

S. N.	Land belonging to	Area	Location
01	Roads & Bridges Department	2.2624	Lumsey, Tadong
02	Energy & Power Department	0.0840	5the Mile Tadong
	-do-	0.1275	Sichey Power Complex, Gangtok
03	Transport Department (SNT Division)	0.0518	Development Area, SNT Complex, Gangtok
04	Building & Housing Department	0.1999	Development Area and Syari, Gangtok
	Total	**2.7256**	

Appendix – 1.2.7

Statement showing the loss of revenue due to allotment of house site at concessional rate

(*Referred to in Paragraph 1.2.10.10, Page 53*)

S. N.	Name of allottee	Location of allotment	Total area in sft	Rate at which realised (in sft)	Amount realised (in ₹)	Actual rate in sft	Short realisation (in ₹)
01	Pratap Singh Subba	Swayambootar, Utterey, W/Sikkim	600	05	4,375	25	10,625
02	Harka Man Subba	Swayambootar, Utterey, W/Sikkim	600	05	4,375	25	10,625
03	Bimla Subba	Swayambootar, Utterey, W/Sikkim	600	05	4,375	25	10,625
04	Padam Prasad Subba	Swayambootar, Utterey, W/Sikkim	600	05	4,375	25	10,625
05	K.B. Rai	Swayambootar, Utterey, W/Sikkim	600	05	4,375	25	10,625
06	Santa Bir Kami	Swayambootar, Utterey, W/Sikkim	600	05	4,375	25	10,625
07	Gajur Maya Subba	Swayambootar, Utterey, W/Sikkim	600	05	4,375	25	10,625
08	Dal Singh Subba	Swayambootar, Utterey, W/Sikkim	600	05	4,375	25	10,625
09	Dew Prasad Subba	Swayambootar, Utterey, W/Sikkim	600	05	4,375	25	10,625
10	Hari Prasad Subba	Swayambootar, Utterey, W/Sikkim	600	05	4,375	25	10,625
11	Chatur Singh Subba	Swayambootar, Utterey, W/Sikkim	600	05	4,375	25	10,625
12	Nar Maya Pradhan	Swayambootar, Utterey, W/Sikkim	600	05	4,375	25	10,625
13	Suk Maya Chhetri	Swayambootar, Utterey, W/Sikkim	600	05	4,375	25	10,625
14	K.B. Gurung	Swayambootar, Utterey, W/Sikkim	600	05	4,375	25	10,625
15	D.B. Tamang	Swayambootar, Utterey, W/Sikkim	600	05	4,375	25	10,625
16	Ganga Prasad Subba	Swayambootar, Utterey, W/Sikkim	600	05	4,375	25	10,625
17	Mani Ram Subba	Swayambootar, Utterey, W/Sikkim	600	05	4,375	25	10,625
18	C.B. Subba	Swayambootar, Utterey, W/Sikkim	600	05	4,375	25	10,625
19	Prithivi Raj Subba	Swayambootar, Utterey, W/Sikkim	600	05	4,375	25	10,625
20	Suman Subba	Swayambootar, Utterey, W/Sikkim	600	05	4,375	25	10,625
21	Chandra Maya Subba	Swayambootar, Utterey, W/Sikkim	600	05	4,375	25	10,625
	G. Total =						**2,23,125**

Development fee @ ₹ 50 per sft x 875 sft = ₹ 43,750/- per allottee
Total ₹ 43,750 x 21 allottees = ₹ 9,18,750/-
Grand total ₹ 9,18,750 + ₹ 2,23,125 = ₹ 11,41,875

Appendix – 2.1

Statement showing unjustified fixation of higher rate for the work - Formation/hill cutting

(*Referred to in Paragraph 2.3, Page 60*)

S.N	Item of work	Rate as per Ph-VI	Rate as per Ph-V	Qty. executed	Amount (₹)	Difference in rate (higher rate) (₹)	Amount of differential rate (₹)	Remarks
01.	Soil by Mechanical means	43.75 per cum	53.15 per cum	16,956.91 cum	9,01,260	9.39 per cum	1,59,225	Rural connectivity road from Ranipool to Lower Syari – Phase V (4th RA Bill, Vr. No.153/15.3.10) Contractor: Shyam Bahadur Rai
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	19,498.79 cum	16,40,043	39.10 per cum	7,62,403	
	Blasting Rock	84.96 per cum	99.93 per cum	21,473.79 cum	21,45,876	14.97 per cum	3,21,463	
						Total =	**12,43,091**	
02.	Soil by Mechanical means	43.75 per cum	53.15 per cum	36,415.46 cum	19,35,482	9.39 per cum	3,41,941	Rural connectivity road from Patuk Paksam to Lingzey – Phase V ((3rd and final bill, Vr.No.3/19.4.100) Contractor:G.T. Ladhaki
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	27,230.45 cum	22,90,353	39.10 per cum	10,64,711	
	Blasting Rock	84.96 per cum	99.93 per cum	5,930.66 cum	5,92,651	14.97 per cum	88,782	
						Total =	**14,95,434**	
03.	Soil by Mechanical means	43.75 per cum	53.15 per cum	37,614.186 cum	19,99,194	9.39 per cum	3,53,197	Rural connectivity road from SPWD Road to Karmithang, Phase – V (6th RA Bill, Vr.No.01/9.4.10) Contractor: G.M. Gurung
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	12,904.649 cum	10,85,410	39.10 per cum	5,04,572	
	Blasting Rock	84.96 per cum	99.93 per cum	3,017.482 cum	3,01,537	14.97 per cum	45,172	
						Total =	**9,02,941**	
04.	Soil by Mechanical means	43.75 per cum	53.15 per cum	34,205.02 cum	18,17,997	9.39 per cum	3,21,185	Rural connectivity road from Sungdung to Rewlakha (via Pam busty), Phase – V (4th and final RA Bill, Vr.No.27/16.8.10) Contractor:N.B.Rai
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	29,955.93 cum	25,19,593	39.10 per cum	11,71,297	
	Blasting Rock	84.96 per cum	99.93 per cum	1,350.52	1,34,957	14.97 per cum	20,217	
						Total =	**15,12,699**	
05	Soil by Mechanical means	43.75 per cum	53.15 per cum	52,554.28 cum	27,93,260	9.39 per cum	4,93,485	Rural connectivity road from East Pandam to Kamarcy, Phase – V (2nd RA Bill, Vr. No.52/17.6.08) Contractor:Sunil Kr. Agarwal)
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	21,181.88 cum	17,81,608	39.10 per cum	8,28,212	
	Blasting Rock	84.96 per cum	99.93 per cum	Nil		14.97 per cum		
						Total =	**13,21,697**	
06	Soil by Mechanical means	43.75 per cum	53.15 per cum	11,617.00 cum	6,17,444	9.39 per cum	1,09,084	Rural connectivity road from Sichey to Upper Burtuk, Phase – V (1st RA Bill , Vr.No.23/28.4.08) Contractor: K.T. Ladingpa
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	3,639.00 cum	3,06,076	39.10 per cum	1,42,285	
	Blasting Rock	84.96 per cum	99.93 per cum	Nil		14.97 per cum		
						Total =	**2,51,369**	
07	Soil by Mechanical means	43.75 per cum	53.15 per cum	24,294.56 cum	12,91,256	9.39 per cum	2,28,126	Rural connectivity road from Maneydara to Rapdang Zingla, Phase – V (1st RA Bill, Vr. No.164/25.9.08) Contractor: R.N.Chamling
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	5,202.37 cum	4,37,571	39.10 per cum	2,03,413	
	Blasting Rock	84.96 per cum	99.93 per cum	Nil		14.97 per cum		
						Total =	**4,31,539**	

