Report of the
Comptroller and Auditor General of India
on
Social, Economic, Revenue and General Sectors

for the year ended March 2013

The Report has been laid on the table of the State Legislature Assembly on 28-06-2014

Government of Sikkim

Report No.1 of 2014

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PREFACE

1. This Report of the Comptroller and Auditor General of India has been prepared for submission to the Governor under Article 151 of the Constitution of India.

2. This Report presents the results of the audit of the Departments of the Government of Sikkim under Social, Economic, Revenue and General Sectors.

3. The cases mentioned in this Report are those, which came to notice in the course of test audit during the year 2012-13 as well as those, which came to notice in earlier years, but could not be dealt with in the previous Reports. Matters relating to the period subsequent to 2012-13 have also been included, wherever necessary.

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

Executive Summary

EXECUTIVE SUMMARY

This Audit Report has been prepared in six chapters. Chapters I to V deal with Social, General, Economic, Public Sector Undertakings, Revenue Sectors and Chapter VI deals with Follow up of Audit observations.

This Report contains 28 audit paragraphs (including sixteen general paragraphs) and four Performance Audits. According to the existing arrangements, copies of the draft compliance audit paragraphs and draft performance audits were sent to the Secretary of the Department concerned by the Principal Accountant General (Audit) with a request to furnish replies within six weeks. Replies were received from the departments concerned except in respect of five paragraphs.

SOCIAL SECTOR

COMPLIANCE AUDIT

Expenditure of ₹ 4.21 crore was rendered infructuous due to improper survey and injudicious selection of site for the construction of 575 bedded hospital.

(Paragraph 1.3)

Violation of guidelines resulted in irregular expenditure of ₹ 6.48 crore due to excess deployment of 648 teachers in schools while other schools faced shortage.

(Paragraph 1.4)

ECONOMIC SECTOR

PERFORMANCE AUDIT

Rajiv Gandhi Grameen Vidyuitikaran Yojana

Government of India (GOI) introduced (March 2005) Rajiv Gandhi Grameen Vidyutikaran Yojana with the objective of providing access to electricity to all Rural Households and improving the rural electricity infrastructure. 90 *per cent* of the overall cost of the projects was to be provided by GOI as capital subsidy. The balance project cost was to be met by the Governments of respective States through loan from Rural Electrification Corporation Limited. Cost of electrification of BPL households was, however, to be subsidised fully by the GOI. Energy and Power Department, Government of Sikkim was the implementing agency of the scheme in the State.

Under the scheme, the State targeted to electrify 25 un-electrified villages and intensive electrification of 413 already electrified villages with free electricity connection to 12,081 BPL households by March 2009. The projects could not be completed even after four and half years of scheduled completion time. As of November 2013 the EPD completed electrification of all 25 un-electrified villages as well as intensive electrification of 383 villages which were already electrified and provided free electricity connection to 9,832 BPL households.

(Paragraph 2.3)

Rashtriya Krishi Vikas Yojana

Concerned with the slow growth in the Agriculture and allied sectors, the National Development Council in its meeting held on 29 May 2007, resolved to launch a special Additional Central Assistance Scheme Rashtriya Krishi Vikas Yojana (RKVY) to incentivise States to draw up plans for their agriculture sector more comprehensively. RKVY aimed at achieving four per cent annual growth in the Agriculture sector during the XI Plan period by ensuring a holistic development of Agriculture and allied sectors. The main objectives of the scheme inter alia were: (i) to incentivise the States so as to increase public investment in Agriculture and allied sectors; (ii) to achieve the goal of reducing the yield gaps in important crops, through focused interventions; (iii) to bring about quantifiable changes in the production and productivity of various components of Agriculture and allied sectors by addressing them in a holistic manner.

In Sikkim, the Agriculture and allied sector had achieved four per cent annual growth rate towards contribution to Gross State Domestic Product during the XI Plan period. However, adequate and envisaged planning process for overall vision for development of the district was absent both in the District Agriculture Plan and State Agriculture Plan and it was coupled with flaws in the preparation of DPRs. Failure on the part of the Nodal Department to furnish the UCs in time also led to the curtailment of funds. In cases of production of major crops (i.e. Cereals, Pulses and Oil seeds), the four *per cent* growth rate was achieved only in two years.

The smooth functioning of the scheme and achievement of its objectives was adversely affected by improper fund management, delays, taking up of unviable projects and lack of monitoring, review, evaluation and field studies from the State Level Selection Committee.

(Paragraph 2.4)

COMPLIANCE AUDIT

Audit of 'Execution of Suspension Foot Bridges (SFBs) under SIDF' by the Rural Management & Development Department through Zilla Panchayats revealed that out of 66 SFBs, 51 were completed and remaining 15 were under construction. Out of the completed SFBs, 21 SFBs were completed recording a delay of more than six months. The results of Audit on implementation of projects indicated defective survey and estimation, irregularity in award of works, execution of works inconsistent with technically sanctioned approved designs and estimates, excess and avoidable expenditure on construction of SFBs with longer span than required, undue favour to contractors, excess issue of material and unauthorised expenditure.

(Paragraph 2.5)

The Department violated the terms of sanction of the Government of India which resulted in unauthorised expenditure of ₹ 92.40 lakh.

(Paragraph 2.6)

Unauthorised expenditure of ₹ 187.08 lakh under Integrated Nutrient Management due to non-adherence to cost norms as stipulated under the guidelines of the scheme.

(Paragraph 2.7)

Contractors were paid ₹ 1.97 crore for carriage of stones which was in excess of requirement as stipulated in the AOR and in violation of the SPW Manual

(Paragraph 2.8)

Rejection of the highest offer for sale of power (30 MW) by the Energy and Power Department without valid reason resulted in loss of ₹ 2.55 crore besides loss of interest of ₹ 1.01 crore against unrecovered sale proceeds of ₹ 7.14 crore.

(Paragraph 2.9)

ECONOMIC SECTOR (PUBLIC SECTOR UNDERTAKINGS)

COMPLIANCE AUDIT

Due to failure in insisting upon the Bank for honouring the Bank Guarantee in full, the Company could not recover ₹ 1.28 crore causing interest loss of ₹ 51 lakh.

(Paragraph 3.2)

Levying of interest beyond the permissible limit by the Company resulted in extra financial burden of ₹ 38.64 lakh on the beneficiaries.

(Paragraph 3.3)

REVENUE SECTOR

COMPLIANCE AUDIT

Delay in assessment of tax for the period 2006-07 to 2010-11 on sales turnover of ₹ 142.80 crore benefitted a company as it retained tax collected from the consumers amounting to ₹ 28.56 crore over a period exceeding two to seven years.

(Paragraph 4.5)

Irregular utilisation of Way Bills resulted in evasion of SVAT amounting to ₹ 1.09 crore.

(Paragraph 4.6)

Systemic lacunae in the Commercial Taxes Division to ensure realisation of taxes from works contractors executing works of registered dealers resulted in loss of revenue of ₹ 38.21 lakh.

(Paragraph 4.7)

GENERAL SECTOR

PERFORMANCE AUDIT

Disaster Management

The Audit on Disaster Management indicated that the State, despite being located in a seismically active zone and being a victim of recurrent natural disasters, was yet to adequately recognise these disasters as threats which thwarted its developmental plans and mission to transform itself into a model State within a targeted time frame. The Disaster Management Act 2005 and other guidelines issued by the GOI from time to time covering all issues of Disaster Management (DM) had not been implemented fully. The institutional mechanism to address DM issues had not been firmly established and the DM policy 2007 not fully implemented. Further, the State DM plans require strengthening and the Departmental DM plans were not made till the date of audit (September 2013). There had been diversion from funds provided by GOI for immediate relief and long-term reconstruction of damaged infrastructure.

The lack of urgency to address the issue of disasters is underscored by the fact that even after more than seven years of enactment of the DM Act 2005 by the GOI, the State had not laid down a proper institutional framework with appropriate manpower having designated roles and responsibilities to address DM in the State. The apex body, State DM Authority (SDMA) met only once during the five year period 2008-13, that too, only to discuss relief activities after the earthquake of 18 September 2011. DM had not been incorporated in the development planning process of the State. No financial resources had been earmarked in the State's Plan towards DM. The State entirely depended on Central support both for immediate relief activities as well as permanent reconstruction of damaged infrastructure.

However, after the earthquake of 18 September 2011, the Government has initiated various policy resolutions and capacity building measures which were expected to strengthen DM in the State.

(Paragraph 5.3)

Roads & Bridges projects funded under NLCPR and NEC

Sikkim became part of North East Region in April 1998 and availed the benefit of funding from NLCPR and NEC. A number of infrastructural projects were constructed out of these funds in various sectors such as Roads & Bridges, Irrigation & Flood Control, Energy & Power, Human Resource Development Department, etc. The overall responsibility of managing NLCPR and NEC funds is primarily vested with the Development Planning, Economic Reforms and North Eastern Council Affairs Department. The projects relating to Roads & Bridges are implemented by Roads & Bridges Department.

The Audit of Roads & Bridges projects funded under NLCPR and NEC for the period 2008-13 was carried out during July-August 2013. The results of audit disclosed that out

of a total of 44 projects, only 18 (41 *per cent*) were completed. None of the projects were completed within the scheduled dates. The physical progress of incomplete projects ranged between 11 and 98 *per cent* as of March 2013. The completed projects (18) also recorded a delay in completion ranging between one and 12 years beyond the scheduled date of completion. This was partly due to delayed initiation of tender procedure, defective preparation of DPRs, frequent change in scope of works, cost revision, short release of matching share by State Government, etc. Similarly, out of total funds of ₹ 246.91 crore released during 2008-13, ₹ 218.03 crore was incurred during 2008-13. Out of ₹ 218.03 crore spent, irregular and excess expenditure of ₹ 19.27 crore were noticed in Audit. The unspent funds coupled with irregular excess expenditure and slow pace of implementation of projects indicated that the speedy development of infrastructure projects was not achieved to the desired extent.

(Paragraph 5.4)

Social Sector

CHAPTER I

SOCIAL SECTOR

1.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2013 deals with the findings on audit of the State Government units under Social Sector.

The names of the State Government departments and the total budget allocation and expenditure of the State Government under Social Sector during the year 2012-13 are given in the table below:

Table 1.1.1

(₹ in crore)

Sl. No.	Name of the Departments	Total Budget Allocation	Expenditure
1.	Human Resource Development	374.20	325.80
2.	Food, Civil Supplies and Consumer Affairs	26.66	20.55
3.	Health Care, Human Services and Family Welfare	257.64	244.95
4.	Labour	36.26	32.37
5.	Social Justice, Empowerment and Welfare	126.07	82.50
6.	Cultural Affairs and Heritage	42.68	31.73
7.	Ecclesiastical Affairs	18.44	17.44
	Total	**881.95**	**755.34**

Besides the above, the Central Government has been transferring a sizeable amount of funds directly to the implementing agencies under the Social Sector to different departments of the State Government. The major transfers for implementation of flagship programmes of the Central Government are detailed below:

Table 1.1.2

(₹ in lakh)

Sl.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Funds transferred during the year
1	Human Resource Development	Conservation of Natural Resources and Ecosystem	Sikkim Government College	1.92
		Rashtriya Madhyamik Shiksha Abhiyan (RMSA)	State Mission Authority, Rashtriya Madhyamik Siksha Abhiyan	24.65
		Sarva Siksha Abhiyan	State Mission Authority (SSA), Gangtok.	2693.85
2	Health Care, Human Services and Family Welfare	Deafness	State Health Society	6.43
		Health Care for Elderly	State Health Society	0.00
		Hospital & dispensaries under NRHM (AYUSH)	State Health Society	23.40
		Information, Education & Communication	State Mental Health Society	35.00
		National AIDS Control programme III	Sikkim State AIDS Control Society	478.62
		National Programme for Prevention & Control of Diabetes	State Health Society	480.00

Sl.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Funds transferred during the year
3	Labour	NRHM	State Health Society	885.88
		Tobacco Control	State Health Society	0.00
		Enhancing Skill Development Infrastructures in NE States and Sikkim	Vocational Training Projects Implementation Society of Sikkim	96.32
		Skill Development	Sikkim Skill Development Mission Society	88.00
4	Social Justice, Empowerment and Welfare	Assistance to Disabled Persons for Purchase/Fitting	DDRC(NGO), Gangtok	7.25
5	Cultural Affairs and Heritage	Dissemination of art & culture	Himalayan Heritage Research & Development Society	1.50
6	Ecclesiastical Affairs	Buddhist & Tibetan Studies	Dechhen Choiling Gumpa Committee	2.50
			Samten Choiling Gumpa North Sikkim	2.50
			Sikkim Buddhist Development Trust Rinchenpong.	2.50
			Sikkim Namgyal Institute of Tibetology, Gangtok	61.00
		Manpower Development (including Skill Development in IT) DIT	Sikkim Namgyal Institute of Tibetology, Gangtok	5.00
Total				**4,896.32**

Source: Central Plan Scheme Monitoring System

1.2 Planning and conduct of Audit

Audit process starts with the assessment of risks faced by various departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls, etc.

After completion of audit of each unit on a test check basis, Inspection Reports containing audit findings are issued to the heads of the departments. The departments are to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled based on reply/action taken or further action is required by the auditee for compliance. Some of the important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India for laying on the table of the Legislature.

The test audits were conducted involving expenditure of ₹ 686.52 crore (including expenditure of ₹ 374.05 crore of previous years) (details of year-wise break-up is given in **Appendix 1.1**) of the State Government under Social Sector. This Chapter contains two Compliance Audit Paragraphs as given below:

HEALTH CARE, HUMAN SERVICES & FAMILY WELFARE DEPARTMENT

1.3 Infructuous expenditure

Expenditure of ₹ 4.21 crore was rendered infructuous due to improper survey and injudicious selection of site for the construction of 575 bedded hospital.

For upgradation and modernisation of Sir Thutob Namgyal Memorial (STNM) Hospital, Gangtok, the Health Care, Human Services & Family Welfare Department invited (January 2008) 'expression of interest' from various firms of which five firms responded. This was done without calling for tenders or through advertisement. The detailed 'expression of interest' submitted by these five firms were scrutinised by the Department and M/s Archtech Consultants Private Limited (ACPL), Kolkata was selected (May 2008) on the basis of recommendations of the Technical Committee constituted (April 2008) for this purpose. The ACPL was entrusted with the preparation of Detailed Project Report (DPR) along with Architectural Structure and Services Designing for 500 bedded Multi Speciality Hospital at STNM complex, with the approval (May 2008) of the Cabinet. The agreement was signed (June 2008) with the firm for the above works at a total fee of ₹ 6 crore (six *per cent* of the initial indicative project cost of ₹ 100 crore).

Subsequently, the project at STNM complex was cancelled on the ground of insufficiency of space and a revised proposal of the Department for consturction of a 575 bedded Multi Speciality Hospital at Sokeythang (Tadong), through Building and Housing Department (BHD), was approved (August 2008) by the Cabinet. Without calling for tenders, a corrigendum to the agreement with ACPL was issued (March 2009) for preparation of DPR for construction of a 575 bedded hospital at the new site of Sokeythang. An amount of ₹ 4.21 crore was paid to the firm till date (July 2013).

The project was again shifted from Sokeythang to Sochyagang (Sichey) on the ground that there were public protests to the project at the earlier site. After inviting fresh tenders through advertisement, a separate agreement was drawn up (August 2010) with M/s Civil Engineers Enterprises Private Limited, Kolkata (CEEPL) through BHD for Drawing, Design and Execution of 575 bedded Multi Speciality Hospital at Sochyagang at a cost of ₹ 459.48 crore on turnkey basis. Clause 12 of the agreement regarding consultancy fee stipulated that the project cost would include planning, drawing, designing, etc., at a cost of ₹ 27.57 crore, being six *per cent* of the total project cost at Sochyagang. The BHD confirmed (January 2013) that the documents prepared and services rendered by ACPL at Sokeythang were not utilised for the hospital at Sochyagang, which was being constructed by CEEPL.

Sikkim Financial Rules (SFR) also provide that the contracts should be placed only after tenders had been widely invited.

It was observed that the Department failed to follow the provisions of SFR while placing order with ACPL for the project at STNM complex. Thus, the reasonability of the rate and availing of the best technical expertise for consultancy was not ensured through open competitive tenders. Further, it was also observed that the Department had not conducted due diligence in ensuring suitability of the site for the hospital project duly ensuring availability of adequate land, approach road and conducting public hearings, etc., at Sokeythang.

Thus, an amount of ₹ 4.21 crore was paid to ACPL for a project where not a single brick had been laid at the site at Sokeythang, and was thereafter scrapped, thus rendering this entire amount infructuous.

The Department stated (September 2013) that the approach road to the site at Sokeythang for the Multi Specialty Hospital passed through the road leading to the ICAR complex. A wider approach road essential for the hospital was lacking. The ICAR authority did not agree for the widening of the road and moreover, the private land owners also declined to sell additional land required for accommodating the hospital complex including quarters.

However, the reasons given for shifting of the site are all issues that should have been sorted out before awarding the contract and those issues should have been resolved first. It was observed that the DPR was contracted out even without ascertaining the adequacy/suitability of the site and its approach road which rendered the expenditure of ₹ 4.21 crore infructuous.

HUMAN RESOURCE DEVELOPMENT DEPARTMENT

1.4 Irregular expenditure

Violation of guidelines resulted in irregular expenditure of ₹ 6.48 crore due to excess deployment of 648 teachers in schools while other schools faced shortage.

The Government of Sikkim notified the Manpower Management Guidelines in February 2010 for determination of teacher strength in schools. It was stated therein that teacher strength as given in the Schedule against each school shall be strictly adhered to and under no circumstances would it be permissible to have more numbers on its roll than that prescribed. It further stated that it shall be the bounden duty of the Heads of schools and Drawing and Disbursing Officers to ensure that the salary of non-existent or excess teachers over and above that prescribed were not issued and in the event of failure to do so, would be realised from their monthly salary.

Test-check of 438 schools (out of 530 schools) for the period 2012-13 of East, North and South districts revealed (February 2013) that there were 648 excess teachers in 254 schools against the prescribed norms, in violation of the Government instructions issued by the Government.

Scrutiny of records further revealed (February 2013) that the deployment of teachers in the Department was irrational and without reference to the guidelines issued by the Government in this respect. While there were 648 excess teachers in 254 schools, there were shortages of 198 teachers in 78 schools. The overall position of deployment was as under:

Table 1.4.1

Deployment	Primary	Science	Arts	Maths	Total
Excess teachers in Schools*	408	37	191	12	648
Shortage of teachers*	100	36	32	30	198
Net excess (+) /shortage (-)	**308**	**1**	**159**	**-18**	**450**

**Total with regard to the sanctioned strength of each school*

Thus, there was excess deployment of 648 teachers out of which 198 teachers could have been re-deployed in the schools where there were shortage of teachers. Inaction by the Department in this regard resulted in irregular expenditure of ₹ 4.50 crore[1] and injudicious expenditure of ₹ 1.98 crore[2] besides adversely affecting the quality of education being imparted in 198 schools.

The matter was reported to the Department/Government (May 2013); their reply had not been received (October 2013).

[1] *450 teachers x salary for 10 months @ ₹ 10,000 per month.*
[2] *198 teachers x salary for 10 months @ ₹ 10,000 per month.*

Economic Sector

CHAPTER II

ECONOMIC SECTOR

2.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2013 deals with the findings on audit of the State Government units under Economic Sector.

The names of the State Government departments and the total budget allocation and expenditure of the State Government under Economic Sector during the year 2012-13 are given in the table below:

Table 2.1.1

(₹ in crore)

Sl. No.	Name of the Departments	Total Budget Allocation	Expenditure
1.	Food Security and Agriculture Development	68.55	65.14
2.	Co-operation	14.53	14.08
3.	Animal Husbandry, Livestock, Fisheries and Veterinary Services	54.36	39.46
4.	Forest, Environment and Wildlife Management	171.28	67.78
5.	Commerce and Industries	28.06	27.73
6.	Horticulture and Cash Crops Development	33.23	32.95
7.	Mines, Minerals and Geology	3.05	3.15
8.	Tourism and Civil Aviation	171.18	64.35
9.	Transport	41.55	82.16
10.	Roads and Bridges	286.50	240.30
11.	Buildings and Housing	52.78	46.42
12.	Irrigation and Flood Control	160.79	63.15
13.	Water Security and Public Health Engineering	136.33	56.24
14.	Urban Development and Housing	248.55	74.97
15.	Energy and Power	200.66	149.89
16.	Rural Management and Development	157.84	126.71
	Total	**1,829.24**	**1,154.48**

Besides the above, the Central Government has been transferring a sizeable amount of funds directly to the implementing agencies under the Economic Sector to different departments of the State Government. The major transfers for implementation of flagship programmes of the Central Government are detailed below:

Table 2.1.2

(₹ in lakh)

Sl. No.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Funds transferred during the year
1.	Food Security and Agriculture Development	National Food Security Mission	State Agriculture Management & Extension Training Institute(SAMETI)	140.46
		Support to State Extension Programme for Extension Reforms	State Agriculture Management & Extension Training Institute(SAMETI)	243.52
2.	Animal Husbandry, Livestock, Fisheries and Veterinary Services	Dairy Development Project	North- District Milk Producers cooperative union Ltd , Mangan	249.08
		National Project for Cattle and Buffalo Breeding	Sikkim Livestock Development Board	113.65

Sl. No.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Funds transferred during the year
3.	Forest, Environment and Wildlife Management	Environment Information Education & Awareness	State Environment Agency(ENVIS Centre)	10.71
		Integrated Watershed Management Programme	State Level Nodal Agency (Social Forestry Wing)	879.58
		National Afforestation programme (Afforestation & Forest Management)	State Forest Development Agency	541.65
		National Medicinal Plants Board	State Forest Development Agency	177.01
		Pollution Abatement	State Pollution Control Board	26.83
		Scheme for Quality Assurance, Codex Standards Research	Silviculture and Research	34.72
4.	Commerce and Industries	National Mission on Food Processing	Sikkim Industrial Development & Investment Corporation Ltd. (SIDICO)	306.00
5.	Horticulture and Cash Crops Development	Horticulture Mission for North East & Himalayan States	Horticulture Mission for North East & Himalayan States Committee	0.00
		National Mission on Bamboo	Horticulture & Cash Crops Development Department	150.00
		National Mission on Medicinal plants	Small Farmers Agri-business Consortium (SFAC)	161.94
		National Mission on Micro Irrigation.	State Micro Irrigation Gangtokian Committee	200.00
		NE Areas	Chief Coordinator, International Flower Show 2013	50.00
6.	Tourism and Civil Aviation	Capacity building for service providers	Institute of Hotel Management, Rumtek	5.24
		NE Areas	Sikkim Tourism Development Corporation Ltd.	15.00
			Travel Agent Association of Sikkim	46.28
7.	Water Security and Public Health Engineering	National River Conservation Plan (NRCP)	Water Security & Public Health Engineering Department	0.00
8.	Urban Development and Housing	Swarna Jayanti Sahari Rojgar Yojana	Urban Development & Housing Department	174.95
9.	Energy and Power	Grid Interactive Renewable Power MNRE	Sikkim Power Development Corporation Limited	252.50
10.	Rural Management and Development	Aajeevika	DRDA (East)	0.00
		Central Rural Sanitation Programme	State Water and Sanitation Mission, Gangtok	159.47
		DRDA Administration	State Water and Sanitation Mission, Gangtok	93.40
		Information, Publicity & Extension	Sikkim Renewable Energy Development Agency, Gangtok.	41.90
		Integrated Watershed Management Program	Zilla Panchayat (East)	139.27
			Zilla Panchayat (North)	22.99
		MG-NREGA	Special Secretary, MG-NREGA	7,410.98
		National Rural Drinking Water Programme	State Water and Sanitation Mission, Gangtok	3,235.69
		Off grid DRPS	Sikkim Renewable Energy Development Agency, Gangtok.	281.63
		Panchayat Empowerment & Accountability Incentive Scheme	Sikkim Rural Development Agency (Panchayat Cell)	1.44
		Panchayat Mahila Evan Yuva Shakti Abhiyan	Sikkim Rural Development Agency (Panchayat Cell)	0.00
		PMGSY	Sikkim Rural Road Development Agency	19,361.50
		Renewable Energy for Rural Application for All Villages	Sikkim Renewable Energy Development Agency, Gangtok.	37.04

Sl. No.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Funds transferred during the year
		Resource Support to State	Sikkim Rural Development Agency (Panchayat Cell)	3.30
		Rural housing (IAY)	DRDA (East)	348.25
11.	Handicraft and Handloom Directorate	Human Resource Development	Sikkim Handloom & Handicraft Development Corporation Ltd.	1.25
12.	Handicraft and Handloom Directorate	Marketing & Export Promotion Scheme	Sikkim Handloom & Handicraft Development Corporation Ltd.	47.40
		Marketing Support and Services and Export Promotion Scheme	Sikkim Handloom & Handicraft Development Corporation Ltd.	23.15
			Total	**34,987.78**

Source: Central Plan Scheme Monitoring System

2.2 Planning and conduct of Audit

Audit process starts with the assessment of risks faced by various departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls, etc.

After completion of audit of each unit on a test check basis, Inspection Reports containing audit findings are issued to the heads of the departments. The departments are to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled based on reply/action taken or further action is required by the auditee for compliance. Some of the important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India for laying on the table of the Legislature.

The test audits were conducted involving expenditure of ₹ 1,166.34 crore (including expenditure of ₹ 633.58 crore of previous years) (details of year-wise break-up is given in **Appendix 2.1**) of the State Government under Economic Sector. This Chapter contains one Performance Audit on 'Rashtriya Krishi Vikas Yojana' and five Compliance Audit Paragraphs as given below:

ENERGY & POWER DEPARTMENT

2.3 Rajiv Gandhi GrameenVidyutikaranYojana

Government of India (GOI) introduced (March 2005) Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) with the objective of providing access to electricity to all Rural Households (RHHs) and improving the rural electricity infrastructure. Ninety per cent of the overall cost of the projects was to be provided by GOI as capital subsidy. The balance project cost was to be met by the Governments of respective States through loan from REC. Cost of electrification of BPL households was, however, to be subsidised fully

by the GOI. Energy and Power Department, Government of Sikkim was the implementing agency of the scheme in the State.

Under the scheme, the State targeted to electrify 25 un-electrified villages and intensive electrification of 413 already electrified villages with free electricity connection to 12,081 BPL households by March 2009. The projects could not be completed even after four and a half years of scheduled completion time. As of November 2013, the EPD completed electrification of all 25 un-electrified villages as well as intensive electrification of 383 villages which were already electrified and provided free electricity connection to 9,832 BPL households.

Following are the main highlights of the Audit:

EPD failed to get approval of the Rural Electrification Plan which was to be a road map for rural electrification. This led to cascading delay in implementation of RGGVY scheme.

(Paragraph 2.3.3.1)

DPRs prepared for the scheme were deficient in various aspects leading to subsequent revisions in the scope of works and consequent time and cost overruns.

(Paragraph 2.3.3.2 and 2.3.3.6)

Cost of implementation of the Scheme exceeded the norms by ₹ 158.67 crore due to significant variations in the ex-works price for equipments with same specifications.

(Paragraph 2.3.3.9)

Excessive time taken in award of work by EPD resulted in revision of project cost by ₹ 91.81 crore.

(Paragraph 2.3.3.10)

Undue benefit of ₹ 2.77 crore was extended to the consultant by making excess payment of consultancy fee. Payment of higher mobilisation advance to turnkey contractors resulted in loss of interest of ₹ 1.83 crore.

(Paragraphs 2.3.3.20 and 2.3.3.22)

Regular meetings of State/District Level Co-ordination Committees were not convened for monitoring the implementation of scheme.

(Paragraph 2.3.5.2)

Beneficiary survey conducted by Audit revealed instances of shortcomings in execution of scheme works, non-supply of meters, improper wiring, non-provision of BPL kits. There was lack of awareness of entitlements under the scheme.

(Paragraphs 2.3.6.1 to 2.3.6.7)

Introduction

2.3.1.1 Electrification is regarded as a vital necessity for the development of rural areas. Hence, rural electrification has been a key component of various development schemes. As per Rural Electrification Programme (2003-04) of Government of India (GOI), definition of village electrification was revised (February 2004). According to the revised definition, a village would be declared electrified if basic infrastructures such as distribution transformer and distribution lines are provided in the inhabited locality;

electricity is provided to public places like schools, panchayat offices, health centres, dispensaries, community centres, etc.; and, the number of households electrified should be at least 10 *per cent* of the total number of households in the village.

The National Electricity Policy formulated (February 2005) by the GOI *inter alia* States that the key objective of the development of the power sector is to supply electricity to all areas including rural areas as mandated under Section 6 of the Electricity Act, 2003. Both the GOI and the State Governments would jointly endeavour to achieve this objective. GOI introduced (March 2005) Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) with the objective of providing access to electricity to all Rural Households (RHHs) and improving the rural electricity infrastructure. The scheme was to be implemented during 2005-2009 (by March 2009) under the 10th and 11th plan periods (viz., 2002-07 and 2007-12) with the following objectives:

- establishing the Rural Electricity Distribution Backbone by providing 33/11KV (or 66/11KV) Power Sub Stations (PSS) of adequate capacity;
- creation of Village Electrification Infrastructure i.e., electrification[1] of un-electrified villages/habitations and provision of distribution transformers of appropriate capacity;
- catering to the requirement of electricity for agriculture and other activities including irrigation pump sets, small and medium industries, healthcare, education, etc. to facilitate overall rural development, employment generation and poverty alleviation; and
- electrification of un-electrified Below Poverty Line (BPL) households with 100 *per cent* capital subsidy.

2.3.1.2 Rural Electrification Corporation Limited (REC) was the nodal agency for implementation of the scheme. As per the scheme, 90 *per cent* of the overall cost of the projects was to be provided by GOI as capital subsidy. The balance project cost was to be met by the Governments of respective States through loan from REC. Cost of electrification of BPL households was, however, to be subsidised fully by the GOI.

2.3.1.3 The RGGVY Scheme in the State aimed (December 2006) at electrification of 438 villages during 10th and 11th Five-year plan periods covering 28,166 rural households (including 11,458 BPL households) at an aggregate cost of ₹ 57.10 crore. The estimated cost of the project was subsequently revised (January 2009) to ₹148.91 crore. Additional quantity variation to the tune of ₹47.63 crore was further approved (February 2012) in order to provide electricity to 623 left over/additional BPL households. Thus, the revised coverage of the Scheme included 438 villages and 28,789 rural households (including 12,081[2] BPL households) at a total cost of ₹ 196.54 crore.

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[1] *As per new definition (2004), village would be declared electrified if basic infrastructures such as distribution transformer and distribution lines are provided in the inhabited locality as well as the Dalit Basti/Hamlets; electricity is provided to public places like schools, panchayat offices, health centres, dispensaries, community centres, etc.; and, the number of households electrified should be at least 10 per cent of the total number of households in the village.*

[2] *In the Ministry of Power, Government of India, data, BPL coverage in the North District is erroneously shown as 774 instead of 747.*

2.3.1.4 The Energy & Power Department (EPD), Government of Sikkim (GoS) was the implementing agency of the scheme in the State of Sikkim. The Principal Chief Engineer cum Secretary, EPD is in charge of implementation of the scheme in the State. Senior Chief Engineer (HQ) was appointed (March 2006) as a Nodal Officer of the RGGVY Scheme, who was assisted by three Chief Engineers, three Additional Chief Engineers and six Superintending Engineers at the circle level to supervise the field work.

Audit Scope, Sampling and Methodology

Audit Scope

2.3.1.5 The audit involved detailed scrutiny of records maintained at Energy and Power Department, GoS as well as beneficiary surveys.

Audit Sampling

2.3.1.6 Simple Random Sampling without Replacement (SRSWOR) was adopted for test check at all four levels i.e. Project Level, Block level, Village Level and Beneficiary Level. At the project level, two out of four Districts (viz. East and West Districts) were selected on the basis of risk criteria. For the purpose of beneficiary survey, four out of five blocks in selected Districts (viz. Gangtok and Pakyong Blocks in East District and Gyalshing and Soreng Blocks in West District) were selected. In each selected block, the surveys of five villages[3] were conducted. In each of the villages so selected, five BPL beneficiaries were surveyed. Details are given below:

Table 2.3.1

District	No. of blocks covered under RGGVY	No. of blocks selected for survey	No. of villages covered under RGGVY	No. of villages selected for survey	No. of Households surveyed
East	3	2	123	10	50
West	2	2	121	10	50
North	2	--	53	--	--
South	2	--	141	--	--
Total	**9**	**4**	**438**	**20**	**100**

Source: Detailed Project Reports

Audit Objectives

2.3.1.7 The audit objectives were to assess whether:

- the EPD had fixed targets in line with the sanctioned scheme and actual achievement was consistent with the targets;
- an efficient and effective plan for implementation of RGGVY scheme was devised and implemented;
- funds received for implementation of Scheme were put to effective use;
- an effective monitoring and supervision mechanism was in place; and

[3] *Three un-electrified and two electrified villages.*

- the intended objectives of RGGVY were achieved and evaluation was done to find out how far rural populace was benefited.

Audit criteria

2.3.1.8 The criteria adopted for assessing the achievement of the scheme objectives were derived from the following sources:

- The RGGVY scheme issued by GOI in March 2005 and February 2008;
- Scheme guidelines issued by GOI/REC;
- Rural Electrification Policy (August 2006);
- Agreements entered into between EPD and REC ;
- Detailed Project Reports (DPRs) of the scheme projects; and
- Agreements entered into by the EPD with the contractors and consultancies.

Audit methodology

2.3.1.9 The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of explaining audit objective to top management in entry conference (April 2013), analysis of data/records with reference to audit criteria, scrutiny of records of the EPD relating to DPRs of scheme projects, receipt of funds, award of works and their execution, monthly progress reports/ returns, interaction with the management, issue of audit queries and draft report to the EPD for comments and final discussion of audit findings with EPD/GoS in the exit conference (September 2013). In addition, field survey of RGGVY Distribution Network along with BPL rural households was also conducted so as to assess the impact of scheme implementation. The replies received (August 2013) from EPD as well as the views expressed by the representatives of EPD/GoS have been taken into consideration while finalising the Report.

Audit findings

2.3.2.1 The findings emerging from audit are discussed in the succeeding paragraphs.

Audit Objective 1: Whether EPD had fixed targets in line with the sanctioned scheme and actual achievement was consistent with the target.

2.3.2.2 As per 2001 census, the State of Sikkim had 450 villages in its four districts. Village electrification drive in the State was started long back during 1986-87 with the funds availed as loans from REC.

The status of electrification of villages as on 31 March 2005 prior to introduction (March 2005) of RGGVY in the State was as follows:

Table 2.3.2

(in numbers)

District	Total no. of Villages (as per 2001 Census)	Total no. of Villages already electrified as per new definition	Balance villages to be electrified	Percentage of villages electrified
East	124[4]	124	0	100
West	121	113	8	93
North	53	45	8	85
South	145	136	9	94
	443	**418**	**25**	**94**

Source: Detailed Project Reports

The Detailed Project Reports (DPRs) approved (December 2006) under RGGVY scheme covered total 438 villages, which included electrification of 25 un-electrified villages and intensive electrification of 413[5] already electrified villages as well as electrification of 64 out of 123 un-electrified schools at an aggregate cost of ₹ 57.10 crore. The details of target and achievement (November 2013) under the scheme were as under:

Table 2.3.3

(in numbers)

Sl. No.	District	Electrification of un-electrified villages		Intensive electrification of electrified villages		No. of connections to BPL households	
		Coverage	Achieved	Coverage	Achieved	Coverage	Achieved
1	East	0	0	123	99	4830	3343
2.	West	8	8	113	113	3442	2977
3.	North	8	8	45	45	747	747
4.	South	9	9	132	126	3062	2765
TOTAL		**25**	**25**	**413**	**383**	**12,081**	**9,832**
Percentage of achievement		100		92.74		81.38	

Source: REC Monthly Progress Report on RGGVY

Scrutiny of records revealed that although the entire project was to be completed by March 2009, the work orders for execution of scheme works were issued only in February 2009 with scheduled date of completion by August 2010. The works were, however, yet to be completed (November 2013). The achievement against the target of providing intensive electrification of villages was to the extent of 92.74 *per cent* while the achievement against the objective of providing connection to BPL households was 81.38 *per cent* only. As regards achievement of target for electrification of schools, the electrification of all 64 schools selected under the scheme was completed (September 2013).

Financial Performance

2.3.2.3 The position of funds received under the scheme for rural electrification vis-à-vis their utilisation during the five years ending 31 March 2013 is depicted in ***Table 2.3.4.***

[4] *Excluding seven electrified villages, which have been converted to notified town area as per 2001 census (Source: East DPR).*

[5] *One village in East district and four villages in South district were excluded in the revised quantity variation proposal after detailed field survey as no intensive electrification was required in these already electrified villages.*

Table 2.3.4

(₹ in crore)

Year	Opening balances as on 1 April	Fund received during the year	Total available fund	Fund Utilised (*per cent*)	Closing balances[6] as on 31 March of respective years
2008-09	0.00	43.74	43.74	3.00 (6.86)	40.74
2009-10	40.74	44.91	85.65	60.47 (70.60)	25.18
2010-11	25.18	43.62	68.80	26.04 (37.85)	42.76
2011-12	42.76	40.62	83.38	30.08 (36.08)	53.30
2012-13	53.30	0.00	53.30	18.86 (35.38)	34.44
Total	**…**	**172.89**	**…**	**138.45 (80.08)**	**….**

(Note: Figures in bracket indicate percentage of utilisation to total available fund)
Source: Data collected from EPD

As seen from the table above, as against the total scheme funds aggregating ₹ 172.89 crore received during 2008-09 to 2012-13, the EPD could utilise an amount of ₹ 138.45 crore only (80.08 *per cent*) as on 31 March 2013. The year-wise utilisation of funds as a percentage of funds available ranged between 6.86 and 70.60 *per cent*. The fund utilisation was highest in 2009-10 due to payment of 25 *per cent* mobilisation advance aggregating ₹ 33.36 crore to eight turnkey contractors. The utilisation of funds was comparatively lower during remaining years mainly due to non-completion of works as per schedule as brought out in the succeeding paragraphs.

Audit Objective-2: Whether an efficient and effective plan for implementation of RGGVY scheme was devised and implemented.

Planning

State level Rural Electrification Plan

2.3.3.1 The MoP, GOI notified (August 2006) the Rural Electrification Policy with the aim of providing access to electricity to all households by the year 2009. As per the Rural Electrification Policy, the State Governments need to prepare and notify a Rural Electrification Plan (RE Plan) within six months of notification of the Rural Electrification Policy (viz. by February 2007). The requirement of notifying the RE plan by State Governments in consultation with MoP was reiterated in the office memorandum (OM) issued (February 2008) by MoP, GOI on sanction of continuation of RGGVY in the 11th Five year plan. The RE Plan was to be the roadmap for generation, transmission, sub-transmission and distribution of electricity in a State so as to ensure achievement of the objectives of the scheme within the stipulated time frame. As per the said OM of MoP, in case the RE plan of any State is not notified within the stipulated period, the capital subsidy provided under the scheme was to be converted into interest bearing loan. MoP issued (April 2008) draft template for RE plan which included plans to energise villages being electrified under RGGVY and strengthening of sub-transmission system to cater to additional load after electrification of villages.

[6] *Excluding total interest income of ₹ 3.91 crore earned by EPD against investment of scheme funds during 2008-09 to 2012-13 (viz. ₹ 0.13 crore in 2008-09, ₹ 0.21 crore in 2009-10, ₹ 0.14 crore in 2010-11, ₹ 1.60 crore in 2011-12 and ₹ 1.83 crore in 2012-13).*

It was observed that the EPD could submit (January 2012) the draft RE Plan after a delay of 60 months from the date (February 2007) stipulated under Rural Electrification Policy. The draft RE Plan was, however, not approved by MoP as it failed to cover several important aspects like upgrading of sub-transmission and transmission system, investment plan, provision of revenue subsidy by State, etc. EPD revised the RE Plan and re-submitted the same in October 2012. The revised RE Plan was, however, pending for approval by MoP (November 2013).

Thus, in absence of approved RE Plan, the State could not ensure development of adequate rural electricity infrastructure. Further, failure to notify RE plan exposed the EPD against the risk of capital subsidy being converted into loan under RGGVY.

EPD stated (August 2013) that RE plan was submitted to REC during 2007 and was rejected on the ground that it did not cover entire rural areas of the State. The RE Plan was re-submitted (October 2012) to MoP for approval and same was yet to be received (November 2013).

The reply is contrary to the facts as draft RE plan was originally submitted to MoP only in January 2012 and EPD could not provide documents in support of their contention. Failure to notify RE Plan had led to non-completion of the project even after seven years of sanction (December 2006) of the Scheme (November 2013).

Formulation of RGGVY Scheme and preparation of DPR

2.3.3.2 For implementation of the Scheme in the State, a Bipartite Agreement was executed (August 2005) between REC and EPD. Under the agreement, responsibility for project formulation and its implementation in the identified areas involving planning, design, engineering and procurement was entrusted to the EPD.