S.N	Item of work	Rate as per Ph-VI	Rate as per Ph-V	Qty. executed	Amount (₹)	Difference in rate (higher rate) (₹)	Amount of differential rate (₹)	Remarks
08	Soil by Mechanical means	43.75 per cum	53.15 per cum	54,992.857 cum	29,22,870	9.39 per cum	5,16,383	Rural connectivity road from Dikchu Makha Road to Dungdung, Phase – V, (3rd RA Bill, Vr.No.87/28.7.09) Contractor: R.P. Dhakal
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	11,651.498 cum	9,80,007	39.10 per cum	4,55,574	
	Blasting Rock	84.96 per cum	99.93 per cum	5,719.920 cum	5,71,592	14.97 per cum	85,627	
						Total =	**10,57,584**	
09	Soil by Mechanical means	43.75 per cum	53.15 per cum	61,947.94 cum	32,92,533	9.39 per cum	5,81,691	Rural connectivity road from Rhenock Bazar to Gumpa simana, Phase – V (3rd RA Bill, Vr.No.99/1.10.08) Contractor:K.R.Rai
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	32,296.35 cum	27,16,446	39.10 per cum	12,62,787	
	Blasting Rock	84.96 per cum	99.93 per cum	Nil		14.97 per cum		
						Total	**18,44,478**	
10	Soil by Mechanical means	43.75 per cum	53.15 per cum	20,035.943 cum	10,64,910	9.39 per cum	1,88,138	Rural connectivity road from Basnet goan to Kyongse Phase – V (1st RA Bill, Vr.No.80/27.2.08) Contractor: Jagdish Prasad Agarwal
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	17,484.110 cum	14,70,588	39.10 per cum	6,83,629	
	Blasting Rock	84.96 per cum	99.93 per cum	1,015.625 cum	1,01,491	14.97 per cum	15,204	
						Total =	**8,86,971**	
11	Soil by Mechanical means	43.75 per cum	53.15 per cum	14,249.20 cyn	7,57,345	9.39 per cum	1,33,780	Rural connectivity road from Namphong to Taddong Tintek, Phase – V (2nd RA Bill, Vr.No.59/17.7.08) Contractor: K.B. Gurung
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	20,275.90 cum	17,05,406	39.10 per cum	7,92,788	
	Blasting Rock	84.96 per cum	99.93 per cum	1,229.94 cum	1,22,908	14.97 per cum	18,412	
						Total =	**9,44,980**	
12	Soil by Mechanical means	43.75 per cum	53.15 per cum	21,589.055 cum	11,47,458	9.39 per cum	2,02,721	Rural connectivity road from U/Samsing to Changay, Phase – V, (3rd RA Bill, Vr. No.134/5.3.09) Contractor: Roshanlall Agarwal
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	33,120.245 cum	27,85,744	39.10 per cum	12,95,002	
	Blasting Rock	84.96 per cum	99.93 per cum	1,072.500 cum	1,07,175	14.97 per cum	16,055	
						Total =	**15,13,778**	
13	Soil by Mechanical means	43.75 per cum	53.15 per cum	13,609.00 cum	7,23,336	9.39 per cum	1,27,789	Rural connectivity road from Chunbhatti to Dokchin, Phase –V (2nd RA Bill, Vr.No.3/28.3.09) Contractor: G.L. Bhutia
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	22,470.90 cum	18,90,025	39.10 per cum	8,78,612	
	Blasting Rock	84.96 per cum	99.93 per cum	9,979.10	9,97,208	14.97 per cum	1,49,387	
						Total =	**11,55,788**	
14	Soil by Mechanical means	43.75 per cum	53.15 per cum	33,996.550 cum	18,06,917	9.39 per cum	3,19,228	Rural connectivity road from South Parakha to North Parakha, Phase – V (3rd RA Bill, Vr.No. 96/23.9.09) Contractor: C. Lachungpa
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	21,698.250 cum	18,25,040	39.10 per cum	8,48,402	
	Blasting Rock	84.96 per cum	99.93 per cum	1,058.500 cum	1,05,776	14.97 per cum	15,846	
						Total =	**11,83,476**	
15	Soil by Mechanical means	43.75 per cum	53.15 per cum	14,602.07 cum	7,76,100	9.39 per cum	1,37,113	Rural connectivity road from Upper Tarpin Bista Goan to Salghari, Phase – V (final bill, Vr.No.1/2.4.09) Contractor:Binod Kumar Agarwal
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	17,344.55 cum	14,58,850	39.10 per cum	6,78,172	
	Blasting Rock	84.96 per cum	99.93 per cum	12,691.88 cum	12,68,300	14.97 per cum	1,89,997	
						Total =	**10,05,282**	

S.N	Item of work	Rate as per Ph-VI	Rate as per Ph-V	Qty. executed	Amount (₹)	Difference in rate (higher rate) (₹)	Amount of differential rate (₹)	Remarks
16	Soil by Mechanical means	43.75 per cum	53.15 per cum	48,892.00 cum	25,98,610	9.39 per cum	4,59,096	Rural connectivity road from Gyalshing SPWD Road to L/Bongten (3rd RA Bill) Contractor: Phurden Lama
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	68,676.32 cum	57,76,365	39.10 per cum	26,85,244	
	Blasting Rock	84.96 per cum	99.93 per cum	2,110.23 cum	2,10,875	14.97 per cum	31,590	
						Total =	**31,75,930**	
17	Soil by Mechanical means	43.75 per cum	53.15 per cum	32,723.39 cum	17,39,248	9.39 per cum	3,07,273	Rural connectivity road from Namchi Ghurpisey Road to Vis Phalidara – Phase V ((3rd and final bill. Contractor:B.Tshe-ring Bhutia.
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	41,395.78cum	34,81,799	39.10 per cum	16,18,575	
	Blasting Rock	84.96 per cum	99.93 per cum	4,817.93 cum	4,81,456	14.97 per cum	72,124	
						Total =	**19,97,972**	
18	Soil by Mechanical means	43.75 per cum	53.15 per cum	22,857.42 cum	12,14,872	9.39 per cum	2,14,631	Rural connectivity road from GLVC Road to Peku (Ben) – V (2nd and Final RA) Contractor: T.G. Kaleon.
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	42,843.76 cum	36,03,589	39.10 per cum	5,04,572	
	Blasting Rock	84.96 per cum	99.93 per cum	3,017.482 cum	3,01,537	14.97 per cum	45,172	
						Total =	**9,02,941**	
19	Soil by Mechanical means	43.75 per cum	53.15 per cum	6,341.30 cum	3,37,040	9.39 per cum	59,545	Rural connectivity road from Lingmoo to U/Manzon, Phase – V (2nd and final RA Bill. Contractor:T.T.Bhu-tia
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	8,536.40 cum	7,17,966	39.10 per cum	3,33,759	
	Blasting Rock	84.96 per cum	99.93 per cum	3,089.50 cum	3,08,734	14.97 per cum	46,250	
						Total =	**4,39,554**	
20	Soil by Mechanical means	43.75 per cum	53.15 per cum	17,470.58 cum	9,28,562	9.39 per cum	1,64,049	Rural connectivity road from Namchi Melli Road to Mitam PHSC- Phase – V 1st RA Bill) Contractor: Deepak Subba.
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	11,553.28 cum	9,71,746	39.10 per cum	4,51,733	
	Blasting Rock	84.96 per cum	99.93 per cum	1,990.52 cum	1,04,622	14.97 per cum	29,798	
						Total =	**6,45,580**	
21	Soil by Mechanical means	43.75 per cum	53.15 per cum	23,859.36 cum	12,68,125	9.39 per cum	2,24,039	Rural connectivity road from Gurung Goan to Assangthang Tourism Village, Phase – V (3rd RA Bill) , Contractor: **Bikash Pradhan.**
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	24,840.00 cum	20,89,292	39.10 per cum	9,71,244	
	Blasting Rock	84.96 per cum	99.93 per cum	Nil		14.97 per cum		
						Total =	**11,95,283**	
22	Soil by Mechanical means	43.75 per cum	53.15 per cum	12,014.49 cum	6,38,571	9.39 per cum	1,12,816	Rural connectivity road from Ningang to Gangla) Contractor: **N.T. Bhutia.**
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	14,090.148 cum	11,85,122	39.10 per cum	5,50,925	
	Blasting Rock	84.96 per cum	99.93 per cum	759.68 cum	75,915	14.97 per cum	11,372	
						Total =	**6,75,113**	
23	Soil by Mechanical means	43.75 per cum	53.15 per cum	30,718.41 cum	16,32,684	9.39 per cum	2,88,446	Rural connectivity road Middle Lingee to Chunaray, Phase V, Contractor: **P.M. Chamling.**
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	71,676.26 cum	60,28,690	39.10 per cum	28,02,542	
	Blasting Rock	84.96 per cum	99.93 per cum	6,170.74 cum	6,16,642	14.97 per cum	92,376	
						Total =	**31,83,364**	

S.N	Item of work	Rate as per Ph-VI	Rate as per Ph-V	Qty. executed	Amount (₹)	Difference in rate (higher rate) (₹)	Amount of differential rate (₹)	Remarks
24	Soil by Mechanical means	43.75 per cum	53.15 per cum	12,801.07 cum	6,80,377	9.39 per cum	1,20,202	Rural connectivity road from Rabong Zorrong to L/Zorrong and Tashiding, Phase – V Contractor:**MahabirPrasad Agarwal.**
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	42,922.77 cum	36,10,234	39.10 per cum	16,78,280	
	Blasting Rock	84.96 per cum	99.93 per cum	Nil		14.97 per cum		
						Total =	**17,98,482**	
25	Soil by Mechanical means	43.75 per cum	53.15 per cum	37,476.33 cum	19,91,867	9.39 per cum	3,51,903	Rural connectivity road from 8th Mile SPWD Road to Salghari School Phase – V Contractor: **B.B.Rai.**
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	26,352.82 cum	22,16,536	39.10 per cum	10,30,395	
	Blasting Rock	84.96 per cum	99.93 per cum	Nil		14.97 per cum		
						Total =	**13,82,298**	
26	Soil by Mechanical means	43.75 per cum	53.15 per cum	28,812.92 cum	15,31,407	9.39 per cum	2,70,553	Rural connectivity road from L/Goam Busty to Kitam PHSC, Phase – V (3rd and final bill) . Contractor: **M.P. Agarwal.**
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	5,239.39 cum	4,40,685	39.10 per cum	2,04,860	
	Blasting Rock	84.96 per cum	99.93 per cum	Nil		14.97 per cum		
						Total =	**4,75,413**	
27	Soil by Mechanical means	43.75 per cum	53.15 per cum	17,703.62 cum	9,40,947	9.39 per cum	1,66,237	Rural connectivity road from U/Namlung to L/Namlung, Phase – V, Contractor: **Shankar Agarwal**
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	19,257.23 cum	16,19,726	39.10 per cum	7,52,958	
	Blasting Rock	84.96 per cum	99.93 per cum	Nil		14.97 per cum		
						Total =	**9,19,195**	
28	Soil by Mechanical means	43.75 per cum	53.15 per cum	58,847.06 cum	31,27,721	9.39 per cum	5,52,574	Rural connectivity road from Temi to Aiphaltar, Phase –V (3rd RA Bill) Contractor: **Parsu Ram Agarwal.**
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	25,569.40 cum	21,50,642	39.10 per cum	9,99,764	
	Blasting Rock	84.96 per cum	99.93 per cum	Nil		14.97 per cum		
						Total =	**15,52,338**	
29	Soil by Mechanical means	43.75 per cum	53.15 per cum	27,921.81 cum	14,84,044	9.39 per cum	2,62,186	Rural connectivity road from Gumpa Golai to Perbing, Phase – V (2nd RA Bill) Contractor: **B.Tshering Bhutia.**
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	25,970.28 cum	21,84,360	39.10 per cum	10,15,438	
	Blasting Rock	84.96 per cum	99.93 per cum	2,352.55 cum	2,35,090	14.97 per cum	35,218	
						Total =	**13,12,842**	
30	Soil by Mechanical means	43.75 per cum	53.15 per cum	23,909.52 cum	12,70,791	9.39 per cum	2,24,510	Rural connectivity road from Yangang to Tourist Centre, Phase – V Contractor:**Ashiok Agarwal**
	Ordinary rock by Mechanical means	45.01 per cum	84.11 per cum	19,413.31 cum	16,32,854	39.10 per cum	7,59,060	
	Blasting Rock	84.96 per cum	99.93 per cum	1,153.85 cum	1,15,305	14.97 per cum	17,273	
						Total =	**10,00,843**	
	Grand Total from S.N.(1) to (30) =						**3,74,08,255**	

Appendix – 3.1

Statement showing the short realisation of car parking fee and bazaar contract fee

(Referred to in Paragraph 3.1.10.4, Page 81)

(a) Car parking fee

Name of designated Parking Zone	Year	Name of contractor	Upset price (in ₹)	Negotiated price (in ₹)	Less realisation of revenue (in ₹)
Gangtok Zone I	2006-07	-	5,54,583	Tender not awarded	5,54,583
	2007-08	Karma Tashi	6,98,775	1,33,000	5,65,775
	2008-09	-	2,30,596	Tender not awarded	2,30,596
	2009-10	-	2,30,596	Tender not awarded	2,30,596
Gangtok Zone II	2006-07	-	1,83,013	Tender not awarded	1,83,013
	2007-08	Sachin Chettri	2,30,596	1,00,000	1,30,596
	2010-11	GMLT (driver)	6,91,788	3,00,000	3,91,788
Gangtok Zone III	2007-08	Mrs. H. Subba	5,38,057	1,83,000	3,55,057
	2009-10	-	1,53,731	Tender not awarded	1,53,731
Gangtok Zone IV	2006-07	-	1,22,008	Tender not awarded	1,22,008
	2007-08	Lakpa Tamang	1,53,731	45,000	1,08,731
	2008-09	-	1,53,731	Tender not awarded	1,53,731
Gangtok Zone V	2006-07	-	1,22,008	Tender not awarded	1,22,008
	2007-08	-	1,53,731	Tender not awarded	1,53,731
Singtam Bazaar	2006-07	-	1,83,013	Tender not awarded	1,83,013
Namchi	2006-07	-	4,43,667	Tender not awarded	4,43,667
	2007-08	Bhanu Rai	5,59,020	37,334	5,21,686
	2008-09	Rudra Sharma	4,19,265	70,000	3,49,265
	2009-10	Rudra Sharma	4,19,265	70,000	3,49,265
	2010-11	Bikash Gurung	5,59,020	45,000	5,14,020
Geyzing Bazaar	2007-08	Yeshey Bhutia	1,53,731	25,000	1,28,731
	2008-09	Hissey Bhutia	1,53,731	16,670	1,37,061
	2009-10	-	1,15,299	Tender not awarded	1,15,299
	2010-11	-	1,53,731	Tender not awarded	1,53,731
Mangan	2006-07	-	24,200	Tender not awarded	24,200
	2007-08	-	30,492	Tender not awarded	30,492
TOTAL					**64,06,374**