As per the directives of GOI, EPD was required to submit the Detailed Project Reports (DPRs) in respect of four Districts of Sikkim to GOI by September 2005. EPD could, however, submit (March 2006) the DPRs after a delay of six months, which were approved in December 2006. The delay in submission of DPRs by EPD was attributable mainly to late submission of basic data by the field offices.

Scrutiny of records revealed (May 2013) that the DPRs prepared by EPD had several deficiencies as discussed below:

- Though the electricity connections to rural households were partially proposed to be given out of the existing infrastructure, no assessment of the spare capacity available with the existing infrastructure was conducted. Further, no estimates were prepared to determine the quantum of additional energy required to cater to the needs of the new connections (BPL and APL households proposed). Thus, the DPRs were prepared without exhaustive field survey so as to identify the surplus infrastructure available and actual energy requirements.

- The DPRs considered electrification of 64 out of 123 un-electrified schools. The

remaining 59 un-electrified schools were omitted to be covered under the RGGVY scheme in the DPRs due to improper survey.

- Based on the criteria laid down in Tenth Five-Year Plan (2002-2007), Department of Economics, Statistics, Monitoring & Evaluation (DESME), GOS, had listed out (October 2010) 21,618 households under BPL category in the State. The DPRs prepared by EPD, however, reckoned total number of BPL households in the State of Sikkim as 34,784 which was higher by 61 *per cent* of the BPL households as identified by DESME.
- Subsequent revisions in the number of eligible BPL Households as well as the quantum of work involved indicated that the initial DPRs were not realistic and were prepared without proper field survey.

The above deficiencies in the DPRs ultimately led to inadequate provision of infrastructure for rural power supply and shortfall in achieving 100 *per cent* village electrification within the scheduled period.

EPD replied (August 2013) that DPRs were prepared based on field survey by the departmental engineers and the methodology adopted for selection of BPL households was as per the recommendations of the panchayats duly authorised by the Block Development Officers concerned. It was further stated that all un-electrified schools were proposed for coverage under the Scheme.

The reply does not adequately address the issue of adopting higher figures of BPL households without reconciling the differences with the figures available with GoS. Since the Government already had an official list of BPL households, the same should have been adopted for implementation of the scheme. As regards electrification of schools, the documents available with audit confirm that 59 out of 123 un-electrified schools remained out of the RGGVY coverage.

Absence of Business Plan and Financial Analysis

2.3.3.3 As per the guidelines prescribed by REC, the DPR should contain the Business Plan and Financial Analysis of the project providing the category-wise details about anticipated number of consumers, connected load, anticipated sale of energy, operation and maintenance expenses, etc. for the next 15 years of operation so as to evaluate sustainability of the proposed project. The DPRs submitted by the EPD did not, however, contain any such Business Plan and Financial Analysis. Hence, in absence of Business Plan, EPD failed to properly assess the additional energy requirement against the infrastructure created under RGGVY and its revenue sustainability.

EPD stated (August 2013) that being a Government Department, they were not required to formulate a Business Plan. The reply is contrary to the requirements of the REC project formulation guidelines which prescribed for submission of Business Plan and Financial Analysis by the project implementing agency with complete details of projected cash inflow and outflow for next 15 years.

Project implementation

2.3.3.4 For the implementation of RGGVY Scheme in the State, the EPD bifurcated the work into two parts, viz., (i) execution of electrification works upto Low Tension (LT) distribution pole; and (ii) providing of connections from LT distribution pole to BPL households. The works of electrification upto the LT distribution pole was executed through turnkey contractors whereas the works of providing of connection from distribution pole to BPL Households was executed by EPD departmentally.

Execution of work through turnkey contractors

2.3.3.5 For execution of works upto the LT distribution pole through turnkey contractors, the entire scheme in the State was divided into eight packages[7] under four districts and awarded to the lowest bidders after inviting open tenders at an aggregate cost of ₹ 178.11 crore[8]. As per the Letter of Award (LoA), the contractors were to complete the work within 18 months of award of work. The package wise details of the work, value of the contract (pre-quantity variation), actual cost and time taken are detailed in **Appendix 2.3.1**.

It could be seen from the **Appendix** that out of the eight packages scheduled for completion by August 2010, only three packages could be completed as of November 2013 after delays ranging from 9 months to 15 months. Remaining five packages were pending for completion (November 2013) even after delay of 39 months from the scheduled date. Delays in execution of packages by the contractors correspondingly contributed towards delay in overall implementation of the Scheme in the State.

Reasons for the delay in completion of works are discussed in the succeeding paragraphs.

Surveys and submission of quantity variation proposal

2.3.3.6 As per the RGGVY milestones set by MoP, detailed surveys to assess requirement of quantities against sanctioned scheme works were to be completed within six months of award (February 2009) of work i.e., by August 2009. Due to delay in conducting surveys, EPD could submit (November 2010) quantity variation proposal after a delay of 14 months. The quantity variation proposal was, however, approved by GOI after taking further period of 14 months in February 2012 at an estimated cost of ₹ 47.63 crore as detailed in **Appendix 2.3.2.** EPD took another six months in issuing (August - September 2012) the LoAs for quantity variation to the turnkey contractors on the terms and conditions identical with the original LoA. The LoA had stipulated a completion period of 12 months. The entire additional works against quantity variation were, however, in progress (November 2013).

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7 *1 in East, 2 in West, 3 in North & 2 in South districts.*

8 *Including quantity variation (₹ 47.63 crore) approved in February 2012 after netting off the overhead and agency charges payable to EPD/REC.*

Thus, there was overall delay of 34 months in commencement of quantity variation works due to the avoidable delays involved at each stage. This delay has jeopardised the implementation of RGGVY scheme in the State.

Delay in acquisition of land

2.3.3.7 Under RGGVY, it was proposed to install twelve[9] 11/11 KV switching sub-stations (SSs) in the State to provide reliable and quality power. Work Orders for construction and commissioning of these SSs were issued in February 2009 with stipulation to complete the same within 18 months upto August 2010.

As per the milestone set by REC, the EPD was to hand over the required land to the turnkey contractor within six months from the date of award of work. It was, however, noticed that the EPD could handover land within the scheduled time only in respect of 2 out of 12 SSs. The land required for installation of remaining SSs was handed over to the contractors after delays ranging from 3 to 21 months mainly due to excessive time taken in finalisation of land acquisition process.

As a result, only 1[10] SS out of the 12 SSs could be commissioned till November 2013 and remaining 11 SSs were pending for commissioning (November 2013) even after expiry of 39 months from the scheduled date. Thus, undue delay in finalising the land acquisition process had defeated the scheme objectives of providing reliable and quality power supply to the consumers.

It was further observed that ignoring the slow progress of works relating to construction and commissioning of SSs, the turnkey contractors procured (May 2009) equipment worth ₹ 18 crore for energisation of SSs. The equipment so procured by EPD, however, remained idle due to delay in commissioning of the SSs. Thus, due to lack of synchronization by EPD in two activities, funds invested in procurement of equipment remained blocked for 42 months (November 2013).

While accepting the delay in acquisition and handing over the land, EPD stated (August 2013) that although there was delay in completion of SSs, the Government did not incur any amount on cost escalation. The reply was, however, silent on blocking up of fund on procurement of equipment. The reply further confirms the fact of depriving the beneficiaries of availing the scheme benefits in time.

Delay in supply of materials and commencement of erection works

2.3.3.8 As per the schedule for RGGVY works, the turnkey contractors were to commence supply of materials within six months of award of work and complete the same within 15 months of work award. Further, the works relating to erection of poles and stringing of conductors were also to begin within six months after award of work.

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[9] *4 in East, 4 in West, 3 in South & 1 in North.*

[10] *Switching sub-station in Namok, North District.*

It was noticed that 7 out of 8 contractors commenced delivery of materials after delays ranging from 1[11] to 13 months[12] from scheduled date with corresponding delays in completion of supplies by 13 months to 28 months. Delay in commencement and completion of supplies had correspondingly delayed the execution of the erection works.

Excess cost in implementation of the scheme in the State

2.3.3.9 GOI/REC had prescribed the following cost norms for implementation of RGGVY scheme during the 10th and 11th plan[13] period:

Table 2.3.5

Sl. No.	Name of items	Cost at 10th plan	Cost at 11th plan
1	Electrification of un-electrified villages	₹ 6.50 lakh *per* village	₹ 18 lakh *per* village
2	Intensive electrification of already electrified villages	₹ 1 lakh *per* village	₹ 6 lakh *per* village
3	Cost of electricity connection to BPL households (100 *per cent* capital subsidy) per household	₹ 1,500	₹2,200

Source: GOI Notification (March 2005)

A comparison of the actual award cost vis-à-vis the cost norms prescribed by GOI/REC revealed that the overall award cost of ₹ 180.57 crore[14] exceeded the prescribed norms by ₹ 158.67 crore[15] in respect of various projects implemented by the EPD in all four Districts. Reasons for incurring excess cost as analysed by Audit have been discussed in the succeeding paragraphs.

Delay in award of works

2.3.3.10 GOI accorded (June 2006) in-principle approval to the DPRs submitted by the EPD for implementation of the scheme. EPD conducted bidding for the RGGVY works in two phases, viz., submission of Expression of Interest (EoI) for meeting qualification requirements (QR) followed by techno-commercial bids.

It was noticed that EPD took eight months in appointment (February 2007) of consultants for preparation of package-wise tender documents and invited EoI only in August 2007. Although EoI was submitted by prospective bidders in September 2007, EPD took another seven months in issue (May 2008) of bid documents to the successful bidders of QR. Price bids were opened in August 2008 and the works were finally awarded (February 2009) after approval (January 2009) by REC.

Thus, there was overall time gap of 30 months between the date of in-principle approval (June 2006) and issue of work order (February 2009). The excessive time taken in award of work correspondingly delayed implementation of RGGVY in Sikkim besides causing

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11 *Laxmi Hitech in East District.*
12 *Tshering Lachungpa in North District.*
13 *2002-07 (10th Plan) and 2007-12 (11th Plan).*
14 *Revised project cost of ₹ 196.54 crore minus overhead charges of ₹ 15.97 crore.*
15 *10th Five year plan (₹ 80.64 crore) and 11th Five year plan (₹ 78.03 crore).*

significant cost over-run of ₹ 91.81 crore[16] in the project implementation.

EPD stated (August 2013) that delay in award of works was due to administrative reasons on the part of REC in approving rates of 110 *per cent* above the sanctioned costs quoted by the L1 bidders. Reply is not in conformity with the facts as the REC had approved the L1 rates within five months period in January 2009 after opening (August 2008) of price bids by EPD.

Procurement of materials at exorbitant rates

2.3.3.11 Schedule of Rates (SOR) is a vital element in establishing the reasonableness of prices. Adoption of prevailing SOR further ensures that the prices are worked out in a realistic and objective manner on the basis of prevailing market rates.

During February 2009, EPD procured various items of material at SOR 2008 rates for use in the maintenance work carried out departmentally. The material so procured mainly includes steel lattice structure, MS channel, etc. Scrutiny of records revealed that work order for similar works under RGGVY was awarded (February 2009) to contractors on turnkey basis at 200 *per cent* above the SOR 2008 which was significantly higher than the cost of works carried out departmentally by EPD during same period. For instance, the rate of 25 KVA Distribution Transformer as per SOR 2008 was ₹ 55,800 whereas the same under RGGVY LOA was ₹ 1,68,286 (201 *per cent* above the SOR). There was no justification on record for allowing the higher rates for similar works under RGGVY. The total amount on procurement of items in excess of the SOR 2008 rates worked out to ₹ 28.60 crore.

EPD stated (August 2013) that the works were awarded based on the lowest quotations. The factors like inflation of iron & steel prices, equipments, etc. were the reasons for high rates. Reply is not convincing in view of the fact that similar nature of materials relating to other works were procured by the EPD at the rates lower than the RGGVY works.

Different rates for identical items

2.3.3.12 Analysis of item-wise rates in respect of high value items incorporated in the LoA of RGGVY works of all four Districts revealed that different ex-factory rates (excluding freight & insurance) were allowed for supply of the same material with identical specification in all eight packages. There was no recorded justification for allowing different rates in different turnkey contracts for similar specification of material. Few instances of dissimilarity noticed in the price of high value material of same specifications are illustrated below:

[16] *Difference between original project cost (₹57.10 crore) and revised (January 2009) project cost (₹148.91 crore)*

Table 2.3.6

(₹ in lakh)

Name of the item	Item wise rates			
	East Dist.	North Dist.	South Dist.	West Dist.
12 kV Vacuum Circuit Breaker, 630 Amp, 25 kA for 1 sec. Multi Panel, Metal Enclosed, Indoor Horizontal Draw-out.	70.65	49.70	88.12	88.21
110 V, 200 AH, Nickel-Cadmium Battery along with Terminal Connectors, etc.	27.58	13.48	31.06	31.06
110 V, 40 Amp, Auto/ Manual Float-cum-Boost Battery	5.98	5.19	6.40	6.40

Source: Letter of Awards

Audit examined cost variations of high value items for review and arrived at the financial loss by comparing item wise rates having the same specification in respect of all turnkey contractors executing RGGVY Scheme. The difference in unit rates worked out to ₹ 16.25 crore. The variations in the rate of materials were due to absence of proper coordination and comparative analysis of the price quotations received against each of the eight packages.

The EPD stated (August 2013) that for East District, the best equipments were procured from the Kolkata based manufacturer to provide quality of power to withstand high voltages. Whereas in North District where Sub-Stations are not overloaded, equipments with ISI specification but relatively cheaper brand were quoted and hence the work for each package was awarded at different ex-factory rates.

The reply is indicative of the fact that EPD failed to maintain a standardised procurement policy and follow norms of economy and efficiency in execution of works. Moreover, the variations in the rates of similar items in four districts were too significant which cannot be justified by the reasons given by EPD.

Construction of temporary shed

2.3.3.13 EPD did not have its own Schedule of Rate (SOR) for Civil Construction Works; hence it adopts the prevailing SOR of Roads & Bridges Department (RBD). The SOR of RBD did not stipulate separate rate for construction of temporary sheds when works are awarded on turnkey basis. The constructions of sub-stations and the alongside temporary sheds for stacking of materials and also for accommodation of the chowkidar for safe guarding of the materials etc. were integral parts of the turnkey contracts under all eight packages (1 in East, 2 in West, 3 in North & 2 in South) of RGGVY projects.

Scrutiny of records, however, revealed that construction of temporary sheds was incorporated in RGGVY Scheme as a separate item of works at extra costs, which resulted in undue favour to the contactor to the tune of ₹ 25.29 lakh as detailed in the following table:

Table 2.3.7

Name of the District	Cost of temporary shed incorporated (₹ in lakh)	Number of Sub-Station	Total (₹ in lakh)
East	2.80	4	11.20
West	1.70	4	6.80
South	2.00	3	6.00
North	1.29	1	1.29
Total		**12**	**25.29**

Source: Letter of Awards

EPD stated (August 2013) that although construction of temporary sheds is included in the estimates, no payment for the same had been made as on date. Reply confirms the fact that EPD had committed against the liability towards construction of temporary sheds and hence, payments against this item of work have to be made on submission of final claims by the contractors.

Non adherence to bidding documents

2.3.3.14 The works relating to electrification upto the LT distribution pole were awarded on turnkey basis to the contractors selected through open bid/tendering. During execution of works by contractors, however, deficiencies on part of these contractors were noticed which are enumerated below:

Table 2.3.8

Sl. No.	Terms & conditions laid down in LoA	Observations
1.	Bidders must furnish the Activity Plan for approval to assess the quantum of work prior to execution.	No such Activity Plan was furnished by any bidder.
2.	The Bidders were required to provide training to the identified EPD personnel in respect of all the areas covered in the bid package.	No instances of imparting training by the qualified Bidders were noticed as per the records made available to Audit.
3.	The Bidders were required to provide sufficient numbers of soft and hard copies of the complete documentation on technical specifications, literatures, Drawings, testing reports, O&M manuals.	No such soft and hard copies of the documentation including various Technical Specification etc were provided by the bidders.
4.	The drawing of related civil works for foundation of equipments, boundary walls, control rooms and other rooms etc. were to be submitted to EPD for approval.	No drawings were submitted by the bidders as per the records made available to audit.
5.	The successful Bidders were required to document and submit photographs of major equipments erected during the execution of project.	No document and photographs of major equipments erected were submitted by the Bidders.
6.	Contractors should furnish monthly progress reports and monthly meeting to be held at the Office of the Chief Engineer, EPD.	As per the records made available to Audit no such Monthly Meetings were convened and no such monthly progress reports were furnished.

EPD stated (August 2013) that the Activity Plans, Monthly Reports etc. were furnished to Divisional offices and added that since the EPD personnel were well trained, training were not required. The reply of the EPD, however, was not substantiated with supporting documentary evidence.

Non levy of Liquidated damages

2.3.3.15 EPD had awarded (February 2009) the works relating to RGGVY in four districts to eight different contractors to be completed within 18 months upto August 2010. The terms of LoA provided for levy of liquidated damages on the defaulting contractors/suppliers at the rate of 0.5 *per cent* per week of the value of material supplied/erection works beyond schedule date subject to maximum of five *per cent* of contract value.

Scrutiny of records revealed that supply of the materials was delayed by the suppliers to the extent of 36 to 60 weeks. The EPD, however, failed to levy liquidated damages of ₹ 1.40 crore on the contractors as per the agreed terms and conditions.

EPD stated that due to frequent bandhs during 2008-10, inaccessibility of rural areas and road blocks during monsoon due to landslides resulted in delay in delivery but there was no cost over run in the projects. The reply, however, does not address the social costs caused due to delays in the form of denial of the envisaged benefits of the project to targeted BPL beneficiaries within the targeted period. Further, the inaccessibility and landslides during monsoon is a common phenomenon in the State and the contractors were aware of these conditions while entering into work agreement.

Execution of BPL connection by EPD

2.3.3.16 The work of supply and installation of BPL service connection from LT poles to the consumers' premises was taken up by the EPD departmentally. Issues noticed in the departmental execution of works relating to BPL connections are discussed below:

Irregular purchase of BPL Kits

2.3.3.17 As per Rule 127 of Sikkim Financial Rules 1979, open tenders should be invited in all purchases of stores costing more than ₹ 10 lakh. During scrutiny of records, it was revealed that EPD purchased the materials required for providing the connections viz. electronic meter, wiring, GI pipe, MCB, cut out fuse, etc. valuing ₹ 1.57 crore directly from local firms in violation of the rules *ibid.*

EPD stated (January 2013) that the tendering procedure would not only be time consuming but would also enhance the cost of the materials. The contention of EPD does not hold good the direct purchases made by EPD, which was contrary to REC guidelines and Sikkim Financial Rules. Further, the claim of EPD regarding time saving through direct purchases also proved wrong in view of the fact that the electrification of BPL households has already been delayed and was still pending for completion (September 2013).

Delay in electrification of BPL Households

2.3.3.18 As per the status of the scheme implementation as of November 2013, against the target of electrifying 7,734[17] BPL Households in East (4,672[18] Households) and South Districts (3,062 Households) by August 2010, 6,059 BPL Households (East-3,294[19] and South-2,765) could be electrified. Electricity connection to remaining 1,675[20] BPL households in East and South Districts could not be provided even after more than three years of scheduled completion period (August 2010).

Audit analysed the reasons for delays in electrification of BPL households in the East District. It was noticed that after expiry (August 2010) of targeted date of electrification of BPL households, GOS launched (September 2010) Chief Minister's Rural Housing Mission (CMRHM) for conversion of *kucha* houses covered for electrification under RGGVY scheme into *pucca* houses. The works under CMRHM were, however, still in progress (September 2013). This has in turn delayed electrification of the said BPL households. The works of electrification of the above said 1378 BPL households in East District were, therefore, held up pending completion of CMRHM works.

It was observed that EPD had incurred an amount aggregating ₹ 3.38 crore (March 2013) in creating electrical infrastructure for electrification of the above BPL households in East District. The expenditure incurred on RGGVY works, however, remained unfruitful in absence of provision of electricity connections to BPL households due to taking up (September 2010) of CMRHM works. Thus, failure of EPD to complete the RGGVY works within the targeted period (August 2010), has caused blockage of fund to the extent of ₹ 3.38 crore and due to this delay/failure the objective of electrifying BPL household in time could also not be achieved.

EPD stated (August 2013) that electricity connections to the remaining households would be provided by October 2013.

The fact, however, remains that targeted beneficiaries were deprived of the scheme benefits despite creation of the required infrastructure.

Contract Management

2.3.3.19 With a view to augmenting implementation capacities for the programme, REC had concluded Memorandum of Understanding (MOUs) with Central Public Sector Undertakings[21] (CPSUs) so as to make available the project management expertise and capabilities of these organizations to the states wishing to use their services. As per REC guidelines, the State Governments, if they so desire, could utilise the services of CPSUs for implementation of the projects. Contrary to the suggestions made in the RGGVY

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17 *BPL households as per original sanction (excluding 158 BPL households sanctioned under quantity variation in East District).*
18 *Excluding 158 BPL households proposed in Revised quantity variation.*
19 *Excluding 49 BPL households electrified out of 158 BPl households proposed in Revised quantity variation.*
20 *Refer Table No 3.2.3*
21 *NTPC, PGCIL, NHPC and DVC.*

guidelines, however, EPD engaged consultants namely, M/s Mecon Limited for implementation of RGGVY in the State. The following issues were noticed in this regard:

Irregular selection of consultant

2.3.3.20 The Central Vigilance Commission's (CVC) guidelines (July 2007) provide that tendering process was a basic requirement for award of contract by any Government agency as any other method, especially award of contract on nomination basis would amount to breach of Article 14 of the Constitution guaranteeing right to equality to all interested parties.

Scrutiny of records revealed that EPD appointed (February 2007) M/s Mecon Limited (Mecon) as consultant to implement the RGGVY in the State without inviting the open bids. The procedure adopted by the EPD was not transparent as allotment of consultancy service was done arbitrarily without publicity and competition, jeopardising the principle of equal opportunity. Further, the action of EPD had deprived the State of availing the benefits of competitive bidding in terms of quality and cost of the scheme works.

As per the agreement entered (September 2007) between GoS and Mecon, duties of Mecon, *inter alia*, included preparation of tender documents, scrutiny of technical and commercial bids, assist GoS in issue of LoAs and preparation of contract agreements etc. Consultancy fee payable to Mecon was 7 *per cent* of the total firmed up project cost. The initial firmed up project cost of the four districts in the State was ₹ 57.10 crore and as such consultancy fee payable to Mecon was ₹ 4 crore. The cost of RGGVY Project was subsequently enhanced to ₹ 148.91 crore (January 2009) based on the evaluation of bids submitted by the lowest bidders. Although, the said revision did not involve increase in the scope/quantum of work of the consultant, the consultancy fee of Mecon was revised to ₹ 6.77 crore, which included fee of ₹ 2.77crore[22] at the rate of 3.50 *per cent* on the revised additional cost of the project. EPD could have avoided the payment of fee on the enhanced project cost by incorporating suitable clause in consultancy agreement for payment of additional amounts only based on the actual increase, if any, in the quantum of work. Failure to adhere to the tendering process and prudent commercial practices resulted in excess payment to the extent of ₹ 2.77 crore[23].

EPD stated (August 2013) that the entire DPRs of RGGVY Scheme were based on the Schedule of Rate 2003-04 which was prepared by the Engineers of the Department. Mecon, a GOI Undertaking, was engaged so that the financial benefit accrued through consultancy service would ultimately go into Government coffer.

The reply, however, does not address the issue of awarding the consultancy work by EPD without inviting open tenders in violation of Sikkim Financial Rules, which deprived the EPD from availing the best competitive price for the scheme works. Moreover as per the agreement, EPD had to pay an additional amount of ₹ 2.77 crore merely on account of escalation in the project cost without involving any additional work/contribution by Mecon.

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[22] *₹ 79 crore x 3.5 per cent.*

[23] *3.50 per cent of revised additional cost net of overheads {viz., 3.50 per cent of (₹ 91.81 crore-₹ 12.67 crore)}.*

Non adoption of REC's guidelines on Mobilisation Advance

2.3.3.21 Clause 8.1 of Special Conditions of Contract (Volume IA) of the REC guidelines provided that 15 *per cent* of the ex-works price of material components shall be paid as initial advance in case of supply of materials for implementation of rural electrification project. As regards the erection work contracts, the guidelines provided to restrict the initial advance to 10 *per cent* of the total erection price. Contrary to these guidelines, EPD paid interest free Mobilisation Advance (MA) to the extent of 25 *per cent* on consolidated contract value of supply and erection works. Thus, the EPD had paid excess mobilisation advance aggregating ₹ 14.92 crore to the turnkey contractors as detailed in **Appendix 2.3.3.** This has caused consequent loss of interest amounting to ₹ 0.37[24] crore to EPD upto the period of adjustment of mobilisation advance against first running bill submitted (September 2009) by the contractor.

EPD stated (August 2013) that the payment of 25 *per cent* MA was as per the prevalent practice in the State. The reply confirms the fact that EPD failed in adherence to the REC guidelines, which were mandatory for scheme implementation in the State.

Interest free Mobilisation Advance

2.3.3.22 CVC guidelines stipulated that the practice of extending interest free Mobilisation Advance (MA) should be discouraged and that the recovery of the MA should be affected in a time bound manner without linking it with the progress of works. It was, however, observed that EPD extended (April 2009) interest free advances aggregating ₹ 33.36 crore to eight turnkey contractors before commencement of the project and linked the recovery of the advance in proportion of the actual progress of works in violation of the CVC guidelines. Since the EPD had been funding the said interest free MA out of the REC loan bearing interest at the rate of five *per cent,* the EPD had to sustain the interest loss on the said advances to the tune of ₹ 1.83 crore[25].

It was further noticed that out of ₹ 33.36 crore released in April 2009, an amount of ₹ 1.99 crore remained unadjusted in respect of six contractors till date (September 2013). The objective of releasing the MA was defeated as none of the projects was completed within the time schedule.

During scrutiny of records, it was observed that the EPD had been charging interest at five *per cent* per annum on the mobilisation advances granted to the contractor executing other works. Audit is, therefore, of the view that the EPD should have levied the interest at uniform rate on all advances including the advances granted for RGGVY works. Further, in line with CVC guidelines the EPD should affect the recovery of the mobilisation advance as per pre-determined time schedule without linking the same with actual progress of works.

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[24] *₹ 14.92 crore x 5 per cent for 6 months (April to September 2009).*

[25] *Worked out at the rate of 5 per cent per annum being interest charged by EPD on advance in respect of other works after netting off the interest loss pointed out under Paragraph 3.2.3.2.1 supra.*

Audit Objective-3: Whether funds received for implementation of Scheme were put to effective use.

2.3.4.1 Under the scheme, 90 *per cent* capital subsidy would be provided by the GOI for meeting overall cost of the projects. The balance project cost was to be met by the State Government through loan from REC. Electrification of un-electrified BPL households would, however, be financed through 100 *per cent* capital subsidy by GOI.

Funds received under the Scheme were to be kept in a separate interest bearing account. EPD operated two current accounts, viz. Canara Bank and State Bank of Sikkim (SBS) for management of funds received under the Scheme. Installments (both subsidy and loan component) were released by REC by way of Real Time Gross Settlement (RTGS)[26] transfer to the Canara Bank Account. The funds so deposited in Canara Bank were transferred subsequently to the current account maintained with SBS and further deposited under fixed deposit schemes. The following deficiencies were, however, noticed in effective utilization of scheme funds by EPD:

Diversion of Scheme fund

2.3.4.2 The Scheme fund was required to be utilised for the purpose of creation of infrastructure aimed at electrification of un-electrified villages and BPL households. During scrutiny of records, however, following instances of diversion of scheme funds were noticed:

- EPD had utilised scheme funds to the extent of ₹ 33.82 lakh for payment of interest against loans availed from REC during the period from February 2009 to September 2009. This was contrary to the stipulations made in the Bipartite Agreement between REC and GOS according to which, the obligation for repayment of loan component of scheme along with interest rests with the State Government.
- Loan component of the Scheme was routed through the State Loan head by depositing the loan amount into the State Government account instead of separate RGGVY account. As a result, there were delays ranging from one month to five months in receiving back the money (₹ 18.34 crore) from the State Loan head.

EPD stated (August 2013) that payment of interest on REC loan was made out of the interest earned against scheme funds. EPD, however, accepted that there were delays in receiving back the loan component after its transfer to Government account. The fact, however, remains that there were no specific provisions under RGGVY guidelines for utilising the scheme funds on above purposes.

[26] *Real Time Gross Settlement (RTGS)is a fund transfer mechanism where transfer of money takes place from one bank to another on a "real time" and on "gross" basis. This is the fastest possible money transfer system through the banking channel. Settlement in "real time" means payment transaction is not subjected to any waiting period. The transactions are settled as soon as they are processed. "Gross settlement" means the transaction is settled on one to one basis without bunching with any other transaction.*

Idling of scheme funds

2.3.4.3 The REC guidelines provided that the funds received under the Scheme were to be kept in a separate interest bearing accounts. It was noticed that out of the scheme funds amounting to ₹ 39.75 crore received (9 March 2012) by EPD, an amount of ₹ 35 crore was invested in Fixed Deposit only on 24 April 2012, i.e. after keeping the funds idle in the current account for 45 days. This resulted in loss of interest income to the extent of ₹ 21.58 lakh[27].

In reply, EPD admitted (August 2013) that the delay in investment of fund was due to administrative delay and in the absence of expertise, an efficient fund management system could not be established.

Booking of State Taxes

2.3.4.4 The MoP, GOI clarified (February 2008) that the State Taxes, like Value Added Tax (VAT), Cess, etc. on RGGVY works would not be reimbursed and were to be borne by the concerned State Government. Audit noticed that an amount of ₹ 3.64 crore towards VAT (₹ 2.78 crore) & Cess (₹ 0.86 crore) on RGGVY Scheme had been booked under the RGGVY grant during April 2007 to March 2013.

It was observed that charging of State Taxes to the RGGVY was in violation of the *ibid* instruction.

EPD stated (August 2013) that the guidelines of RGGVY Scheme do not interpret that the State Taxes on RGGVY works had to be borne by the concerned State Government and no notification/ circular was forwarded to EPD.

The reply is not valid as State duties and taxes were to be borne by the State Government in view of *ibid* instructions (February 2008) of MoP, GoI.

Payment of freight and insurance charges without documentary proof

2.3.4.5 As per RGGVY Guidelines, insurance of materials while in transit and during erection was mandatory in order to safeguard against incidence of unforeseen losses. In terms of Letter of Award (LoAs) issued for implementing the RGGVY Scheme, the turnkey contractors were entitled for reimbursement of freight and insurance charges after submission of supporting documentary proof. It was, however, noticed that EPD irregularly allowed the contractors reimbursement of insurance premium to the extent ₹ 4.91 crore without obtaining the copies of insurance and freight charges documents in violation of the RGGVY guidelines.

EPD stated (August 2013) that the insurance amount was based on the premium paid by contractors. The EPD however, could not produce any documents to substantiate the reply.

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[27] *5 per cent on ₹ 35 crore for 45 days.*

Audit Objective-4: Whether effective monitoring and Supervising Mechanism was in place.

Monitoring

2.3.5.1 The existence of an effective monitoring system is a pre-requisite for smooth implementation of a scheme. It was, however, observed that due to inadequate MIS and improper monitoring, there were instances of delays in decision making and implementation of the scheme projects. The overall impact of the said delays on implementation of the scheme remained largely un-assessed as discussed in the subsequent paragraph.

State Level Coordination Committee

2.3.5.2 With a view to monitor the progress of implementation of RGGVY Scheme in the State, the GoS constituted (September 2006) the State Level as well as District Level Coordination Committees. As per the RGGVY guidelines, the State Level Committee was required to conduct at least one meeting every month under the Chairmanship of the Chief Secretary of the State to review the issues relating to the forest and environment clearances, land acquisitions for sub-stations, etc. Similarly, District Level Committee, headed by District Collector was also required to hold monthly review meetings to monitor the progress of works. It was, however, observed in Audit that during the four years period upto 2012-13 since the initiation of RGGVY Scheme (2009-10) in Sikkim only 12 meetings were convened by these two Committees as against minimum number of 96 meetings required to be convened as detailed below:

Table 2.3.9

Sl. No.	Name of the Committee	Number of Meeting required[28] to be held in last four years	Number of Meeting actually held	Number of Short falls
1	State level Coordination Committee	48	5	43
2	District Level Committee	48	7[29]	41
	Total	**96**	**12**	**84**

Source: Data collected from relevant records.

Failure to conduct Committee meetings at regular intervals is fraught with the risk of delay in taking important policy/major decisions to resolve bottlenecks in implementation of RGGVY Scheme. Ineffectiveness of monitoring by State/District Level Coordination Committees had consequently contributed towards delay in implementation of scheme in the State.

EPD stated (August 2013) that meetings could not be held regularly due to the pre-occupation of the Committee members consisting of Secretaries to the State Government and the Members of Legislative Assembly. The reply of the EPD confirms the fact that top-level monitoring was absent in implementation of the scheme.

[28] *One meeting every month.*
[29] *South-1; North-3, East-1; West-2.*

Quality Monitoring Mechanism

2.3.5.3 The projects executed under the Scheme in the State were subject to a three-tier Quality Monitoring Mechanism. The details of the Three Tier Quality Control Mechanism prescribed in the Scheme are detailed in **Appendix 2.3.4**. The following issues were noticed in the three-tier quality control mechanism.

Arbitrary selection of first tier Third Party Inspection Agency

2.3.5.4 The engagement of Third Party Inspection Agency (TPIA) for inspection of materials was mandatory to ensure the execution of works as per norms and standards of engineering. Further, to avail the benefits of most competitive price and quality of works, the selection of TPIA should be made after inviting open tenders for the assignment. It was observed that M/s Mecon Limited had offered (April 2009) to carry out the TPIA service at one *per cent* of total project cost. EPD, however, arbitrarily appointed M/s Biecco Lawrie Limited (BLL) for TPIA service of RGGVY Scheme at 2.5 *per cent* of total project cost without following the open bidding process. The offer made by M/s Mecon Limited was indicative of the availability of the firms willing to accept the work assignment at fee lower than the fee charged by BLL. The EPD, however, could not exploit the possibilities of fetching the economical rates from open market due to its failure in appointing the TPIA through open tendering.

EPD stated (August 2013) that the offer of M/s Mecon Ltd. could not be accepted since they were rendering the consultancy service in implementing the project and in order to have independent monitoring report BLL was entrusted for TPIA service. The issue here, however, is that open tendering should have been adopted for getting the best offers, as required by the Sikkim Financial rules, which had not been done in this case.

Non-formulation of Quality Assurance Programme

2.3.5.5 As per the Quality Control Manual of REC (April 2008) EPD was to prepare a detailed Quality Assurance Programme to ensure quality of work executed by the Contractors and TPIA. All materials and villages were to be inspected as per the Manufacturing Quality Plan and the Field Quality Plan. Even though the EPD had engaged BLL as TPIA, no Quality Assurance Programme was prepared. Absence of a proper and detailed Quality Assurance Programme was indicative of the fact that the quality control mechanism was not implemented properly.

Improper inspection by TPIA

2.3.5.6 As per terms and conditions of the agreement, the TPIA was to carry out the inspections in two stages i.e. on completion of infrastructure in 10 *per cent* villages (first stage) and on completion of 90 *per cent* works in the villages (second stage). The first stage of inspection was to be done in 10 *per cent* randomly selected villages. For second stage inspection, 50 *per cent* villages were to be selected randomly including 10 *per cent* villages inspected in the first stage. Further, the village wise inspection report was to be

submitted by TPIA on weekly basis to EPD for rectification.

Out of 227 villages inspected by TPIA, audit test checked the TPIA report in respect of 95[30] villages (42 *per cent*). The discrepancies noticed on the inspection reports submitted by TPIA were as follows:

- The inspections were not done stage-wise as stipulated in the agreement. Instead TPIA conducted the inspection at a stretch as per their convenience.
- There were ten instances of conducting inspections of three or more villages by TPIA in a single day indicating that inspections were carried out in a hurry by TPA.
- As per the scope of the work, 10 *per cent* villages were to be inspected in first stage and same villages were to be re-inspected during the second stage in order to ensure rectification of defects pointed out in the first stage. Since the TPIA conducted the inspection at a stretch, rectification of defects pointed out during the first stage remained unverified. This led to defeating the very objective of third party inspection.
- In 44 out of 123 villages under East District and in 26 out of 113 villages of West District, the TPIA had reported "NO BPL FOUND". The findings of TPIA were contradictory to the figures of BPL connections (641) reported to have been provided under the scheme as per the Monthly Progress Reports (MPR) submitted by EPD. Further, as per the MPR, EPD had installed nine Distribution Transformers in nine villages while the TPIA report indicated the same as 'NIL'.

The above irregularities pointed out in the performance of TPIA are indicative of the fact that TPIA did not adhere to the scope of work as laid down in the terms & conditions of the agreement.

In reply, the EPD stated (August 2013) that three villages were inspected in a day, in respect of villages located in the nearby area and there were insignificant irregularities. The reply was, however, silent on other issues pointed out by Audit.

Second-tier quality control mechanism

2.3.5.7 The second tier quality control, *inter alia*, provided for pre-shipment inspection of at least one of the major materials at vendor's works. The inspection of materials at pre-shipment stage was stated to be carried out by REC. None of the Inspection Reports issued by REC for the inspection carried out by them was, however, provided to Audit for scrutiny.

Maintenance of the assets created under RGGVY

2.3.5.8 A substantial number of electrical infrastructures like 11 KV, LT lines and installation of DTRs have been created under the scheme. The details of assets created under the scheme are shown in **Appendix 2.3.5**.

[30] *65 villages in East and 30 villages in West District.*

Proper maintenance of assets created plays an important role in reducing the risks of breakdowns and accidents on account of mechanical failures. Taking a pro-active stance towards maintenance of equipment is, therefore, crucial for achieving maximum efficiency. It was, however, observed that although the LoA for the RGGVY works was issued long back in February 2009, EPD had not earmarked any budgetary allocation for the maintenance of scheme assets even after expiry of more than four years of commencement of scheme implementation (2008-09) till March 2013. The photographs below are the apparent examples of the poor maintenance of the assets created in the State under the RGGVY scheme:

Image 2.3.1



Image 2.3.2



Image 2.3.3



A DT poles and lines are covered with green vegetation which increases the possibility of short circuit and trippings

While accepting facts, the EPD stated (August 2013) that budget provisions for maintenance would be created after completion of RGGVY works. It is, however, observed that the assets created under the scheme required regular maintenance considering their continuous utilisation for scheme implementation. Inadequate and ineffective maintenance of these assets could lead to deterioration in their value and capacities.

Separate records of the assets created under RGGVY

2.3.5.9 As per the Bipartite Agreement between REC and GoS (August 2005), the State Government shall be the owner of the assets created under the scheme. During scrutiny of the records of East and West districts, it was noticed that no separate records had been maintained by EPD for the assets created under the scheme. In absence of separate records for the scheme assets, the physical and financial details of these assets could not be verified in Audit.

Audit Objective-5: Whether intended objectives of RGGVY were achieved and evaluation was done to find out how far rural populace was benefited.

Impact Assessment

Awareness programme under RGGVY

2.3.6.1 Awareness programme plays a major role in creating awareness among BPL beneficiaries about the RGGVY Scheme and its objective. EPD had not conducted any awareness programme at the district/village level. No signboards indicating various

details on implementation of the scheme (such as, the broad objectives and envisaged benefits of scheme, area and population covered, timeline for completing scheme works, cost of the works involved, etc.) were placed at any prominent places like panchyat office, schools, etc. of the villages where the scheme was implemented. During beneficiary survey of 100 BPL households conducted by Audit in 20 villages of 2 Districts, it was observed that none of the BPL Households had the knowledge about the RGGVY scheme and their entitlements under the scheme.

The EPD stated (August 2013) that awareness programmes were conducted by the panchayats. No documentary or other evidence was, however produced by EPD in support of their claim. Further, the results of the survey carried out by Audit on randomly selected 100 BPL households for assessing the knowledge about the scheme points to absence of awareness programme.

Non provision of earthing

2.3.6.2 The G.I. earthing spike with nuts was an integral package of one point free connection service to the BPL households to ensure safety of the beneficiaries. During the field survey of 50 Beneficiaries in 10 villages in West district, it was observed that earthing was not provided in any of the BPL Households connections surveyed by Audit.

Image 2.3.4



A BPL connection depicting improper wiring and non-provision of MCB in West District

Non provision of meters

2.3.6.3 The EPD had to provide meters in all rural households. Without installation of meter, the meter readings could not be taken and the revenue sustainability as conceived under the scheme could not be ensured. It was, however, observed that no meter was provided in the premises of any of the five[31] beneficiaries surveyed under Chisopani Village in Gangtok Block and in four out of five[32] households surveyed in Umchung Village, Gyalshing Block.