(b)Bazaar contract fee

Name of Bazaar	Year	Name of contractor	Upset price	Negotiated price	Less realisation of revenue
Damthang	2009-10	Sh. Tashi Sherpa	3,017	2,000	1,017
Manglay	2008-09	Sonam D. Bhutia	13,732	6,000	7,732
	2009-10	Sonam D. Bhutia	10,293	5,000	5,293
Daramdin	2007-08	Mrs. Seema Devi	8,557	3,000	5,557
	2008-09	Sima Devi Agarwal	8,547	3,600	4,947
	2009-10	Sima Devi Agarwal	6,411	2,800	3,611
	2010-11	Sima Devi Agarwal	8,547	3,500	5,047
Rinchenpong	2009-10	Tashi Bhutia	6,111	2,500	3,611
Soreng	2007-08	Mrs. Sushila Gurung	1,75,455	33,340	1,42,115
	2008-09	-	1,75,455	33,340	1,42,115
	2009-10	Mrs. Sushila Gurung	1,31,592	37,785	93,807
Sombaria	2007-08	Sh. Nim Tshering	1,69,103	34,000	1,35,103
	2008-09		1,69,103	39,000	1,30,103
	2009-10	Kus Kumar Subba	1,26,828	42,100	84,728
	2010-11	Kushan Kr. Chettri	1,69,107	51,455	1,17,652
Melli	2007-08	Sh. Johar Psd	2,00,813	50,000	1,50,813
	2008-09	Sh. Johar Psd	2,00,813	50,000	1,50,813
	2009-10	Pawan Kumar	1,50,610	57,211	93,399
	2010-11	Lalit Gupta	2,00,813	69,927	1,30,886
Rangpo	2007-08		2,98,085	1,45,999	1,52,086
	2008-09	Sh. Rajeev Rai	2,98,085	2,10,000	88,085
Majhitar	2007-08		45,224	-	45,224
Ravongla	2007-08	Yeshey	1,78,070	60,000	1,18,070
Jorethang	2007-08	Mrs. Anjana Gupta	6,75,560	2,55,000	4,20,560
	2008-09	Mrs. Anjana Gupta	6,75,560	2,60,000	4,15,560
Rinchenpong	2007-08	Sh. Sanjay Tshering	8,148	2,500	5,648
Reshi	2007-08	Sh. Sunil Kr. Gupta	1,40,953	27,000	1,13,953
	2008-09	Sh. Sunil Kr. Gupta	1,40,953	30,000	1,10,953
Pakyong	2010-11	Doorjee Bhutia	71,768	7,200	64,568
Kewzing	2010-11	Bhaichung Bhutia	33,181	4,500	28,681
Temi	2007-08	-	46,935	-	46,935
	2008-09	Sh. M. Pradhan	46,935	15,000	31,935
	2010-11	Majoj Kr. Pradhan	46,935	30,000	16,935
Makha	2007-08	-	27,594		27,594
	2008-09	-	27,594	10,275	17,319
Majhitar	2007-08	-	45,224	-	45,224
	2008-09	Sh. B. Pradeep	45,224	6,000	39,224
				TOTAL	**31,96,903**

Appendix – 3.2

Statement showing excess/ less consumption of materials

(Referred to in Paragraph 3.1.11.2, Page 82)

(₹ in lakh)

Sl. No	Name of the works	Expenditure incurred	Cement used (in bags)		Sand (in cum)		Stone (in cum)	
			Excess	less	Excess	less	Excess	less
1	Construction of village training centre at Bakhim *(date of commencement: 15.11.09 date of completion: 15.04.11)*	60.69	-----	24	13.46	----- --	13.46	-----
2	Construction of rural market at Dentam *(date of commencement:22-10-08 date of completion: 16-04-09)*	21.43	137	----	7	-----	85	----- -
3	Construction of connectivity footpath at Namchi *(date of commencement:25.01.09 date of completion:24.07.10)*	103.00	212	-----	------	----- --	----	-----
4	Construction of rural haat shed at Yangyang *(date of commencement: 30.10.09 date of completion: 29.04.10)*	9.07	----	69	1.66	----- -	1.21	-----
5	Construction of rural haat shed at Sombaria *(date of commencement: 3.11.08date of completion: 02.05.09)*	27.17	----	167	92	----	-------	2
6	Construction of urban dwelling centre at Sangmoo (date of commencement: 15-02-10 date of completion:14-02-2011)	30.48	-----	140	-----	---	-----	----- --
7	Providing 50 mm consolidated Bituminous concrete and 25 mm thick SDBC at Namchi *(date of commencement: 01.06.09 date of completion: 11.06.09)*	96.67	-----	141	----	-----	----	-----
8	Drinking water supply at rehabilitation centre, Burfung *(date of commencement: 30.10.09 date of completion: 08.11.10)*	73.60	------	204	-----	-----	------	----
Total		**422.11**	**349**	**745**	**114.12**	**--**	**99.67**	**2**

Appendix – 3.3

Statement showing works executed by NBCC

(Referred to in Paragraph 3.1.11.11, Page 88)

Sl	Name of work	Sanctioned cost (₹ in lakh)	Scheduled date of completion	Date of handing over to UDHD
1	Construction of Multilevel Car Parking Complex at Namchi	2,313.54	31.03.2010	31.03.2010
2	Construction of District Library-cum-Muscum at Namchi	1,449.05	18.08.2009	18.08.2009
3	Construction of Parking Plaza-cum-Allied Facilities at Jorethang, South Sikkim	2,358.90	31.03.2010	31.03.2010
4	Construction of Sports Complex at Reshithang, Gangtok	2,278.83	30.06.2011	Work in progress
5	Construction of Multilevel Parking Plaza at Mangan, North Sikkim	3,192.16	23.01.2012	Work in progress
6	Construction of Parking Plaza-cum-Allied Facilities at Ravangla, South Sikkim	1,916.00	30.09.2011	Work in progress
7	Construction & Development of Lall Bazaar Shopping Complex at Gangtok	1,601.30	16.08.2004	16.08.2004
8	Construction of Parking Plaza with Allied Facilities at Balwakhani, Gangtok	1,489.84	06.10.2007	06.10.2007
9	Construction of Walkway along 31A NH from White Hall to Ranipool	1,222.25	15.05.2007	15.05.2007
10	SabjiMandi-cum-Parking complex at Lower Sichey, Gangtok, East Sikkim	2,490.88	06.02.2008	06.02.2008
11	Construction of Slum Rehabilitation Centre at Lingding, Gangtok	165.00	28.07.2003	28.07.2003
		316.50	30.11.2006	30.11.2006
12	Construction of Slum Rehabilitation Centre at Ravangla, South Sikkim	1,864.79	15.09.2007	15.09.2007
	Total	**22,659.04**		