[31] *Total number of BPL beneficiaries in the village was 46.*
[32] *Total number of BPL beneficiaries in the village was 40.*

Image 2.3.5



Image 2.3.6



Beneficiary houses in Chisopani village under Gangtok Block where meters not installed

Image 2.3.7



Image 2.3.8



Beneficiary houses in Umchung village under Gyalshing Block where meters not installed

Improper wiring

2.3.6.4 It was observed that the internal wiring was not done properly in 41 out of 50 BPL Households surveyed in West District and 26 out of 50 BPL Households surveyed in East Districts. Some instances are shown below:

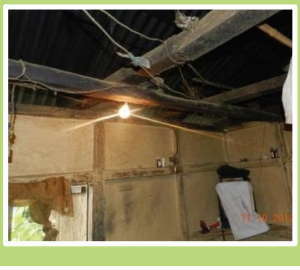
Image 2.3.9



Image 2.3.10



Image 2.3.11



The internal wires which were left open without providing casing (included in BPL Kits) were exposed to the vagaries of nature and could lead to short circuits and other accidents.

Non provision of BPL Kits

2.3.6.5 Further, during the survey it was observed that items like G.I. service pipe, Cut Out Fuse, Meter Boards, MCB Switch which were the integral parts of free connections to BPL households were not provided as detailed below:

Table 2.3.10

BPL kits not provided to BPL Households	No. of BPL Households not provided with Kits in East District (Sample size:50)	No. of BPL Households not provided with Kits in West District (Sample size:50)
M C B Switch	15	22
CFL Bulb	8 (18 damaged)	22
Cut Out Fuse	18	22
Meter Board	11	41

Source: Data collected during beneficiary survey

Image 2.3.12



Image 2.3.13



Image 2.3.14



BPL households of SamtenLepcha, (ChotaSingtam, Pakyong), Nima Sherpa (Hilley Forest Block, Soreng) and DiklingPachaykhani

The deficiencies in providing the basic infrastructure to the BPL households as discussed above are indicative of the fact that EPD failed to evaluate the works executed under the scheme in the State and take appropriate corrective action to rectify the shortcomings thereby defeating the objectives of the scheme.

Distribution Transformers

2.3.6.6 As per the LoAs issued for award of project works, all the Distribution Transformers (DT) installed under the scheme should be provided with Meters. It was, however, noticed during the survey that in 2 DTs surveyed in 2 Villages in East district and 3 DTs surveyed in West District, the DT Meters were not provided. The photograph below depicts the instances of non-installation of DT Meters in the DTs commissioned under the scheme. In the absence of the DT Meters, the energy accounting and auditing was not possible.

Image 2.3.15



DT at Pachak (Pakyong Block), in East District which has no meter and fuse kit cut

Non-supply of galvanized materials

2.3.6.7 As per specification of REC, galvanized material was to be used for construction of distribution sub-stations. During physical verification by Audit Team in Pachak Village under Pakyong Block, East District, it was observed that material used was not galvanized and was in a rusted condition as shown in the picture below.

Image 2.3.16



Provision of electricity to public places

2.3.6.8 The scheme aimed at providing electricity to public places like schools, panchayat offices, health centres, dispensaries, community centres, etc. During the survey in selected 20 villages, it was noticed that all the primary health centres and the panchayat offices in these villages were provided with electrical connections. It was, however, noticed that three schools in three villages, viz. Soreng Primary School, MendoGaon Primary School and Yangtam Sanskrit Secondary School were deprived of the electricity due to improper survey and non-inclusion of these schools in DPR. As per the RGGVY Guidelines the villages cannot be considered as electrified in absence of proper electrification of schools.

It was stated during the survey by the Engineers that the schools concerned had not applied for the connections. EPD needs to look into the reasons for not covering these schools under the scheme and take appropriate action for their electrification. Further, EPD also needs to ensure that no such cases exist in other villages of the State by obtaining confirmation from the Gram panchayats of each electrified village covered under the scheme and also through conducting the survey/physical inspection of the villages covered under the scheme, on random basis.

Acknowledgement

2.3.7.1 We acknowledge the cooperation and assistance extended by different levels of officers and staff of the EPD at various stages of conducting Audit.

Conclusion

2.3.8.1 The objective of RGGVY was to provide access to electricity to all rural households and improving the rural electricity distribution infrastructure by March 2009. The RGGVY scheme could not be completed in its entirety even after four and a half years of scheduled completion time due to various deficiencies in its implementation. It was seen that the EPD failed to prepare a Rural Electrification Plan which was to be a roadmap for rural electrification. This led to cascading delay in all subsequent implementation of RGGVY Scheme right from creation of RGGVY infrastructure and granting free connection to the BPL beneficiaries. The Detailed Project Reports prepared for scheme project were deficient in various aspects leading to subsequent revisions in work scope and consequent time and cost overrun. Instances of delays in award of work, acquisition of land and submission of revised quantity estimates etc. were also noticed which prolonged completion of the Scheme. Cost of implementation of the Scheme exceeded the cost norms due to significant variations in the ex-works price for equipments of same specification. There were diversions of Scheme funds, irregular inclusion of State taxes in the Scheme cost and inadmissible payments to consultants/ turnkey contractors. Despite this delay in execution of scheme works, regular meetings of State level/ District level Coordination Committees were not convened. Beneficiary surveys conducted by Audit also revealed instances of several shortcomings in execution of scheme works, which remained un-rectified in absence of adequate evaluation of works completed by EPD and prompt corrective action against the shortcomings noticed.

Recommendations

2.3.9.1 It is recommended that:

- State Plans which are integral to implementation of Central Schemes should be finalised on time to achieve the objectives of the Schemes more effectively and efficiently.
- Delay in implementation of Schemes could better be avoided through prompt award of work and advance action with respect to land acquisition and other

preparatory activities. The DPRs for the project should be realistic and based on the authentic data of the beneficiaries

- Economy should be maintained in execution of works and scheme funds should be utilised in strict compliance with the scheme guidelines.
- Progress of works should be effectively monitored through monitoring committees and prompt corrective action should be taken against short comings noticed for successful implementation of the scheme.

FOOD SECURITY & AGRICULTURE DEVELOPMENT DEPARTMENT

2.4 Rashtriya Krishi Vikas Yojana

Concerned with the slow growth in the Agriculture and allied sectors, the National Development Council (NDC), in its meeting held on 29 May 2007, resolved to launch a special Additional Central Assistance Scheme Rashtriya Krishi Vikas Yojana (RKVY) to incentivise States to draw up plans for their agriculture sector more comprehensively. This would involve a new scheme for Additional Central Assistance to State Plans, administered by the Union Ministry of Agriculture over and above its existing Centrally Sponsored Schemes, to supplement the State-specific strategies including special schemes for beneficiaries of land reforms. Thus, RKVY aimed at achieving four per cent annual growth in the Agriculture sector during the XI Plan period, by ensuring a holistic development of Agriculture and allied sectors. The main objectives of the scheme inter alia were:

(i) to incentivise the States so as to increase public investment in Agriculture and allied sectors; (ii) to achieve the goal of reducing the yield gaps in important crops, through focused interventions; (iii) to bring about quantifiable changes in the production and productivity of various components of Agriculture and allied sectors by addressing them in a holistic manner.

In Sikkim, the Agriculture and allied sector had achieved four per cent annual growth rate towards contribution to Gross State Domestic Product (GSDP) during the XI Plan period. However, in cases of production of major crops (i.e. Cereals, Pulses and Oil seeds), the four per cent growth rate was achieved only in two years (2008-09 and 2011-12 for Cereals and Pulses and 2009-10 and 2011-12 for Oil seeds) of the period under review.

Adequate and envisaged planning process for overall vision for development of the district was absent both in the District Agriculture Plan (DAP) and State Agriculture Plan (SAP) and it was compounded with flaws in the preparation of DPRs. As a result, the gaps in various agricultural initiatives remained unidentified and the improvement in the production of agricultural products was also not achieved. Even the financial targets set by the Department were unrealistic and highly inflated.

The smooth functioning of the scheme and achievement of its objectives was adversely affected by improper fund management, delays, taking up of unviable projects and lack of monitoring, review, evaluation and field studies from the State Level Selection Committee (SLSC).

Out of the 20 selected projects, eight projects involving expenditure of ₹ 5.95 crore, scheduled to be completed by March 2013 remained incomplete.

(Paragraph 2.4.9.1)

There was an excess expenditure of ₹ 7,500 per tank as compared to the construction of tank under Macro Management of Agriculture (MMA) which resulted in excess expenditure of ₹ 1.04 crore for the entire scheme.

(Paragraph 2.4.9.3)

Monitoring was lax as only 6 meetings of SLSC had been held as against the required 20 meetings. No field inspection was undertaken by the SLSC or by the officers of the Nodal Department. The Nodal Department failed to submit the performance report in terms of physical and financial achievements as well as outcomes to the Ministry.

(Paragraph 2.4.13.1)

The production of agricultural products, for the period from 2007-08 to 2012-13 revealed that four *per cent* annual growth in cereals, pulses and oil seeds was achieved only in two years.

(Paragraph 2.4.14.5)

2.4.1 Introduction

Rashtriya Krishi Vikas Yojana (RKVY) was launched with the aim of achieving four *per cent* annual growth in the Agricultural sector during the XI Plan period by ensuring holistic development of Agriculture and allied sectors with the objectives to incentivise the State to invest on Agriculture sector, maximise profits to the farmers, bring about quantifiable change in the production etc.

The funds under the scheme were provided to States as 100 *per cent* grant by the Central Government. The eligibility for assistance under the scheme would depend upon the amount provided in State Plan Budget for Agriculture and allied sectors, over and above the base line percentage expenditure[33] incurred by the State Governments on Agriculture and allied sectors. The State would ensure that the baseline share of agriculture in its total State Plan expenditure (excluding the assistance under the RKVY) is at least maintained, and upon its doing so, it would be able to access the RKVY funds.

The RKVY would be available to the States in two distinct streams i.e. at least 75 *per cent* of the allocated amount under Stream I for specific projects and the balance amount would be available under Stream II for strengthening the existing State sector schemes and filling the resource gaps. A State Level Sanctioning Committee (SLSC), constituted, would have the authority to sanction specific projects under Stream I.

[33] *Denotes the average percentage of expenditure during the previous three years.*

2.4.2 Organisational set up

The Food Security and Agriculture Development Department was the Nodal Department for the implementation of the scheme. The Department was headed by the Secretary and assisted by the Principal Director, Director and other Officers. The SLSC was constituted (December 2007) for sanctioning of the projects at State level and to review the implementation of the scheme and to ensure that the projects were implemented in accordance with the guidelines laid down by the Central Government. The schemes were being implemented by three[34] departments in addition to the Food Security and Agricultural Development Department (Nodal Department).

2.4.3 Scope of audit

The audit covered the period from 2007-08 to 2012-13. Audit examined the records and evidence collected from the Secretariat as well as the four district offices of the departments of Food Security and Agriculture Development Department (FSADD), Animal Husbandry, Livestock, Fisheries and Veterinary Services Department (AHLFVS), Horticulture and Cash Crop Development Department (HCCD) and Co-operation Department. The audit was conducted during June to August 2013.

2.4.4 Audit objectives

The audit of RKVY was taken up with the objectives of assessing whether:

- Planning process of the implementation of scheme was effective and in compliance with the RKVY guidelines;
- Financial management ensured adequate and timely availability of funds and their effective and economic utilisation;
- Projects were implemented according to the regulatory structure in place and the intended objectives of the projects were achieved and the Nodal agency had effectively coordinated with various departments and implementing agencies for implementing various projects;
- Internal control mechanisms were put in place to ensure efficient and effective monitoring and control over implementation; monitoring mechanism at each level was adequate; and
- The objectives of maximising returns to the farmers in Agriculture and allied sectors were achieved and the State could achieve four *per cent* growth in the agricultural sector during the XI Plan period.

[34] *Animal Husbandry, Livestock, Fisheries and Veterinary Services Department, Horticulture and Cash Crop Development Department and Co-operation Department.*

2.4.5 Audit criteria

The following were the sources of audit criteria:

- Guidelines for RKVY of Department of Agriculture & Cooperation, Ministry of Agriculture;
- Website of RKVY scheme titled 'rkvy.nic.in';
- Reports of Planning Commission;
- Evaluation studies by National Institute of Rural Development (NIRD) or any other State level agencies;
- Comprehensive State Agriculture Plan;
- Guidelines for projects under implementation;
- Instructions/guidelines issued at State/District level for implementation of RKVY;
- Sikkim Financial Rules; and
- Sikkim Public Works Department Code and Manual.

2.4.6 Audit methodology

The audit for the period 2007-08 to 2012-13 commenced with an entry conference with the Secretaries, other Officers of the Nodal Department as well as the implementing departments in July 2013. Records maintained at the departmental headquarters and four districts were test checked during the Audit. The exit conference was held in October 2013.

From the consolidated list of 78 projects, 18 from Stream I were selected using Probability Proportional to Size With Replacement (PPSWR) method. Two projects were selected from Stream II. All the four districts were selected.

Audit findings

2.4.7 Planning process

Audit objective 1: Whether planning process of the implementation of scheme was effective and in compliance with the RKVY guidelines.

2.4.7.1 Preparation and submission of District Agriculture Plan (DAP)/State Agriculture Plan (SAP).

According to the guidelines of RKVY, each district would formulate DAP by including the resources available under various existing schemes (i.e. District, State, or Central schemes, etc.) and adhere to the guidelines circulated by the Planning Commission for District Planning. The DAP would present the vision for Agriculture and allied sectors within the overall development perspective of the district and would present the financial requirement and the sources of financing for the agriculture development plans in a comprehensive way. The objective of district planning was to design an integrated and participatory action plan for the development of the local area in general and Agriculture

and allied sectors in particular. For projecting the actual requirements for development of Agriculture and allied sectors of the district, the planning process was to be initiated from the grass root level i.e. at village/Gram Panchayat Level. The Nodal Department was to ensure that the State's priorities with respect to Agriculture and allied sectors are appropriately captured in the DAPs. After preparation of the DAPs, the Nodal Department would finalise the comprehensive SAP by integrating all the DAPs. After the approval of SAP, the Nodal Department would place the Stream I proposals before the SLSC for consideration, discussion, finalisation, and sanction.

Scrutiny of DAPs and SAP revealed that there was no reference to the on-going schemes/programmes (other than the RKVY projects) in the SAP and DAPs and that merely the names of other on-going schemes (**Appendix 2.4.1)** were provided in the DAPs. Scrutiny of the SAP and DAPs also indicated that the Department had not taken any step to explore and identify the possibility of convergence of RKVY with other existing schemes/projects. Hence, the DAPs and SAP could not adequately integrate resources available from different sources with RKVY which was an objective of the scheme. The shelf of projects at district level was not prepared. Documents in support of the initiation of the planning process from village/GP level though called for, was not produced to Audit. The DAPs were prepared without considering the overall resources available for development of Agriculture and allied sectors and also without any inputs from the village/GP level. The DAPs and SAP appeared to be mainly an exercise to obtain funds from GOI.

Records regarding the submission of SAP and DAPs to the DAC and Development Planning, Economic Reforms & North Eastern Council Affairs Department (DPERNECAD) of State Government were not produced to Audit.

Thus, adequate and well-envisaged planning process for overall vision for development of the district was absent in the DAPs. The flaws in the preparation of SAP and DAPs resulted in non-viable projects being taken up, irregular implementation of projects and non- improvement in agricultural production, as elaborated in the succeeding paragraphs.

2.4.7.2 Detailed Project Report

Detailed Project Report (DPR) is a basic document for planning and implementing a project. The DPR is to be prepared carefully and with sufficient details of the project to ensure its appraisal and implementation in an economical and efficient manner. In a well-prepared project, all the essential ingredients would be properly considered and included, i.e. feasibility studies, competencies of the implementing agencies, anticipated benefits to the farmers, definite time-lines for implementation, etc. The Nodal Agency would satisfy itself that the project fulfilled the objectives of the RKVY before recommending the DPRs to the SLSC.

Audit observed that the DPRs were prepared by the implementing departments without proper surveys and investigations and lacked the essential inputs. The Nodal Department had submitted these DPRs to the SLSC without proper verification. Details of shortcomings in the DPRs are given below:

- ***Project on Baby Corn, Sweet Corn and Pop corn*:**

  The DPR was prepared taking into consideration only the input cost and without any market survey. The selling price, earning and availability of market, etc. were not spelt out in the DPR. This resulted in the implementation of a non-viable project as detailed in Paragraph 2.4.10.1.

- ***Establishment of Feed unit at Melli Payong***:

  The SLSC approved the establishment of Feed unit at Melli Payong at a total cost of ₹ 1.21 crore scheduled to be completed by 31 March 2013. The project was being implemented by Food Security and Agriculture Development Department (FSADD). Scrutiny of records revealed that the DPR only stated the financial aspect of the project and did not quantify the benefit that was to be delivered to the farmers. The current market price of feed and the selling price of feed from proposed unit were not taken into consideration for calculating detailed benefits (cost benefit ratio) that was to be delivered to the farmers. Moreover, the feasibility study was also not conducted. Due to the inherent defects in the DPR, the project was not taken up even after two years of sanction. Even after inviting the offer by the Department for construction and operation of the project, only two agencies responded to the bids, one of which offered very low rate and another offered bids without any supporting documents and rate. After obtaining the approval, the Department again appointed a firm for preparation of Project Report at a total cost of ₹ 6 lakh which indicated that the initial DPR was prepared without proper scrutiny by the Nodal Department.

- ***Packing house for fruits and Flowers:***

  The DPR had detailed the expenditure on the construction of the infrastructure only, that too, without taking into account the requirement of a packing house. The benefits that were to be delivered to the farmers and its impact on agricultural production were not specified in the DPR.

- ***Establishment of Piggery farm at Melli Dara***:

  Establishment of Piggery farm at Melli Dara at a total cost of ₹ 90.67 lakh was approved by SLSC in October 2009. The project was being implemented by AHLFVSD. The work was awarded to the contractor at par to be completed within June 2010. After the payment (October 2010) of the first running bill, the scope of work was changed (February 2011) and a new estimate was framed (April 2011) for ₹ 1.19 crore. This validated the fact that the initial DPR was prepared without proper survey and investigation. Due to the improper preparation of the DPR, the project remained incomplete even after a lapse of more than three years from the date of approval by SLSC.

The Department while accepting (November 2013) the audit contention stated that the estimate had to be revised due to non-inclusion of provision for the water supply, approach road, disposal pit/ slurry etc. in the original estimate.

2.4.8 Financial Management

Audit objective 2: Whether financial management ensured adequate and timely availability of funds and their effective and economic utilisation.

2.4.8.1 Receipt of grants and expenditure

In the State of Sikkim, funds were not kept in separate bank accounts, but were directly withdrawn by implementing departments from the Government accounts through Pay and Accounts Offices.

The details of funds approved, released, budget provision, expenditure and financial target under the scheme are as given below:

Table 2.4.1

(₹ *in crore*)

Year	Funds approved by GOI				Funds released				Budget provision	Expenditure	Financial target as per SAP
	Normal		Additional	Total	Normal		Additional	Total			
	S-I	S-II			S-I	S-II					
2007-08	1.78	0.59	0.40@	2.77	1.78	0.59	0.40	2.77	1.27	1.27	155.78
2008-09	9.06	2.31	00	11.37	4.22	1.46	00	5.68	5.83	5.83	163.63
2009-10	11.47	3.82	00	15.29	11.47	3.82	00	15.29	10.48	10.45	156.03
2010-11	4.82	1.64	00	6.56	4.82	1.64	00	6.46	12.72	8.70	154.54
2011-12	9.86	3.29	18.69	31.84	9.86	3.29	6.93	20.08	18.96	17.85	155.05
2012-13	13.67	2.03	13.77	29.47	5.89	3.93	9.95	19.77	23.00	22.98	Not applicable
Total		**13.68**		**97.30**			**16.88**	**70.05**	**72.26**	**67.08**	**785.03**

S = Stream, @ for preparation of DAPs and SAP.
Source: Detailed Appropriation Accounts, Sanction Orders.

As would be evident from the above table, the expenditure was 93 *per cent* of funds released by the GOI. Against the total approved funds of ₹ 97.30 crore, the GOI released ₹ 70.05 crore of which expenditure of ₹ 67.08 crore was incurred during the period from 2007-08 to 2012-13. During 2010-11 and 2011-12, expenditure was less than the budget provision.

The financial target set by the Department in SAP was unrealistic and unreasonably inflated. There were huge variances ranging from 718 *per cent* to 12,266 *per cent* between the financial targets and the approved budget provision.