Appendix – 3.4

Statement showing progress of works undertaken

(Referred to in Paragraph 3.1.12, Page 89)

(₹ in lakh)

Sl. No	Name of the project	Head of account	Sanctioned cost	Date of commencement	Due date of completion	Present position	
						Financial	physical
1	Infrastructure facility at Rangpoo	NABARD	256.48	12.01.10	11.10.10	164.97	82%
2	Up gradation and extension of 1.11 km road from ICAR gate to NHPC	NABARD	125.45	11.12.09	Not furnished	Not furnished	25% (revised estimate submitted)
3	Improvement and modification of S T Marg, Kazi Road	TSP	122.57	22.1.09	21.9.09	108.19	85%
4	Development and improvement of urban infrastructures at Mangan	TSP	705.83	Not furnished	Not furnished	158.00	Not furnished
5	Construction of Kerb parking, Pay and Use toilet and Police Check post at Mangan	TSP	53.67	25.12.08	28.12.10	23.33	87%
6	Construction of link road and parking Yard at Mangan	TSP	289.25	25.12.08	24.12.10	Not furnished	30%
7	Construction of shopping complex at Mangan	TSP	219.16	25.12.08	24.12.10	94.75	45%
8	Improvement and modification of approach road in and around Gangtok	ACA/SPA	1455.73	1.11.10	30.04.11	200.42	48%
9	Construction of approach road to Makha Bazaar	ACA/SPA	39.20	13.1.11	12.7.11	11.55	30%
10	Construction of Rural Marketing Centre at Reshi	NABARD	99.02	27.10.08	26.02.10	Not furnished	Not furnished

Source: Monthly progress report March 2011

Appendix – 3.5

Statement showing the list of MR/ Work Charged Staff

(Referred to in Paragraph 3.1.17, Page 104)

Category of staff	Number of staff
Labour	**35**
Masson	**4**
Khalasi	**43**
Mali	**3**
Safaikarmachari (North/East)	**25**
Safaikarmachari (South/West)	**75**
Staff under Roads and Bridges posted to UDHD	LDC-3, Supervisor-17, Peon-3, Office helper-18, Manson I-2, Manson II-5 = **48**
Work Charged staff	Sub-inspector-1, LDC-13, Tracer-1, Jr. Munsi-2,Driver-1, Community organisor-2, Supervisor-11, Mason-4, Peon-6 =**41**
MR	Architect-6, Law Officer-4, Junior Engineer-2, Draughtsman-2, LDC-16, Electrician-1, Computer operator-1, Supervisor-53, Peon-18, Driver-14, Chowkidar-8 =**125**
Total	**399**

Appendix –5.1

Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2011 in respect of Government Companies and Statutory Corporations

(Referred to in Paragraph 5.1.5, Page 158)

(Figures in column 5 (a) to 6 (c) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital				Loans* outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees) (as on 31.03.2011)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
A. Working Government Companies													
AGRICULTURE & ALLIED*													
1	Sikkim Poultry Development Corporation (SPDCL)	AH & VS	Mar-91	0	0	0	0	0	0	0	0	0	3
2	Sikkim Hatcheries Limited (SHL)	AH & VS	Aug-94	0.44**	0	0.02	0.46	0	0	0	0	0	9
Sector wise total				**0.44**	**0**	**0.02**	**0.46**	**0**	**0**	**0**	**0**		**12**
FINANCE													
3	Schedule Castes, Schedule Tribes and Other Backward Classes Development Corporation Limited (SABCCO)	WELFARE	Apr-96	7.51***	3.51	0	11.02	0	0	35.93	35.93	3.26:1(2.94:1)	23
Sector wise total				**7.51**	**3.51**	**0**	**11.02**	**0**	**0**	**35.93**	**35.93**		**23**
INFRASTURCTURE													
4	Sikkim Industrial development and Investment Corporation Limited (SIDICO)	INDUSTRIES	Mar-77	10.77	0	6.37	17.14	2.03	0	210.77	212.80	12.42:1(16.78:1)	37
Sector wise total				**10.77**	**0**	**6.37**	**17.14**	**2.03**	**0**	**210.77**	**212.80**		**37**
MANUFACTURING													
5	Sikkim Jewels Limited (SJL)	INDUSTRIES	Jul-76	13.76	0	0	13.76	0	0	0	0	0	107
6	Sikkim Time Corporation Limited (SITCO)	INDUSTRIES	Oct-76	22.33	0	0	22.33	0	0	0	0	0	105
7	Sikkim Precision Industries Limited (SPIL)	INDUSTRIES	Feb-99	4.39	0	0	4.39	0	0	0	0	0	66
Sector wise total				**40.48**	**0**	**0**	**40.48**	**0**	**0**	**0**	**0**	**0**	**278**
POWER													
8	Sikkim Power Development Corporation (SPDC)	POWER	Dec-98	3.40	0	0	**3.40**	0	0	146.95	146.95	43.22:1(40.55:1)	58
Sector wise total				**3.40**	**0**	**0**	3.40	**0**	**0**	**146.95**	**146.95**		**58**
SERVICE													
9	Sikkim Tourism Development Corporation (STDC)	TOURISM	Feb-98	6.46	0	0	6.46	0	0	0.22	0.22	0.03:1(0.04:1)	52
Sector wise total				**6.46**	**0**	**0**	**6.46**	**0**	**0**	**0.22**	**0.22**		**52**
Total A (All sector wise working Government Companies)				**69.06**	**3.51**	**6.39**	**78.96**	**2.03**	**0**	**393.87**	**395.90**		**460**

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital				Loans* outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees) (as on 31.03.2011)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	5 (e)	6 (a)	6 (b)	6 (c)	(7)	(8)
B. Working Statutory Corporations													
FINANCE													
10	State Bank of Sikkim (SBS)	FINANCE	Jun-68	0.53	0	0.05	0.58	0	0	0	0		330
Sector wise total				**0.53**	**0**	**0.05**	**0.58**	**0**	**0**	**0**	**0**		**330**
SERVICE													
11	State Trading Corporation of Sikkim (STCS)	FINANCE	Mar-72	1.61	0	0	1.61	0	0	0	0	91	
Sector wise total				**1.61**	**0**	**0**	**1.61**	**0**	**0**	**0**	**0**		**91**
Total B (All sector wise working Statutory Corporations)				**2.14**	**0**	**0.05**	**2.19**	**0**	**0**	**0**	**0**		**421**
Grand Total (A + B)				**71.20**	**3.51**	**6.44**	**81.15**	**2.03**	**0**	**393.87**	**395.90**		**881**
C. Non working Government Companies													
AGRICULTURE & ALLIED													
12	Sikkim Livestock Processing and Development Corporation (SLPDC)	AH & VS	Apr-88	0.35	0.34	0	0.69	0	0	0.01	0.01	0.01:1(0.04:1)	2
13	Sikkim Flour Mills Limited (SFML)	INDUSTRIES	Jul-76	2.44	0	0	2.44	0	0	0	0.00		0
Sector wise total				**2.79**	**0.34**	**0**	**3.13**	**0**	**0**	**0.01**	**0.01**		**2**
SERVICES													
14	Chandmari Workshop and Automobiles Limited (CWAL)	TRANSPORT	Apr-88	0.30	0	0	0.30	0	0	0	0	0	
Sector wise total				**0.30**	**0**	**0**	**0.30**	**0**	**0**	**0**	**0**		**0**
Total C (All sector wise non working Government Companies)				**3.09**	**0.34**	**0**	**3.43**	**0**	**0**	**0.01**	**0.01**		**2**
D. Non working Statutory Corporations													
MANUFACTURING													
15	Sikkim Mining Corporation (SMC)	MINES & GEO	Feb-60	6.11	6.39	0	12.50	0	0	0	0		35
Sector wise total				**6.11**	**6.39**	**0**	**12.50**	**0**	**0**	**0**	**0**		**35**
Total D (All sector wise non working Statutory Corporations)				**6.11**	**6.39**	**0**	**12.50**	**0**	**0**	**0**	**0**		**35**
Grand Total (A + B + C + D)				**80.40**	**10.24**	**6.44**	**97.08**	**2.03**	**0**	**393.88**	**395.91**		**918**

**Loans outstanding at the close of 2010-11 represent long-term loans only.*

***subscription money received from SPDCL by the company.*

****Grants of ₹1.79 crore had wrongly been included as share capital till 2009-10, now rectified by the Company.*

Source: As furnished by the PSUs

Appendix – 5.2

Summarised financial results of Government companies and Statutory Corporations for the latest year for which accounts were finalised*

(Referred to in Paragraph 5.1.15, Page 161)

(Figures in column 5 (c) to 6 and (8) to (10) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreci-ation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. Working Government Companies														
AGRICULTURE & ALLIED														
1	SPDCL	2008-09	2009-10	-0.07	0	0.01	-0.08	0		0	-0.73	0.14	-0.08	
2	SHL	2008-09	2009-10	-0.14	0	0.04	-0.18	0.98		0.46	-1.67	0.34	-0.18	
Sector wise total				**-0.21**	**0**	**0.05**	**-0.26**	**0.98**	**0**	**0.46**	**-2.40**	**0.48**	**-0.26**	
FINANCE														
3	SABCCO	2008-09	2010-11	0.73	1.29	0.02	-0.58	1.05		11.02	-5.38	42.59	0.71	
Sector wise total				**0.73**	**1.29**	**0.02**	**-0.58**	**1.05**	**0**	**11.02**	**-5.38**	**42.59**	**0.71**	**0**
INFRASTURCTURE														
4	SIDICO	2009-10	2011-12	0.33	0.06	0.04	0.23	2.67	0	17.14	-1.60	18.17	0.29	8.75
Sector wise total				**0.33**	**0.06**	**0.04**	**0.23**	**2.67**	**0**	**17.14**	**-1.60**	**18.17**	**0.29**	8.75
MANUFACTURING														
5	SJL	2010-11	2011-12	-1.62	0.06	0.07	-1.75	1.15	-8.12	13.76	-14.39	0.60	-1.69	
6	SITCO	2010-11	2011-12	-1.23	0.01	0.14	-1.38	1.40	0	22.33	-19.21	3.52	-1.37	
7	SPIL	2007-08	2008-09	0.11	0	0.23	-0.12	0.73	0	3.79	-0.64	3.10	-0.12	
Sector wise total				**-2.74**	**0.07**	**0.44**	**-3.25**	**3.28**	**-8.12**	**39.88**	**-34.24**	**7.22**	**-3.18**	
POWER														
8	SPDC	2008-09	2011-12	2.21	5.74	6.10	-9.63	1.76	0	3.40	14.23	211.30	-3.89	0
Sector wise total				**2.21**	**5.74**	**6.10**	**-9.63**	**1.76**	**0**	**3.40**	**14.23**	**211.30**	**-3.89**	**0**
SERVICE														
9	STDC	2008-09	2010-11	0.48	0	0.31	0.17	1.30	6.46		-1.79	4.67	0.17	3.64
Sector wise total				**0.48**	**0**	**0.31**	**0.17**	**1.30**	**0**	**6.46**	**-1.79**	**4.67**	**0.17**	**3.64**
Total A (All sector wise working Government Companies)				**0.80**	**7.16**	**6.96**	**-13.32**	**11.04**	**-8.12**	**78.36**	**-31.18**	**284**	**-6.16**	
B. Working Statutory Corporations														
FINANCE														
10	SBS	2005-06	2010-11	18.85	17.40	0.15	1.30	20.69		0.58	-33.40	350.76	18.70	5.33
Sector wise total				**18.85**	**17.40**	**0.15**	**1.30**	**20.69**	**0**	**0.58**	**-33.40**	**350.76**	**18.70**	**5.33**

Sl. No.	Sector & Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit (+) / Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreci-ation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
SERVICE														
11	STCS	2007-08	2008-09	0.68	0	0.06	0.62	11.07	-0.54	1.11	7.80	8.86	0.62	7.00
Sector wise total				**0.68**	**0**	**0.06**	**0.62**	**11.07**	**-0.54**	**1.11**	**7.80**	**8.86**	**0.62**	**7.00**
Total B (All sector wise working Statutory Corporations)				**19.53**	**17.40**	**0.21**	**1.92**	**31.76**	**-0.54**	**1.69**	**-25.60**	**359.62**	**19.32**	
Grand Total (A + B)				**20.33**	**24.56**	**7.17**	**-11.40**	**42.80**	**-8.66**	**80.05**	**-56.78**	**644.05**	**13.16**	
C. Non working Government Companies														
12	SLPDC	2008-09	2009-10	-0.01	0	0.04	-0.05	0.01	0	0.69	-1.01	1.08	-0.05	0
13	SFML	1994-95	1995	0	0	0	0	0	0	0.60	-0.13	0.85	0	0
Sector wise total				**-0.01**	**0**	**0.04**	**-0.05**	**0.01**	**0**	**1.29**	**-1.14**	**1.93**	**-0.05**	
SERVICES														
14	CWAL	1994-95	1997	-0.10	0	0.04	-0.14	0	0	0	-0.02	0.69	-0.14	0
Sector wise total				**-0.10**	**0**	**0.04**	**-0.14**	**0**	**0**	**0**	**-0.02**	**0.69**	**-0.14**	**0**
Total C (All sector wise non working Government Companies)				**-0.11**	**0**	**0.08**	**-0.19**	**0.01**	**0**	**1.29**	**-1.16**	**2.62**	**-0.19**	
D. Non working Statutory Corporations														
MANUFACTURING														
15	SMC**	2008-09	2011-12	0	0.00	0	0	0	0	12.50	-11.88	0.49	0	0
Sector wise total				**0**	**0.00**	**0**	**0**	**0**	**0**	**12.50**	**-11.88**	**0.49**	**0**	**0**
Total D (All sector wise non working Statutory Corporations)				**0**	**0.00**	**0**	**0**	**0**	**0**	**12.50**	**-11.88**	**0.49**	**0**	
Grand Total (A + B + C + D)				**20.22**	**24.56**	**7.25**	**-11.59**	**42.81**	**-8.66**	**93.84**	**-69.82**	**647.16**	**12.97**	**2.00**

Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/ decrease in losses (-) decrease in profit/ increase in losses.

@ Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in case of finance companies/ corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

$ Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

** Audited accounts by Accountant General office*

***The mining operations have been discontinued since January 2007, thereafter the financial statements have been prepared under the principles of "Discontinuing operations".*

Appendix – 5.3

Statement showing grants and subsidy received /receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2011

(Referred to in Paragraph 5.1.9, Page 159)

(Figures in column 3 (a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year[a]		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
A. Working Government Companies													
AGRICULTURE & ALLIED													
1	SPDCL	0	0.00	0.00	0.00	0.00	0.00	0	0	0	0	0	0.00
2	SHL	0	0.00	0.00	0.00	0.00	0.00	0	0	0	0	0	0.00
Sector wise total		**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
FINANCE													
3	SABCCO	0.26	0.00	0	1.79	0	1.79	3.28	35.93	0	0	0	0
Sector wise total		**0.26**	**0.00**	**0.00**	**1.79**	**0.00**	**1.79**	**3.28**	**35.93**	**0.00**	**0.00**	**0.00**	**0.00**
INFRASTURCTURE													
4	SIDICO	0	0.00	0.00	0	0	0.00	0.00	210.77	0.00	0.00	0.12	0.12
Sector wise total		**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**210.77**	**0.00**	**0.00**	**0.12**	**0.12**
MANUFACTURING													
5	SJL	0.20	0	0	0	0	0	0	0	0	0	0	0
6	SITCO	0.20	0.00	0	0	0	0	0	0	0	0	0	0
7	SPIL	0.30	0.00	0	0	0	0	0	0	0	0	0	0
Sector wise total		**0.70**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
POWER													
8	SPDC	0	0.00	3.00*	0	0	3.00	0	0	0	0	0	0
Sector wise total		**0**	**0**	**3.00**	**0**	**0**	**3.00**	**0**	**0**	**0**	**0**	**0**	**0**
SERVICE													
9	STDC	0	0	0	0	0	0	0	0	0	0	0	0
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total A (All sector wise working Government Companies)		**0.96**	**0.00**	**3.00**	**1.79**	**0.00**	**4.79**	**3.28**	**246.70**	**0.00**	**0.00**	**0.12**	**0.12**

Sl. No.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
B. Working Statutory Corporations													
FINANCE													
10	SBS	0	0	0	0	0	0	0	0	0	0	0	0
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
SERVICE													
11	STCS	0	0	0	0	0	0	0	0	0	0	0	0
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total B (All sector wise working Statutory Corporations)		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Grand Total (A + B)		**0.96**	**0.00**	**3.00**	**1.79**	**0.00**	**4.79**	**3.28**	**246.70**	**0.00**	**0.00**	**0.12**	**0.12**
C. Non working Government Companies													
AGRICULTURE & ALLIED													
12	SLPDC	0	0	0	0	0	0	0	0	0	0	0	0
13	SFML	0	0	0	0	0	0	0	0	0	0	0	0
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
SERVICES													
14	CWAL	0	0	0	0	0	0	0	0	0	0	0	0
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total C (All sector wise non working Government Companies)		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
D. Non working Statutory Corporations													
MANUFACTURING													
15	SMC	0	0	0	0	0	0	0	0	0	0	0	0
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total D (All sector wise non working Statutory Corporations)		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Grand Total (A + B + C + D)		**0.96**	**0.00**	**3.00**	**1.79**	**0**	**4.79**	**3.28**	**246.70**	**0**	**0**	**0.12**	**0.12**

@ Figures indicate total guarantees outstanding at the end of the year.

** Subsidy received from MNRE during the year.*

Appendix – 5.4

Statement showing the investments made by the State Government in working PSUs whose accounts is in arrears

(Referred to in Paragraph 5.1.25, Page 164)

(₹ in crore)

Sl. No	Name of PSU	Year upto which accounts finalised	Paid up capital as per latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears.				
				Year	Equity	Loans	Grants	Other be specified
1	SPIL	2007-08	3.79	2008-09	0.15	Nil	Nil	Nil
				2009-10	0.15	Nil	Nil	Nil
				2010-11	0.30	Nil	Nil	Nil
2	SIDICO	2009-10	17.14	2010-11	Nil	Nil	Nil	Nil
3	SABCCO	2008-09	10.76*	2009-10	Nil	Nil	0.05	Nil
				2010-11	0.26	Nil	1.79	Nil
4	STDC	2008-09	6.46	2009-10	Nil	Nil	Nil	Nil
				2010-11	Nil	Nil	Nil	Nil
5	SPDC	2008-09	3.40	2009-10	Nil	Nil	Nil	Nil
				2010-11	Nil	Nil	Nil	Nil
6	SPDCL	2008-09	0.00	2009-10	Nil	Nil	2.25	Nil
				2010-11	Nil	Nil	Nil	Nil
7	SHL	2008-09	0.46	2009-10	Nil	Nil	Nil	Nil
				2010-11	Nil	Nil	Nil	Nil
8	SBS	2005-06	0.58	2006-07 to 2010-11	Nil	Nil	Nil	Nil
9	STCS	2007-08	1.11	2008-09	0.50	Nil	Nil	Nil
				2009-10	Nil	Nil	Nil	Nil
				2010-11	Nil	Nil	Nil	Nil
		Total	**43.70**		**1.36**	**0.00**	**4.09**	**0.00**

**Grants of ₹1.79 crore had wrongly been included by the Company as share capital till 2009-10, now rectified.*
Source: As per the information furnished by the Government Companies and Statutory Corporations

Appendix – 5.5

Statement showing financial position of Statutory Corporations

(Referred to in Paragraph 5.1.15, Page 161)

(₹ in crore)

1. State Bank of Sikkim			
Particulars	**2008-09 (provisional)**	**2009-10 (provisional)**	**2010-11 (provisional)**
A. Liabilities			
Paid up Capital	0.58	not furnished	not furnished
Share application money	0.00		
Reserve funds and other reserves and surplus	12.72		
Deposits	970.79		
Borrowings: Reserve Bank of India	0.00		
Other Banks	48.06		
Other Institutions and Agencies	0.00		
Other liabilities and provisions	65.28		
TOTAL - A	**1,097.43**		
B. Assets			
Cash and Bank Balances	725.80	not furnished	not furnished
Investments	44.16		
Loans and Advances	276.54		
Net fixed assets	3.38		
Other assets	38.13		
Accumulated loss	9.42		
Miscellaneous expenditure	0.00		
TOTAL – B	**1,097.43**		
C. Capital Employed*	**863.33**		
2. State Trading Corporation of Sikkim			
Particulars	**2008-09 (provisional)**	**2009-10**	**2010-11**
A. Liabilities			
Paid up Capital	1.61	Not furnished	Not furnished
Reserve and surplus	6.88		
Current Liabilities and Provisions	67.57		
TOTAL - A	**76.06**		
B. Assets			
Net fixed asset	0.51	Not furnished	Not furnished
Current assets, loans and advances	75.55		
Inter branch transaction	0.00		
TOTAL – B	**76.06**		
C. Capital Employed**	8.49		
3. Sikkim Mining Corporation			
Particulars	**2008-09**	**2009-10 (provisional)**	**2010-11**
Paid up Capital	12.50	12.50	Not furnished
Share application money from Government of India	2.51	2.51	
Reserve and surplus	0.00	0.00	
Borrowings: Government of India	2.13	2.13	
Grants for mine closure	0.95	1.92	
Other funds for mine closure	0.38	0.87	
Trade dues and current Liabilities and Provisions	1.22	1.22	
TOTAL – A	**19.69**	**21.15**	
B. Assets			
Net fixed assets	0.93	0.85	Not furnished
Mine Development expenditure	4.60	4.60	
Current assets, loans and advances	0.78	1.63	
Accumulated loss	11.88	11.88	
Mine closure expenses	1.33	2.02	
Value of stock concentrates written off	0.17	0.17	
TOTAL – B	**19.69**	**21.15**	
C. Capital Employed**	0.49	1.26	