2.4.8.2 Short release of funds

During 2008-09, the GOI released only ₹ 5.68 crore against the approved amount of ₹ 11.37 crore and balance amount of ₹ 5.69 crore was adjusted from the allocation of 2010-11. Due to this, the State Government failed to take up new schemes for ₹ 5.69 crore during 2010-11 and projects for the year 2008-09 were delayed for want of funds. During 2011-12, against the approved amount of ₹ 31.84 crore, only ₹ 24.64 crore was released leaving a balance amount of ₹ 7.20 crore. However, the projects taken up during 2011-12 were completed by utilising funds from the normal allocation of 2012-13. Due to this, the State Government failed to take up new schemes for the amount of ₹ 7.20 crore during 2012-13.

During 2011-12, against release of ₹ 24.64 crore by GOI (₹ 20.08 crore was received during 2011-12 and ₹ 4.56 crore was received during 2012-13), utilisation certificates for

only ₹ 9.01 crore was submitted till September 2012 by the Nodal Department. Due to the non-submission of the UCs pertaining to release of funds during 2011-12, the GOI released only ₹ 15.21 crore during 2012-13 out of the total approved funds of ₹ 29.47 crore and hence the State lost ₹ 14.26 crore.

Thus, the State lost a total amount of ₹ 27.15 during the years 2008-13 which could have benefitted many needy people.

2.4.8.3 Expenditure incurred out of one per cent share of RKVY funds

A State is permitted to use upto one *per cent* of its total RKVY funds for incurring administrative expenditure that includes payments to consultants, recurring expenses of various kinds, staff costs, etc. In the State of Sikkim, one *per cent* of its total RKVY funds for incurring administrative expenditure were kept for 2009-10 only. During 2009-10, ₹ 15.29 lakh was allocated for administrative expenditure of which only ₹ 2.37 lakh was spent during the year and out of the unspent balance of ₹ 12.92 lakh, only ₹ 9.87 lakh could be spent during 2010-11. During 2011-12, against the provision of ₹ 13.15 lakh as administrative expenditure, ₹ 16.26 lakh was incurred which resulted in an excess expenditure of ₹ 3.11 lakh. During 2012-13, ₹ 15.68 lakh was spent on administrative expenses out of which, ₹ 8.26 lakh was spent on inadmissible items like discretionary grant, petrol, oil and lubricants for the Chairperson of the FSADD and purchase and distribution of water harvesting tanks beyond the scope of RKVY.

2.4.8.4 Position of year-wise outstanding UCs

Position of year-wise outstanding UCs were as under:

Table 2.4.2

(*₹ in crore*)

Year	Grant released to State under RKVY	UCs due	UCs submitted	
		Amount involved (Expenditure incurred during previous years)	No	Amount involved
2007-08	2.77			
2008-09	5.68	1.27	**1**	**1.27**
2009-10	15.29	5.83	**1**	**5.83**
2010-11	6.46	10.45	**1**	**1.64**
2011-12	20.08	8.70	**1**	**8.37**
2012-13	19.77	17.85	**1+1**	**10.90+4.73**
		44.10		**32.74**

As would be seen from the above table, UCs amounting to ₹ 32.74 crore only were submitted to the Department of Agriculture & Cooperation, Ministry of Agriculture, GOI (DAC) out of the total expenditure of ₹ 44.10 crore and release of ₹ 50.26 crore from 2007 to 2012. Further, UCs were not submitted in proper format by the Nodal Department as only statement of expenditure was recorded in the UCs without disclosing the targets and achievements as required as per Annexure III of the guidelines for RKVY issued by the DAC.

2.4.8.5 Advance not adjusted

Implementing departments and Nodal Department released advances through Abstract Contingent bills for various purposes for implementation of RKVY. A sum of ₹ 4.87

crore was released as advance and the same remained outstanding as of July 2013, out of which ₹ 2.35 crore remained unadjusted for more than four years as shown below:

Table 2.4.3

Duration	Amount (₹ in crore)
More than 4 years	2.35
More than three years but less than four years	0.41
More than two years but less than three years	0.78
Less than two years	1.33
Total	**4.87**

Source: Departmental figure.

Out of the total unadjusted advance of ₹ 4.87 crore, ₹ 0.34 crore pertained to FSADD, ₹ 3.07 crore to Horticulture and Cash Crop Development Department (HCCDD) and ₹ 1.46 crore to Animal Husbandry, Livestock, Fisheries and Veterinary Services Department (AHLFVS). Non-adjustment of advances for long periods after drawal of AC bills not only indicated deficiency in control over expenditure but also was fraught with the risk of misappropriation.

2.4.9 Implementation of projects

Audit objective 3: Whether projects were implemented according to the regulatory structure in place and the intended objectives of the projects were achieved and the Nodal agency had effectively coordinated with various departments and implementing agencies for implementing various projects.

2.4.9.1 Delay in implementation of projects

Out of the 20 selected projects, eight projects (estimated cost ₹ 12.46 crore) with actual expenditure of ₹ 5.95 crore scheduled to be completed by March 2013 remained incomplete. This not only resulted in blockage of funds but also deprived the beneficiaries of the intended benefits. Details of some of the projects which were delayed are given below:

2.4.9.1.1 Assistance to Sikkim Organic Mission

Assistance to the Sikkim Organic Mission (SOM) was approved by SLSC (June 2011) at a total cost of ₹ 2.50 crore with the objective of promoting organic farming by construction of vermi compost and rural compost pits. Funds amounting to ₹ 2.50 crore were transferred to SOM during February 2012 (₹ 1.25 crore) and March 2012 (₹ 1.25 crore). ₹ 1.25 crore was kept in savings bank accounts and ₹ 1.25 crore was advanced to Sikkim State Cooperative Supply and Marketing Federation Ltd. (SIMFED) by SOM for construction of vermi compost and rural compost pits. As of August 2013, work was not completed and advance was lying unadjusted. However, the utilisation certificate submitted to the Nodal Department reported that the sum of ₹ 1.25 crore advanced to SIMFED had been utilised for the purpose for which it had been sanctioned. Reasons for non- completion of the project were not found on records.

2.4.9.1.2 Construction of godown for multipurpose Co-operative Society, Luing Perbing

Construction of godown for multipurpose Co-operative Society at Luing Perbing was approved (June 2011) by the SLSC at a total cost of ₹ 30 lakh with the objective of catering to the post harvest requirement of production and marketable surplus of various farm products. The work was undertaken by the Society for completion by 31 March 2013. The Nodal Department released ₹ 15 lakh (October 2012) against the project. This was expended by the Society for construction of godown. However, as of August 2013, the work remained incomplete. The reason for delay in completion was not on records.

2.4.9.1.3 Establishment of Piggery farm

Establishment of Piggery farm at a total cost of ₹ 90.67 lakh was approved (October 2009) by SLSC. The work was awarded to the contractor at par with estimated cost with the stipulation for completion by June 2010. However, even after incurring an expenditure of ₹ 74.66 lakh, the project remained incomplete till the date of Audit (August 2013). The reason for non-completion of the project was frequent changes in the scope of work.

The Department stated (November 2013) that the civil work of the farm was now completed and going to be inaugurated in December 2013.

2.4.9.2 Non-convergence of RKVY with other existing schemes/projects

A SLSC was constituted in December 2007 under RKVY which was responsible for sanctioning the projects of the scheme and to ensure that no duplication of efforts or resources took place. GOI also advised (February 2009) the State Government to ensure that there was no duplication/overlapping of activities/areas covered under RKVY projects vis-à-vis existing schemes of Central or State Governments. During scrutiny of records, it was observed that contrary to the above instructions, similar type of projects such as construction of water harvesting tank with a capacity of 10,000 litres was taken up by the FSADD under Macro Management of Agriculture (MMA).

The FSADD being the monitoring authority for MMA and HCCDD being a member of SLSC had failed to prevent the overlapping of the projects. This was also the result of improper preparation of DAPs and SAP by not including all the Central and State schemes for development of Agriculture in the State.

2.4.9.3 Excess expenditure

The SLSC approved (November 2008) the proposal for the 'Creation of Irrigation facilities for efficient water management and roof water harvesting' under Stream-I at a total cost of ₹ 4.50 crore. The beneficiaries were entitled to financial assistance of 50 *per cent* as subsidy for construction of 10,000 litres capacity Roof Water Harvesting RCC tanks.

The Detailed Project Report was prepared by the Engineering Cell for construction of 1,384 tanks at an estimated cost of ₹ 65,380 per tank (on the basis of SOR 2006) and the

project was implemented during 2008-09. The beneficiaries were given 50 *per cent* of the cost as subsidy, which amounted to ₹ 32,500.

Scrutiny of records revealed that during 2009-10, under the scheme MMA, the Department constructed (2009-10) similar rain water harvesting tanks with equivalent capacity for which the estimated cost was ₹ 54,520 per tank prepared on the basis of SOR 2006. Although the project for providing the tanks under RKVY was earlier than that under the MMA scheme, it was found that the Department had estimated a higher cost for the construction of water harvesting tanks under RKVY by non-deduction of contractor's profit and cost escalation of 20 *per cent* as against the cost escalation of 15 *per cent* provided in the MMA scheme. Thus, the estimate of RKVY was inflated by ₹ 10,860 per tank. Scrutiny further revealed that in actual execution of project under RKVY, there was an excess expenditure of ₹ 7,500[35] per tank as compared to the construction of tank under MMA, which resulted in excess expenditure of ₹ 1.04 crore for the entire scheme.

Joint physical verification of 56 tanks (East-22, South-10, West-14 and North-10) out of 1,384 tanks, conducted with the departmental officers in four districts revealed that:

- 15 tanks (East-4, South-1, West-3 and North-7) remained defunct due to leakage of water ;
- In all 56 cases, the beneficiaries' contribution was less than the estimated amount of ₹ 32,500 per tank; and
- Only in respect of four tanks, sign boards indicating the name of project and schemes were found.

2.4.10 Non sustainable Project

2.4.10.1 Cultivation of baby corn and sweet corn

The Government of Sikkim, introduced cultivation of baby corn and sweet corn in Sikkim for the sustainable development of farmers. The two projects had been sanctioned at a total cost of ₹ 0.63 crore and ₹ 1.52 crore under "Other sector" and "Crops sector" of RKVY during 2011-12 and 2012-13 respectively. Similarly, under the Chief Minister's Package of State Plan, same types of projects were implemented during 2011-12 and 2012-13, but the Department had not segregated the production scheme-wise. Hence, the total expenditure of the Chief Minister's Package as well as RKVY was taken into account to arrive at input cost. The Department also had not segregated the sales value scheme-wise. The Department had incurred an expenditure of ₹ 3.59[36] crore for the procurement and supply of baby corn, sweet corn and manure to the farmers during the year 2011-12 and 2012-13. The procurement and marketing of the corn was entrusted to SIMFED with the stipulation that ₹ 10 per kg would be paid to SIMFED as market support price.

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[35] *₹32,500 was paid as subsidy under RKVY and ₹25,000 was paid under MMA.*

[36] *HCM Package - ₹ 2.04 crore (2011-12- ₹ 1.52crore, 2012-13- ₹ 0.52 crore), RKVY- ₹ 1.55 crore (2011-12- ₹ 0.54 crore, 2012-13- ₹ 1.01 crore).*

However, during the year 2011-12 and 2012-13, the expenditure on inputs for producing corn amounted to ₹ 3.59 crore. This corn produced was sold at ₹ 1.10 crore. This resulted in input cost exceeding the amount obtained from sales by ₹ 2.49 crore. Hence, income from the agricultural output of baby corn and sweet corn was less than the expenditure incurred for its production. It was observed that the DPR was prepared by taking into consideration only the input cost and without any market survey. The selling price, earning potential, availability of market, and viability of the projects were not spelt out in the DPR.

It was also noticed that SIMFED sustained a loss of ₹ 15.40 lakh in the business of corn production. For the sustainable development of the farmers, the Department provided all required items to the beneficiaries, but in absence of proper market research, the Department ended up taking economically unviable projects.

2.4.10.2 Project of Ginger processing

The State Cabinet sanctioned (December 2008) a proposal of the HCCDD for the establishment of a Ginger Processing Unit at Birdang, West Sikkim, at an estimated cost of ₹ 3.05[37] crore for manufacturing clean ginger, ginger powder, ginger oil and ginger paste from fresh ginger with the objectives of providing value addition to the ginger crop grown in the State and thereby ensuring better prices for the farmers involved in ginger farming.

Pre-commissioning of the Unit was done by the Department in June 2010 through trial runs and the infrastructure was handed over to SIMFED in January 2011 on lease at an annual rent of ₹ 16.60 lakh on the basis of bids (October 2010).

After taking over the Unit and subsequent trial runs, the SIMFED reported (August 2011) that the manufacturing unit was mainly designed for production of ginger oil and was not in a position to produce other allied products like ginger paste, ginger powder etc. Due to the low recovery percentage of ginger oil, the operation of the unit was found economically non-viable. The Unit therefore required additional machinery and equipment for the production of other allied product like ginger powder, ginger paste etc.

The HCCDD thereafter spent ₹ 36.73 lakh (March 2012) on the project (₹ 21.84 lakh on machinery and equipment and ₹ 14.89 lakh on electrification, water supply and fitting & fixing of industrial tiles) by diverting funds earmarked for CM's package for dry and backward areas (₹ 21.84 lakh) and Construction of Horticulture Inspectors Centre (₹ 14.89 lakh).

A team of officers from the SIMFED and HCCDD inspected the unit in May 2012 and reported that due to various defects and shortcomings[38], it was unable to process raw

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[37] *Out of ₹ 3.05 crore, ₹ 2.28 crore (₹ 1.78 crore and ₹ 0.50 crore approved by SLSC during January 2008 and November 2008 respectively) was from RKVY and ₹ 0.77 crore was from State Plan.*

[38] *i) the fluid bed dryer installed earlier at the initial stage was of no use due to loss of aroma of the product because of use of burner, usage of both diesel and electricity, low productivity of 20 kg per 4 hours, loud noise, ineffective washer unit (the water jets were unable to clean dirt locked in the services of ginger rhizomes); (ii) the Steam Jacket Kettle and Hammer Mill, although installed, had not been put to use while the twist off lig cap sealing machine and PP cap sealing machine, though supplied, were not installed; (iii) the source from which water was tapped through GI pipes for the project was impermanent and hence unreliable.*

materials as conceived originally under the programme. As of March 2013, no improvement in the functioning of the unit was evident in records, rendering the fate of the Unit uncertain.

Further, during 2010-11 and 2011-12, the SIMFED sustained a loss of ₹ 50.25 lakh as expenditure on purchase of ginger and various overhead expenses (lease rent, depreciation, administrative expenses, purchase etc.).

The objective of providing value addition to ginger and marketing finished products manufactured in the Unit set up with capital expenditure of ₹ 3.42 crore, thus, remained unfulfilled over a period exceeding two years of commissioning of the project, which rendered the expenditure of ₹ 3.42 crore on the project so far unfruitful.

2.4.11 Irregular implementation

2.4.11.1 Water Management for orchard

Project on Water Management for orchard with the objective of increasing orange production for generating higher returns to the farmers was submitted by HCCDD and was approved (June 2011) by the SLSC at a total cost of ₹ 1 crore for construction of 16 number of fabricated water storage tanks. Accordingly, 16 tanks were constructed at a total cost of ₹ 95 lakh.

Scrutiny of records revealed that in three cases in the East district, the project was not implemented to increase orange production as stipulated in the DPR, but it was constructed for the cultivation of vegetables. This was corroborated by the joint physical verification.

During the joint physical verification (August-September 2013) of seven tanks with the departmental officers, it was noticed that the water of six tanks was not utilised for orange cultivation, instead it was used mostly for cultivation of vegetables and household purposes. Discussion with the User Committees during joint physical verification revealed that orange cultivation was not viable in the area.

In one case (Salleybong, South Sikkim), only one beneficiary utilised the water of tank for household purposes but the pipes meant for connection from water source were lying idle (as shown in the photograph). Instead of using the pipes for the procured purpose the existing old pipeline was used in its place. In another case, a tank at Kamrang South District was lying empty, unused, and the pipeline from the water tank connecting to the field of the beneficiaries were disjointed.

In one case in East district, four connections were provided, but only three were in operation as shown in the photographs below. According to the Secretary of Water Users Committee, only seven persons benefited from the tanks which was less than what was stipulated (20 beneficiaries) in the DPR.

Image 2.4.1



Pipes lying at Salleybong, South Sikkim

Image 2.4.2



Tank with four connections at Pacheykhani

The above facts indicated that the Department constructed the tanks without assessing the actual requirement for orange cultivation and proper survey and investigation. This led to utilisation of RKVY funds for unapproved items of works and deprival of the benefit to the intended beneficiaries.

2.4.11.2 Trout fish farming

The project 'Trout fish farming' at a total cost of ₹ 77 lakh was approved by the SLSC during August 2010. The project was implemented by the Directorate of Fisheries under the AHLFVSD. The project included construction of raceways and distribution of feeds and seeds. The unit cost of the project for each beneficiary was ₹ 2.30 lakh, out of which 50 *per cent* subsidy was provided by the Government which amounted to ₹ 1.15 lakh (construction of raceway- ₹ 50,000, cost of feed - ₹ 50,000 and cost of seed - ₹ 15,000). The project was dovetailed with National Fisheries Development Board (NFDB). The estimate of the project was framed without preparing the DPR.

Total of 106 beneficiaries were identified and the total project cost amounted to ₹ 126.90 lakh, out of which ₹ 77 lakh was released by the Nodal Department under RKVY and the remaining amount of ₹ 49.90 lakh was funded by NFDB.

Test check of the records of the Directorate of Fisheries revealed the following:

- The Nodal Department released ₹ 77 lakh in two equal instalments during March 2011 and January 2012. The first instalment pertained to subsidy of ₹ 50,000 per beneficiary for cost of construction of raceways and the second instalment pertained to cost of feed and seed of ₹ 65,000 per beneficiary. Audit scrutiny revealed that the

construction of the raceways was completed by January 2012 whereas the Directorate of Fisheries distributed the subsidised cost of seeds of ₹ 15,000 only in May 2013. This led to non-utilisation of raceways and undue delay in the implementation of the project.

The Directorate stated (November 2013) that due to the shortage of seed, it had to distribute the same partially during 2012 and the balance during April 2013. The reply was indicative of improper planning in the Directorate.

- No guideline was formulated for the implementation of 'Trout fish farming' under RKVY. However, since the project was dovetailed with NFDB, the guidelines of NFDB have been followed. As per the said guidelines, the subsidy to be provided was 20 *per cent* to general farmers and 25 *per cent* to SC/ST farmers, limited to ₹ 46,000 for general farmers and ₹ 57,500 for SC/ST farmers. However, in actual execution, the subsidy provided was 50 *per cent* of the total cost (i.e. ₹ 1,15,000). This led to an unauthorised expenditure of ₹ 69,000 per general farmer and ₹ 58,000 per SC/ST farmer.

  The Directorate stated (November 2013) that the approval from the State Government was obtained to provide 50 *per cent* subsidy. The reply was not acceptable as the scheme guidelines were violated.

- Out of 106 raceways (30-East, 20-North, 20-South, 36-West), earthquake of September 2011 had damaged 27 (03-East, 10-North, 09-South, 05-West), which were still lying defunct as of August-September 2013. No action had been initiated by the Directorate or by beneficiaries to restore the damaged raceways. Thus, non-restoration of the raceways either by the Department or by the beneficiaries resulted in unfruitful expenditure of ₹ 23.61 lakh. Further, the Directorate unjustifiably issued (January and May 2013) seed and feed to the beneficiaries, even though their raceways were damaged.

Image 2.4.3



Image 2.4.4



Defunct Raceways

The Directorate stated (November 2013) that State Government had been requested to provide assistance to the beneficiaries for restoration of the raceways and as soon

as the funds were received from the Government, the raceways would be restored. The fact remained that as of November 2013, the raceways remained defunct.

- During May 2012, the Directorate of Fisheries procured 49.98 tonnes of feed for three districts (East - 21.42 tonnes, North and South - 14.28 tonnes each) through SIMFED for distribution among 70 beneficiaries (East-30, North and South-20 each) @ 714 kgs per beneficiary. However, only 19.43 tonnes (East-9.8 tonnes, North-9 tonnes and South- 8.43 tonnes) of feed were distributed to the beneficiaries and 30.55 tonnes worth ₹ 21.35 lakh were lying undistributed in the departmental Stores. In case of West district, feed had not been distributed to 6 beneficiaries out of 36 due to incomplete construction of raceways which were lying idle (September 2013). Non-distribution of feed led to deprival of intended benefits to the beneficiaries. The reasons for non-distribution of feed to the beneficiaries, except West district, were not found in the records of the Directorate.