Source: As per the approved accounts of the PSUs

**Capital employed represents mean of aggregate of opening and closing balance of paid up capital, free reserves, bonds, deposits and borrowings (including refinance) less accumulated losses.*

***Capital employed represents net fixed assets (including capital Work-in-progress) plus working capital.*

Appendix – 5.6

Statement showing working results of Statutory Corporations

(Referred to in Paragraph 5.1.15, Page 161)

(₹ in crore)

1. State Bank of Sikkim				
Particulars		2008-09 (Provisional)	2009-10 (Provisional)	2010-11 (Provisional)
1	Income			
	a) Interest on loan	57.80	Not furnished	Not furnished
	b) Other income	6.48		
	Total - 1	64.28		
2	Expenses			
	a) Interest expended	47.26	Not furnished	Not furnished
	b) Operating expenses, Provisions and Contingencies	10.32		
	c) Other expenses	-		
	Total - 2	57.58		
3	Profit (+)/Loss (-) before tax (1-2)	6.69		
4	Prior period adjustments	-		
5	Provision for tax	-		
6	Profit (+)/Loss (-) after tax	6.69		
7	Other appropriation	0.61		
8	Amount available for dividend	6.08		
9	Dividend paid/payable	-		
10	Total return on Capital employed	53.95		
11	Percentage of return on Capital employed	6.25		
2. State Trading Corporation of Sikkim				
Particulars		2008-09 (Provisional)	2009-10	2010-11
1	Income			
	a) Sale of trading goods	11.42	Not furnished	Not furnished
	b) Commission	2.60		
	c) Other income	0.28		
	d) Increase (+)/Decrease (-) in stock	(+) 0.22		
	Total – 1	14.52		
2	Expenses			
	a) Purchase of Trading Goods	10.89		
	b) Trade Expenses	0.29		
	c) Establishment Expenses	1.68		
	d) Other Expenses	2.52		
	Total – 2	15.38		
3	Profit (+)/Loss (-) before tax (1-2)	(-) 0.86		
4	Provision for tax	0.00		
5	Prior period adjustments	(-)0.01		
6	Other appropriation	-		
7	Amount available for dividend	-		
8	Dividend for the year	-		
9	Total return on Capital employed	**		
10	Percentage of return on Capital employed	-		

*Source: As per the accounts of the PSUs, **negative figures*

Appendix – 5.7

Statement showing operational performance of Statutory Corporations

(Referred to in Paragraph 5.1.15, Page 161)

Sl. No.	Particulars	2008-09 (provisional)	2009-10 (provisional)	2010-11 (provisional)
State Bank of Sikkim				
1	Earning per share (₹)	-	-	-
2	Number of Branches	26	26	26
3	Number of Employees	264	264	330
4	Profit per Employee (*₹in lakh*)	-	-	-
5	Deposits (*₹in crore*)			
	(a) Government	83.34	105.02	154.05
	(b) Others	180.55	1,370.75	1,143.66
	Total-5	**263.89**	**1,475.77**	**1,297.71**
6	Advances (including bills) (*₹in crore*)			
	(a) Government	-	-	-
	(b) Others	264.46	288.63	315.10
	Total-6	**264.46**	288.63	315.10
7	Debts written off	Nil	Nil	Nil
Sl. No.	**Particulars**	**2008-09**	**2009-10 (provisional)**	**2010-11 (provisional)**
State Trading Corporation of Sikkim				
	Actual supply during the year: *(₹In crore)*			
	(i) Cement	4.48	26.75	8.79
1	(ii) G.C.I Sheet	21.32	6.43	11.84
	(iii) M.S. Rod	7.63	6.21	12.02
	(iv) Others	63.92	62.1	83.26
2	Total no. of employees of STCS as on 31st March of	88	92	91
3	Expenditure during the year on staff salaries/ wages *(₹In lakh)*	168.43	319.63	268.93
4	Percentage of expenditure on staff to total sales	1.73%	3.15%	2.32%
5	(a) Total no. of supply orders placed to DGS&D approved firms	Nil	Nil	Nil
	(b) Actual procurement			
6	Outstanding sundry debtors *(₹In crore)*			
	(i) less than one year	37.94	52.92	74.14
	(ii) more than one year but less then five years			
7	Commission earned during the year *(₹In crore)*	2.60	2.47	2.82
8	Expenditure on other administrative expenses *(₹ In lakh)*	89.1	106.58	122.38
9	No. of Branches	2	2	2

Source: As per the information furnished by the Statutory Corporations

Appendix – 5.8

Statement showing particulars of distribution network planned vis-à-vis achievement there against in the State as a whole during 2006-07 to 2010-11

(Referred to in Paragraph 5.2.9, Page 174)

S.No.	Description	2006-07	2007-08	2008-09	2009-10	2010-11
(A)	**No. of Substations (of various categories)**					
i	At the beginning of the year	1,411	1,459	1,525	1,614	1,710
ii	Additions planned for the year	77	89	84	114	201
iii	Additions made during the year	48	66	89	96	158
iv	At the end of the year	1,459	1,525	1,614	1,710	1,868
v	Shortage in addition (ii - iii)	29	23	-	18	43
(B)	**HT Lines (in CKM)**					
i	At the beginning of the year	2,386.08	2,433.98	2,559.58	2,618.23	2,739.73
ii	Additions planned for the year	78.60	96.65	105.85	181.30	369.80
iii	Additions made during the year	47.90	65.60	58.65	121.50	262.40
iv	At the end of the year	2,433.98	2,499.58	2,618.23	2,739.73	3,002.23
v	Shortage in addition (ii - iii)	30.70	31.05	47.20	59.80	107.40
(C)	**LT Lines (in CKM)**					
i	At the beginning of the year	4,015.64	4,084.59	4,253.34	4,368.39	4,565.74
ii	Additions planned for the year	121.70	156.75	152.40	253.50	345.75
iii	Additions made during the year	68.95	104.12	113.85	197.35	215.30
iv	At the end of the year	4,084.59	4,188.71	4,367.19	4,565.74	4,781.04
v	Shortage in addition (ii - iii)	52.75	52.63	38.55	56.15	130.45
(D)	**Transformers Capacity (in MVA)**					
i	At the beginning of the year	111.579	117.927	132.899	145.190	157.116
ii	Additions planned for the year	5.654	7.385	9.856	10.560	7.934
iii	Additions made during the year	6.349	9.408	12.291	11.866	5.788
iv	At the end of the year	117.928	127.335	145.190	157.056	162.904
v	Shortage in addition (ii - iii)	-	-	-	-	2.146

Appendix – 5.9

Workings for AT & C Losses

(Referred to in Paragraph 5.2.12.5, Page 182)

(₹ in crore)

Sl.No.		2006-07	2007-08	2008-09	2009-10	2010-11
1.	Energy Input (in MUs)	310.20	375.22	393.48	512.12	540.00
2.	Energy Realised (in MUs)	190.19	199.37	209.29	249.15	287.23
3.	Energy losses (in MUs)	120.01	175.86	184.19	262.97	252.77
4.	Percentage of Energy losses (ATC) (3/1*100)	38.69	46.87	46.81	51.35	46.81
5.	Percentage of losses allowed by CEA	15	15	15	15	15
6.	Energy losses (in MUs)	73.49	119.58	125.17	186.15	171.77
7.	Average realization per unit(Rs./unit)	1.56	1.45	1.45	1.30	1.43
8.	Value of excess losses (in crores)	11.46	17.34	18.15	24.20	24.56