Image 2.4.5



Undistributed fish feed

The Directorate stated (November 2013) that the feed was being distributed in phased manner due to the shortage of proper storage facilities of the beneficiaries.

- The Department had not conducted any assessment regarding production of trout fish. The actual production of trout fish after implementation of the scheme was also not on records of the Directorate. In the absence of which, Audit could not ascertain the success of the project.

  While accepting the audit observation, the Directorate stated (November 2013) that the assessment will be conducted and intimated to Audit.

- The DPR was also not prepared. The project was implemented on the basis of guidelines of NFDB. Further, the vouchers regarding the purchase of feed from SIMFED, though called for, were not produced to Audit.

  The Directorate stated (November 2013) that detailed programme estimate and input cost per unit was prepared and approval was sought for accordingly. The reply was not acceptable as the Directorate has not prepared any DPR as required under the RKVY guidelines.

2.4.11.3 Abandonment of Project

Documentation on farm conservation of native and underutilised crops was approved (October 2009) by SLSC at a total project cost of ₹ 0.57 crore. The objectives of the project were documentation of local cultivars[39], facilitation for germ plasma registration for the farmers, on-farm seed production of local superior cultivars, identification of specific local superior cultivars, facilitation of on-farm conservation and cultivation of local cultivars, livelihood improvement through local production and capacity building of farmers. The scheme was to be implemented by FSADD through the Indian Council of Agricultural Resource. However, after incurring an expenditure of ₹ 15.55 lakh, the project was abandoned. The reason for abandonment as stated by the Nodal Department was due to the transfer of the project in-charge. The Nodal Department had not taken any initiative to complete the project, which resulted not only in a wasteful expenditure of ₹ 15.55 lakh, but also deprived the intended benefit to the farmers of the State.

2.4.12 Improper functioning of Hi-tech Greenhouse

2.4.12.1 Hi-tech greenhouses at Mazitar (East District) and Birdang (West District)

The DPR contained the financial estimate of the projects only. Reasons and advantages of the establishment of a hi-tech greenhouse instead of an ordinary green house were not mentioned in the DPR.

Two hi-tech greenhouses at Mazitar (East district) and Birdang (West district) were approved (November 2008) by the SLSC at a total cost of ₹ 1.43 crore. The project was implemented by the HCCDD. The objective of the establishment of the greenhouses was to produce 50,000 numbers per annum quality seedling of oranges by each green house for distribution to farmers. The construction of the greenhouses was awarded without calling for tenders to the North Eastern Regional Agricultural Marketing Corporation (NERAMC), a Government of India undertaking. The work commenced in February 2009 and was completed in October 2009 at a total cost of ₹ 1.43 crore. The Department paid the entire amount to the Corporation without keeping any security. However, joint physical verification (September 2013) of the Birdang hi-tech greenhouse revealed that the hi-tech greenhouse was running as an ordinary greenhouse as all the equipments installed (October 2009) were non-functional. It was also given to understand that the equipment turned non-functional after six months of its installation. However, during 2012-13 (records relating to the previous years were not produced to Audit), it produced 30,000 seedlings out of which 21,550 seedlings were distributed to the farmers. The Department however, had not initiated action to rectify the installed equipment due to which the greenhouse was functioning as an ordinary greenhouse instead of hi-tech greenhouse.

The performance of the greenhouse at Mazitar was good as it produced 95,000 seedlings during 2012-13 as compared with its target of 50,000 per annum.

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[39] *A race or variety of a plant that has been created or selected intentionally and maintained through cultivation.*

2.4.12.2 Establishment of hi-tech green house

Establishment of hi-tech green house at Bermiock (South) was approved by SLSC (October 2009) at a total cost of ₹ 86 lakh, of which ₹ 40 lakh was approved by DAC and the remaining portion was met from the State's resources. The construction was awarded to NERAMC and was completed in March 2011 at a total cost of ₹ 86 lakh. However, joint physical verification conducted in September 2013 revealed that the greenhouse was not working properly as there was no electricity connection since inception. As a result, the production of orange seedlings during 2012-13 was only12,328 against the target of 50,000 per annum.

2.4.12.3 Non fulfilment of objective

SLSC approved (October 2009) the project 'Promotion of high yields cross bred dairy cattle progeny propagation and development' to promote propagation of High Yielding (HY) cross bred cows and its progeny in the State of Sikkim by inducting 1200 HY crossbred cows with their progeny. The project was approved by the DAC at a total cost of ₹ 2.55 crore and was implemented by AHLFVSD. It was scheduled to be completed by March 2013. The main components of the project were induction of HY cross bred lactating cows with calves, induction of breeding bulls, vaccination against major diseases, providing mineral mixture, de-worming, providing milk cans and capacity building.

The DAC released ₹ 1.27 crore against the approved amount of ₹ 2.55 crore and ₹ 1.25 crore was incurred by the Department towards procurement and distribution of milching cows, milk cans and cow feed. Neither the implementing Department nor the Nodal Department had taken any steps for obtaining the balance funds of ₹ 1.28 crore from GOI. Moreover, the implementing Department had not carried out any monitoring of the projects as envisaged in the guidelines of distribution of milching cows issued by the Department.

For promotion and propagation of HY cross bred cows, the project also emphasised the distribution of bulls of good breed and the same was also reiterated by SLSC. However, the Department had not initiated any steps to provide the bulls as of August 2013.

The project was to be completed by March 2013. However, as of August 2013, only the distribution of milching cows, milk cans and feed was implemented.

Thus, the Department not only failed in propagation of HY cows but also failed to increase milk production as projected in the DPR.

Joint physical verification

Joint physical verification (August-September 2013) of 40 cows (East district-22, West district-7, South district-11), distributed under "Promotion of high yielding cross bred dairy cattle progeny propagation Project", was conducted with departmental officers. The findings were as under:

- Milk yield at initial period (In) and during the Audit period (Ap) as reported by the beneficiaries are given below:

Table 2.4.4

Milk yield Litre per day	East		West		South	
	In	Ap	In	Ap	In	Ap
0 to 3	3	11	3	-	0	5
>3 to 5	3	6	1	2	4	2
>6 to 7	7	1	0	-	4	-
>7 to 10	9	2	1	-	1	-
Pregnant	-	-	2	-	2	2
Died but not replaced	-	-	-	4	-	-
Cow was not in possession of the beneficiary	-	2	-	1	-	2

As would be seen from the table, only 11 cows out of 40, were yielding milk as stipulated in the guideline (eight litres) issued by the AHLFVSD.

The Department stated (November 2013) that the drop in milk production was due to change in management practices of feeding, change of feed and fodder, pregnancy of cows and inability of the beneficiaries to purchase concentrate feed. The reply was not tenable as these issues should have been considered by the Department while formulating the project.

- Though five cows died, insurance was claimed by only one beneficiary who procured a new cow (as reported by beneficiary). Non-claim of the insurance amount cast doubt on the genuineness of the data depicting death of the cows.

The Department stated (November 2013) that due to delay in furnishing information to the insurance company, the beneficiaries failed to claim the insurance. The Department further stated that leaflets have been circulated to all field officers to ensure timely reporting of death.

- Two beneficiaries sold the cows and three beneficiaries transferred their cows to others.

The Department stated (November 2013) that the beneficiaries had to sell their cows due to illness or economic condition of the beneficiaries etc. thereby reasoning that the beneficiaries were not in a position to take care of the cows. The reply of the Department indicates improper selection of beneficiaries.

- In contravention of the guideline issued by the AHLFVSD prohibiting the procurement of pregnant cows, four pregnant cows were procured and distributed to the beneficiaries. Further, three cows were distributed without calves in contravention of guidelines and the DPRs.

In reply, the Department stated that this was due to non-availability of appropriate cows. Fact remained that the Department has vitiated its own guidelines for distribution of milching cows.

- None of the beneficiaries were aware that the scheme was being implemented under RKVY.

The Department stated that this happened despite their best effort to inform the beneficiaries.

2.4.12.4 Project not commenced

Project on E-pest surveillance for capturing data on pest and insects beneficial to the farmers and transmitting it to National Centre for Integrated Pest Management through internet was approved (October 2009) by SLSC at a total cost of ₹ 7 lakh. The main objective of the project was effective pest management. However, the FSADD had not started (September 2013) the project, for reasons not on record, thus depriving the farmers of the intended benefit.

2.4.13 Monitoring and evaluation

Audit objective 4: Whether internal control mechanisms were put in place to ensure efficient and effective monitoring and control over implementation; monitoring mechanism at each level was adequate.

2.4.13.1 Monitoring and evaluation by Nodal Department

As per the guidelines, the SLSC would *inter-alia* be responsible for:

a) Monitoring the progress of the sanctioned projects/schemes;

b) Reviewing the implementation of the scheme's objectives and ensuring that the programmes are implemented in accordance with the guidelines laid down;

c) Commissioning/undertaking field studies to monitor the implementation of the projects;

d) Initiating evaluation studies from time to time, as may be required;

e) Undertaking any other project of importance to the State's Agriculture and allied sectors.

In Sikkim, the SLSC was constituted in December 2007 and was required to hold meetings once a quarter. Scrutiny of records revealed that during 2007-13, as against the required 20 meetings, only 6 meetings had been held, which resulted in shortfall of 14 meetings, thereby affecting effectiveness in the implementation and monitoring of the RKVY as required. Scrutiny of the minutes of the meetings made available to audit also revealed that no discussion was held on issues like the status of projects, reasons for delay in progress of work, or whether objectives of the Scheme were being met, etc. The SLSC while sanctioning projects, made some recommendations in those six meetings which were partially followed up as detailed in **Appendix 2.4.2.**

Physical and financial performance/achievements were not monitored with reference to the targets and objectives of the projects which resulted in delay in completion of projects, irregular implementation, non–achievement of objective of the projects, non-viable projects being taken up etc. Further, the lack of monitoring was also reflected in poor record keeping on the part of both the Nodal and implementing departments.

- ***Field inspection:***

  No field inspection was undertaken by the SLSC or by the officers of the Nodal Department to monitor the implementation of various schemes for taking remedial action to rectify the shortcomings when detected.

- ***Submission of quarterly physical and financial progress reports to the Union ministry:***

  Effective monitoring of any programme depends mainly on timely submission of reports and returns to the monitoring authorities. However, the implementing Departments failed to submit any progress reports to the Nodal Department. The Nodal Department consequently failed to submit the performance report in terms of physical and financial achievements as well as outcomes to the Union Ministry.

- ***Implementation of web-based management information system:***

  Various information of Stream I i.e. the sanctioned amount, expenditure, funds released by State Government etc., were to be uploaded by the Nodal Department in the website of RKVY. However, examination of website revealed that the Department uploaded the details of Stream II as Stream I in some cases erroneously and the expenditure figures were also incorrect. Further, the project status and the outcomes were not updated regularly.

2.4.14 Impact

Audit objective 5: Whether the objectives of maximising returns to the farmers in Agriculture and allied sectors were achieved and the State could achieve four per cent growth in the agricultural sector during the XI Plan period.

2.4.14.1 Agrarian status of the State

The net cultivated area of Sikkim is around 79,000 hectare. Since Sikkim is a hilly State, the agriculture scenario is dominated by soil acidity, excess moisture during monsoon period and moisture stress during post monsoon/winter, heavy weed infestation, low temperature stress during winter, occurrence of hailstorm in pre kharif season and incessant rain that causes leaching of nutrients and pesticides which favours high incidence of diseases and pests that reduce crop yields. The main strength of the State is its diverse climate for production of different quality of sub tropical to temperate fruits, vegetables and flowers. The horticultural produce has high market potential in domestic and distant markets.

The State Government has put forth a policy of organic farming with the target of making Sikkim an Organic State by 2015. The Government framed organic action plan in the year 2003 and constituted the Sikkim State Organic Board.

2.4.14.2 Target and achievement as per SAP

There was no long term planning for growth of Agriculture and allied sectors in the State. The State Agriculture Plan failed to address the holistic development of Agriculture and allied sectors as it included only the projects under RKVY.

In the SAP, only the production of cereals, pulses, oilseeds and horticulture products was projected for five years. Annual production of major agricultural products and targets set in SAP are shown in the following charts:

Chart-2.4.1

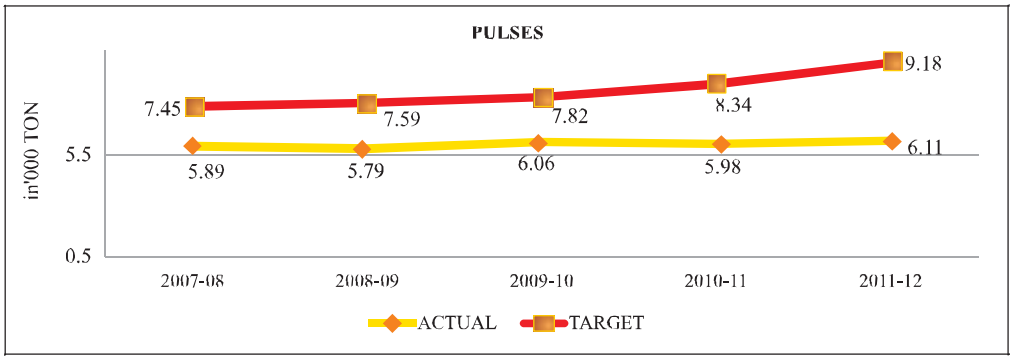


Chart-2.4.2

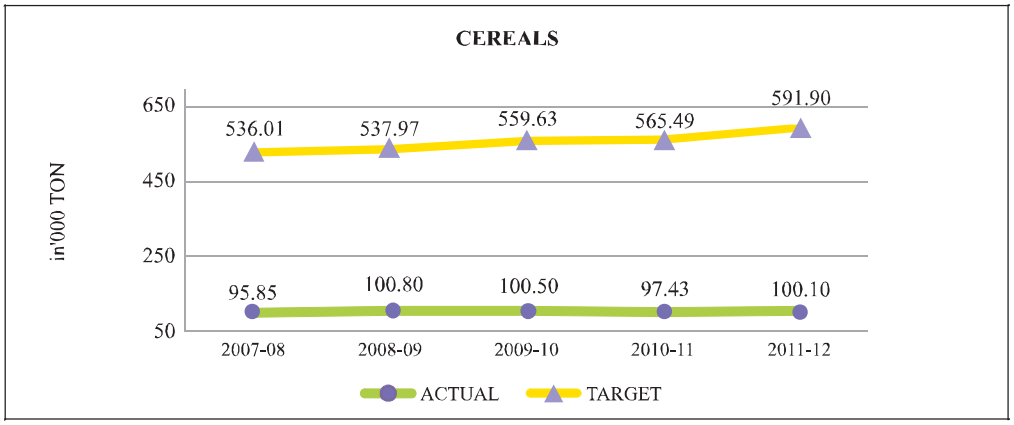
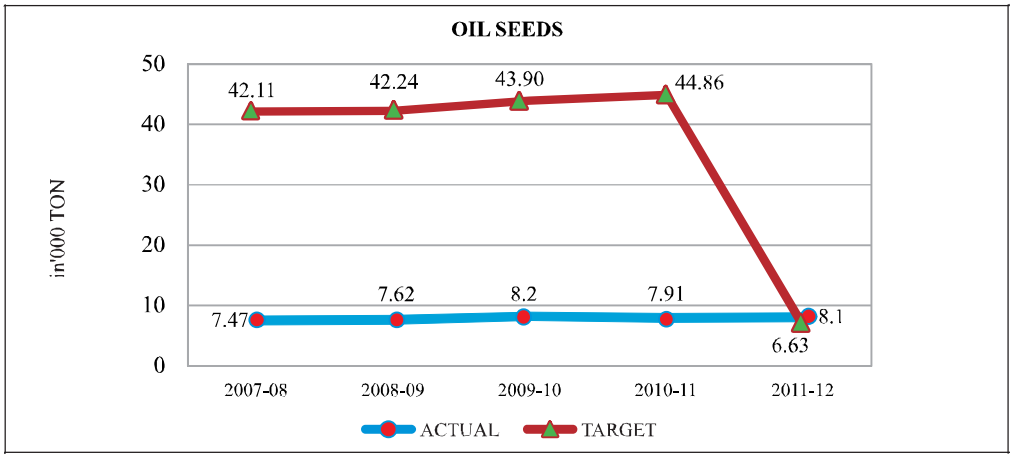


Chart-2.4.3



As would be seen from the above charts, the State Government failed to achieve the target of cereals (rice, wheat, maize, buckwheat, finger millet) and pulses in all of the five years.

In the case of oilseeds, the target was achieved only in one year (2011-12). Non-achievement of target was mainly due to non-specification of methodology for achievement of projected goal in DAPs and SAP. Besides, the funds did not flow as projected in DAPs and SAP.

The data on actual production of horticulture products was not provided to Audit.

2.4.14.3 Impact of the schemes

RKVY was launched with the aim of achieving four *per cent* annual growth in the Agricultural sector during the XI Plan period, by ensuring holistic development of Agriculture and allied sectors.

2.4.14.4 Contribution of Agriculture sector to GSDP

Annual growth rate of contribution of Agriculture and allied sector to GSDP was 3.92 *per cent* during 2007-08 and ranged between 4.13 *per cent* and 4.86 *per cent* during 2008-09 and 2011-12. During 2012-13, it had increased to 6.65 *per cent*.

Table-2.4.5

(₹*In crore*)

Years	2007-08	2008-09	2009-10	2010-11	2011-12*	2012-13#
GSDP at constant (2004-05) price	2178	2535	4401	4784	5130	5491
Annual increase (In percentage)	7.63	16.38	73.61	8.71	7.23	7.03
Agri and Allied sector contribution to GSDP at constant (2004-05) price	350.09	365.10	380.56	399.04	415.52	443.16
Annual increase (in percentage)	*3.92*	*4.29*	*4.23*	*4.86*	*4.13*	*6.65*
* Provisional Estimate ,# Quick estimate						

Source: DESME

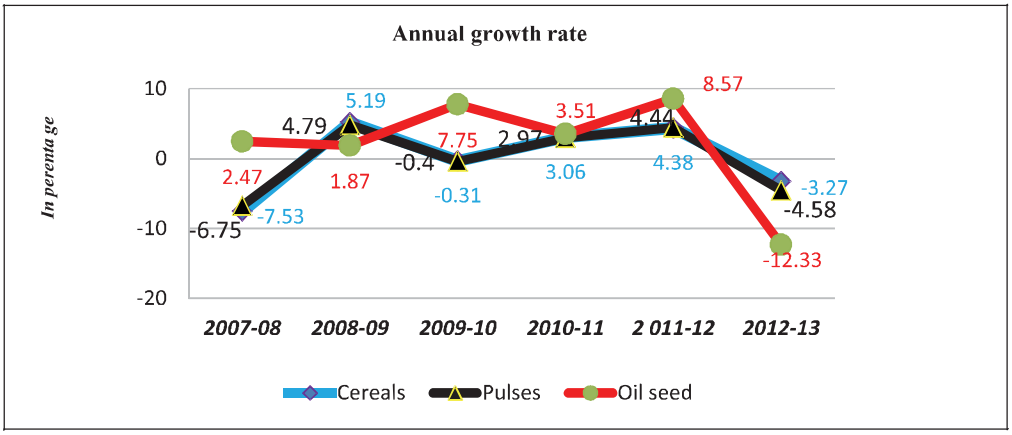
As seen from the above table, there was an increase in the contribution of the Agricultural and allied Sector to the GSDP at constant (2004-05) price from 4.13 *per cent* in 2011-12 to 6.65 *per cent* in 2012-13. This was due to considering the projected figures of agricultural production (cereals, pulses and oil seeds) while calculating the GSDP. However, the actual production of agricultural products was much below the projected production and it was less than production of 2011-12 as shown in **Chart 2.4.4**.

The trend of growth rate of contribution of Agriculture and allied sector towards GSDP was more or less between 3.92 *per cent* and 4.86 *per cent* and it marginally increased to 4.13 *per cent* during 2011-12 from 3.92 *per cent* during 2007-08.

2.4.14.5 Annual Growth in agricultural products

Scrutiny of the records regarding production of agricultural products for the period from 2007-08 to 2012-13 revealed that four *per cent* annual growth in production of cereals, pulses and oil seed was achieved only in two years. There was negative growth rate in the production of cereals, pulses and oil seeds during 2012-13 as shown in **Chart 2.4.4**:

Chart-2.4.4



In the case of Animal Husbandry, four *per cent* growth was not achieved in any of the four years (2008-12) in milk and eggs production. The production of meat too was below four *per cent* except during 2008-09 where the growth was 4.67 *per cent*.

2.4.14.6 Outlay on Agricultural sector

One of the objectives of RKVY was incentivising the State to increase expenditure on Agriculture and allied sectors. State plan expenditure (excluding RKVY receipts) as percentage of GSDP in Agricultural and allied sector decreased from 2.39 *per cent* to 1.13 *per cent* during 2007-08 to 2012-13. State plan expenditure on Agriculture and allied sectors (excluding RKVY) also decreased from 7.04 *per cent* during 2007-08 to 4.23 *per cent* during 2012-13. However, it was 8.12 *per cent* during 2011-12 as shown below:

Table-2.4.6

(₹ *in crore*)

Year	GSDP	Total expenditure of the State	Total State plan expenditure	Total expenditure on Agriculture and allied sector	Total State plan expenditure on Agriculture and allied sectors	Percentage to GSDP to State plan expenditure on Agriculture & allied sector	Percentage of total plan expenditure to plan expenditure on Agriculture & allied Sector
2007-08	2178	2,762.79	709.58	140.34	49.93	2.29	7.04
2008-09	2535	2,899.55	951.50	156.45	62.15	2.45	6.53
2009-10	4401	3,376.12	1,025.08	194.57	69.93	1.59	6.82
2010-11	4784	3,349.90	949.91	203.58	71.84	1.50	7.56
2011-12	5130	3,828.05	1,176.48	222.89	95.54	1.86	8.12
2012-13	5491	3,831.72	1,468.96	199.50	62.09	1.13	4.23

Source: Finance Accounts and information furnished by DESME.
Note: Expenditure figures exclude those on RKVY.

2.4.14.7 Evaluation

No evaluation on the implementation of the programmes and their impact on the State were conducted either by the State Government or by any independent agency. Thus, effectiveness of the programmes and their impact on the State was not assessed.

2.4.15 Conclusion

The planning process for the implementation of the scheme was not effective and failed to address the basic requirement of convergence of various schemes for overall development of the Districts. The DPRs were prepared without proper survey, investigation, market study etc. Failure on the part of the Nodal Department to furnish the UCs in time also led to the curtailment of funds. Large sums of advance remained unadjusted for a considerable period. Projects were characterised by delay in implementation, overlapping of the projects and implementation of non-viable projects. Monitoring was not in place and evaluation was also not conducted. The State maintained the four *per cent* growth in agricultural sector but the production of major crops had declined.

2.4.16 Recommendation

- The Nodal Department should ensure that survey, investigation, market study is done while preparing the DPRs and it must contain the economic benefit, input-output ratio;
- Utilisation Certificates should be submitted in time to ensure release of full amount of funds allotted for the year;
- Projects should be implemented as per the approval of SLSC and with the sanction of DAC;
- Monitoring mechanism should be strengthened to achieve the desired objectives and to take corrective measures in case of any deviations; and
- Evaluation of the implementation of the programmes and their impact on the State may be conducted to assess the effectiveness of the programmes.

RURAL MANAGEMENT & DEVELOPMENT DEPARTMENT

2.5 'Suspension Foot Bridges' funded under Social & Infrastructure Development Fund.

2.5.1 Introduction

Ministry of Development of North Eastern Region (DoNER), Government of India (GOI) accorded administrative approval and financial sanction (February 2010) of ₹ 29.71 crore for 'Construction of 66 Suspension Foot Bridges (SFBs)' in Sikkim under Social & Infrastructure Development Fund (SIDF) as part of ₹ 500 crore package announced (February 2008) for North East Region during 2008-09. The project was implemented by the Rural Management and Development Department (RMDD), Government of Sikkim through Zilla Panchayats (ZPs). As of March 2013, 51 SFBs (out of 66) were completed and remaining 15 were under construction. Out of 51 SFBs completed, 21 were belatedly

completed recording a delay of more than six months (6-12 months- 6 SFBs; and beyond 1 year- 15 SFBs).

2.5.2 Audit framework

Thematic Audit of SFB under SIDF was taken up with the objective to assess whether the selection of projects were need based and projects were implemented with due regard to economy, efficiency and effectiveness. A total of 16 (out of 66) bridges were selected for detailed scrutiny based on two stage sampling by adopting 'Stratified' and 'Monetary Unit Sampling'. The sample was later increased to 27 for increased assurance. Audit was conducted during April- June 2013 through visits to the sites and test check of records maintained at the RMDD headquarters office, Gangtok and four Zilla Panchayats in the districts.

The performance were benchmarked against the criteria stipulated in Sikkim Public Works Code and Manual, terms and conditions set forth in the Administrative approval and sanction orders by the DoNER, etc.

2.5.3 Audit findings

The audit findings are enumerated in the succeeding paragraphs:

2.5.3.1 Funds Management

A total of ₹ 29.12 crore was released by DoNER of which expenditure of ₹ 25.12 crore was incurred upto March 2013, leaving an unspent balance of ₹ 4 crore as shown below:

Table 2.5.1

(*₹ in crore*)

Year	Budget Provision	Funds released by DoNER	Expenditure	Funds release order
2009-10	Nil	7.42	Nil	1/8/2009-DoNER/SP 19 March 2010
2010-11	7.42	11.88	7.42	1/8/2009-DoNER/SP 31 March 2011
2011-12	22.29	9.82	11.88	1/8/2009-DoNER/SP 11 December 2011
2012-13	10.41	Nil	5.82	-
Total		**29.12**	**25.12**	

Source: Fund release order of DoNER and Contingent Audit Register.

According to terms of sanction of DoNER, the funds were to be kept in a separate bank account for the specific purpose of funding these constructions and to ensure ready accessibility of the funds. It was, however, seen during audit that the funds amounting to ₹ 29.12 crore received from DoNER between March 2010 to December 2011 were kept in the budget head (5054 - 04 - 101 - 36 -71 - 53 - Major works) by the State Government. As a result, terms of sanction of DoNER was violated. Besides, this entailed a loss of ₹ 76.79 lakh on account of opportunity cost of interest on savings accounts even when calculated at a low interest rate of four *per cent* per annum as detailed in **Appendix 2.5.1** (a), (b), (c) and (d).

The Department stated (October 2013) that loss calculated by audit was presumptive, as keeping the funds under budget head did not affect the progress of the work and even the XIII Finance Commission recommendation discourages keeping the funds outside the consolidated fund of the State. The reply was not acceptable as the funds were released by DoNER and the Department was supposed to comply with the terms and conditions of financial sanction set by the DoNER. It was also noticed in audit that the funds received under other Programmes (Total Sanitation Campaign etc.) were kept in separate bank accounts. On one hand, the Department had violated instruction of the funding agency by giving reference of the XIII Finance Commission Report and on the other hand, it continued to keep the funds in separate bank account for other schemes.

➢ ***Unauthorised expenditure***

The terms of sanction (Para 3 (x)) by the DoNER stipulated (February 2010) that the funds should be utilised strictly for the purpose for which they were sanctioned and that no diversion of funds would be permitted.

Audit noticed that the implementing Department unauthorisedly utilised ₹ 25.75 lakh towards contingency in excess of the approved amount. Against the approved contingency funds of ₹ 50.78 lakh, the Department incurred ₹ 76.54 lakh resulting in an excess expenditure of ₹ 25.75 lakh which was without any authorisation from the funding agency.

The Department stated (October 2013) that their record indicated expenditure of ₹ 47.07 lakh was incurred from the contingency funds which was not acceptable as the figures were without any supporting documents and also the Utilisation Certificate submitted to DoNER showed an expenditure of ₹ 76.54 from contingency funds.

2.5.3.2 Avoidable expenditure

Sikkim Public Works Manual (Para 4.1 read with 4.5) envisaged that the estimate of the projects must *inter-alia* contain history indicating initiation and reasons leading to the proposal, design indicating a description of the original proposals and those finally adopted particularly with regard to location, setting and design specifications and drawings. Hence, survey forms a vital component of the estimate of projects, especially that of SFBs.

Audit noticed that although the original estimate was based on actual requirement and detailed survey for identification of proper site, the assessment of span of the bridges were inflated to obtain maximum assistance from the DoNER under SIDF. The following cases will illustrate the points:

➢ ***SFB at Lower Borong***

The SFB at Lower Borong was approved (February 2010) at an estimated cost of ₹ 91.26 lakh by DoNER with the objective of providing rural connectivity. According to the technically approved estimate, the SFB over Rangit river at Lower Borong was to have 140 mtrs. span. The departmental engineer however informed (14 June 2010) that the site was suitable for 105 mtrs. span and not 140 mtrs. as reflected in the approved estimate.

The field engineer was directed (18 June 2010) to locate an alternative site and submit fresh proposal. Accordingly, fresh survey was conducted (22 June 2010) for search of alternative site to accommodate 140 mtrs. Span. Physical verification revealed that the bridge was constructed at a different site than originally approved.

➢ ***SFB at Dhargaon Phamtam***

In case of Dhargaon Phamtam also, the 150 mtrs. span SFB was administratively approved (February 2010) at an estimated cost of ₹ 94.76 lakh to provide rural connectivity. According to the field engineers, the site identified was suitable (21 June 2010) for 65 mtrs. span rather than 150 mtrs. span reflected in the approved estimate. The field engineer was directed (21 June 2010) to identify alternative site to accommodate 150 mtrs. span SFB. Based on this direction, alternative site was located (25 June 2010) at a distance of 50 mtrs downstream of the original site. Accordingly, the SFB was constructed at an alternative site to accommodate 150 mtrs. span.

This not only indicated the defective assessment of length of span required but also execution of the bridges at the site other than what was originally identified by the Department and approved by the DoNER. The proposal for a span length, which was more than the actual length required at the proposed site, resulted in unnecessary avoidable expenditure of ₹ 36.97 lakh on construction of two bridges as detailed in **Appendix 2.5.2**. Those extra funds expended could have been gainfully utilised elsewhere to obtain maximum benefit in furtherance of SIDF objectives.

The Department stated (October 2013) that the field officials were instructed to re-verify the site of construction and stick to the original site as far as possible. The instruction was issued on the concept that the sanctioned scheme did not get diverted from the original demand**.** The reply corroborates the audit observation as the spans in the original sites were shorter than the spans of the bridges at changed sites.

2.5.3.3 Unauthorised expenditure

Terms of sanction (Para-3 (x)) stipulated that the funds would be incurred towards specific projects and no diversion would be allowed. It was, however, noticed that the approved span and site of the projects were altered without obtaining approval of the funding agency (DoNER) as detailed below:

➢ ***SFB at Chuba in South Sikkim***

The estimate of SFB over Kalej Khola at Chuba in South Sikkim was sanctioned (February 2010) for ₹ 33.08 lakh for 65 mtrs. span. The subsequent survey (June 2010) on receipt of sanction intimation revealed that the site was suitable for 25 mtrs. span and not 65 mtrs. span. The Department, however, constructed the SFB of 65 mtrs. span over Bhutey Khola (instead of Kalej Khola) at an estimated cost of ₹ 33.08 lakh (expenditure ₹ 29.66 lakh till date) without obtaining approval of DoNER. This led to unauthorised expenditure of ₹ 29.66 lakh (total committed expenditure ₹ 33.08 lakh for the project) as of March 2013.

➢ ***SFB over Rangit at Tokal***

The 'Construction of 145 mtrs. SFB over Rangit at Tokal' was tendered (29 July 2010) and awarded (5 January 2011) to the lowest bidder at 14.5 *per cent* above the estimated cost with the condition for completing within twelve months (by January 2012).

Audit noticed that the span of the bridge was revised from 145 mtrs. to 100 mtrs. due to change of location of the bridge which was not intimated to DoNER. The Department misled the DoNER as the work order to the contractor and the Progress Report to the DoNER continued to mention the earlier site and span (145 mtrs.).

This led to unauthorised expenditure of ₹ 39.15 lakh (total committed expenditure of ₹ 1.31 crore for the project) as of March 2013. Though both the estimates were framed on the basis of the same SOR (i.e. SOR 2006), the change in span of bridge from 145 mtrs to 100 mtrs had decreased the estimate of the bridge component by only ₹ 599. Audit analysis revealed that the estimate for 100 mtrs span was inflated by ₹ 15.42 lakh as detailed in **Appendix 2.5.3**.

The Department reiterated (October 2013) that the field officials were instructed to re-verify the site of construction and stick to the original site as far as possible. The instruction was issued on the concept that the sanctioned scheme did not get diverted from the original demand. However, the fact remains that the original site was changed without obtaining approval from the funding agency. Further, the Department had not spelt out any reasons for inflated estimate of SFB over River Rangit at Tokal.

2.5.3.4 Tendering and award of works

The terms of sanction (Para-3(ii)) by DoNER envisaged (February 2010) that the State Government ensure competitive bidding through wide publicity in the print media and in the web site. The same was reiterated in the fund release orders as well.

Audit noticed that the Department did not comply with the terms of the sanction and instead awarded works to Co-operative Societies in contravention to the above stipulations.

The Department expressed their regret (October 2013) for not obtaining approval from GOI before cancelling the competitive bidding as it would take long time to get approval from GOI.

2.5.3.5 Excess expenditure on works

Sikkim Public Works Manual (Para-19.25) envisaged recovery of excess materials issued to the contractors at double the issue rate.

Physical verification of 27 SFBs by Audit jointly with departmental officers revealed that excess materials were issued to the contractors. Joint physical verification and audit analysis revealed that various items such as chequered plate (95 nos.), cross beams (65 nos.), and long beams (173 nos.) were issued in excess of what was actually utilised by the contractors. The cost of the excess materials was recovered at normal issue rate (as

against the requirement of double the issue rate) leading to undue favour to the contractors amounting to ₹ 24.13 lakh (₹ 4.30 lakh towards fitting and fixing of excess materials and ₹ 19.84 lakh towards the recovery of cost of materials) as detailed in **Appendix 2.5.4.**

The Department stated (October 2013) that the requirement of the bridge components calculated in the estimate was unreasonably high due to presence of bugs in the software 'Yellow Jacket' developed and used for preparing estimates of materials for the bridges. Further, the Department stated that during the process of construction, some of the materials get wasted which has to be considered as fait-accompli and is unavoidable.

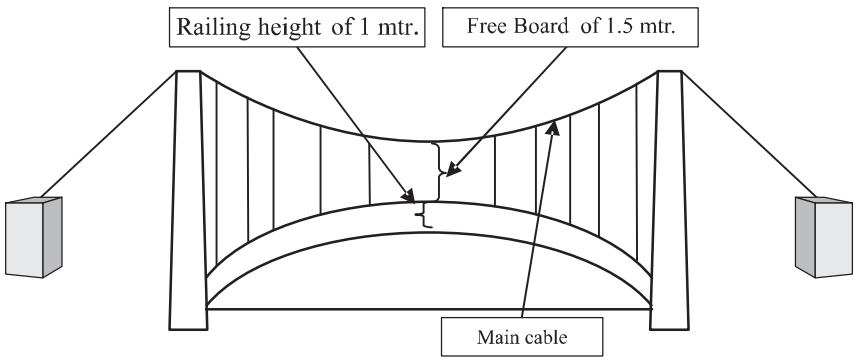
The reply is not tenable as the estimates, though prepared by software was approved in hardcopy and the same could have been checked. Moreover, undue favour was given to the contractor by making payment for the works that was not executed at all. Further, the Department failed to explain reasons for not recovering the cost of materials issued in excess of requirement.

2.5.3.6 Execution of works

Sikkim Public Works Manual (Para- 4.17) provides that the design and drawings of the bridge should not be changed without the specific approval of the Chief Engineer. Audit, however, noticed that certain important parts were not installed as per the technically approved estimate and design which resulted in the contractors deriving undue benefit as detailed below:

- ***Free Board***

According to the technically sanctioned approved design of the bridge, the height of the railing is to be one meter and the minimum height between the main cable and railing (called the free board) should be of 1.5 mtrs. to ensure that the lowest point of the main cable is always 1.5 mtrs. above the railing.



Physical verification by Audit along with the departmental officers revealed that in four cases there was no free board at all (main cable was below the railing) as seen in the photographs below[40]:

Image 2.5.1



Image 2.5.2



Image 2.5.3



Image 2.5.4



➢ ***Guy Rope***

The approved estimate incorporated a provision for Guy Rope to arrest swinging caused by lateral forces like wind etc. and reinforce the strength of the bridge. Physical verification done together by Audit and the departmental officers revealed (July 2013) that 8 bridges did not have Guy Rope. This was despite a payment of ₹ 0.42 lakh to the contractor for fitting of Guy Rope. This not only indicated deviation from the originally approved estimate but also the entries in the Measurement Book was not reliable.

➢ ***Angle Iron***

Angle iron railing was provided in the approved estimate for enhanced safety. It was however, noticed that while no angle iron was provided in two bridges (SFB over Nimphu chu at Lachung and SFB over Teesta khola at Samardang), in three bridges (SFB over Shingshore Khola, SFB over Hee Khola, and SFB over Kalej Khola), adequate railing and support angle iron was not provided as shown in the photographs below[41]:

Image 2.5.5



Image 2.5.6

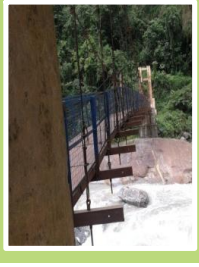


Image 2.5.7



Image 2.5.8



Image 2.5.9



[40] *Image 2.5.1: SFB over Teesta Khola at Samardong; . Image 2.5.2: SFB over Rong Rong Khola at Kadamtam; Image 2.5.3: SFB over Nimphu chu Lachung;. Image 2.5.4: SFB over Kalej Khola.*

[41] *Image 2.5.5: SFB over Nimphu chu at Lachung; Image 2.5.6: SFB over Teesta khola at Samardang; Image 2.5.7: SFB over Singshore Khola; Image 2.5.8: SFB over Hee Khola; Image 2.5.9: SFB over Kalej Khola.*

➢ ***Long Beams***

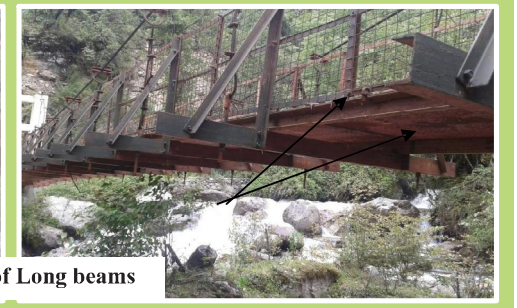
According to the technically approved estimate, long beams were required to be placed in three lines: two beams just below the railing and one in the middle. Physical verification of bridges by the audit team along with the departmental officers revealed (July 2013) that long beams in two bridges were placed in two lines (instead of three) as shown below:

Image 2.5.10



SFB over Leema chu

Image 2.5.11



Two lines of Long beams

SFB over Nimphu chu

This led to construction of bridges in deviation from the originally approved design and also compromised safety standards besides incurring payment on account of materials (₹ 1.51 lakh) which were not utilised.

In agreeing to the observation, the Department stated (October 2013) that the technical manpower employed for the work do not have every detailed knowledge on the construction of suspension foot bridges and the same has to be considered a fait-accompli.

2.5.4 Conclusion

Audit of 'Execution of Suspension Foot Bridges under SIDF' by the Rural Management & Development Department through ZPs revealed that out of 66 SFBs, 51 were completed and remaining 15 were under construction. Out of the completed SFBs, 21 SFBs were completed recording a delay of more than six months. The results of Audit on implementation of projects indicated defective survey and estimation, irregularity in award of works, execution of works inconsistent with technically sanctioned approved designs and estimates, excess and avoidable expenditure on construction of SFBs with longer span than required, undue favour to contractors, excess issue of materials and unauthorised expenditure.

2.5.5 Recommendations

The following are the recommendations for further improving the implementation of the SFBs under SDF:

➢ The survey and investigation mechanism may be strengthened to ensure minimal change in the estimate after obtaining approval and sanction of funds from GOI;

- Selection of site may be done only after proper site verification to ensure execution of appropriate span and design;
- Financial management may be strengthened to avoid undue favour to the contractors; and
- Ensure utilisation of the required materials in the execution of projects to ensure safety and adherence to approved design.

ANIMAL HUSBANDRY, LIVESTOCK, FISHERIES & VETERINARY SERVICES DEPARTMENT

2.6 Unauthorised expenditure due to violation of GOI conditions

The Department violated the terms of sanction of the Government of India which resulted in unauthorised expenditure of ₹ 92.40 lakh.

On the basis of a proposal submitted (June 2011) by the Department, Government of India (GOI) sanctioned (July 2011) ₹ 2.21 crore under the Centrally Sponsored Fodder Development and Feed Development Scheme, under the component of "Grassland Development including Grass Reserves". The first installment of ₹ 110.50 lakh was released in July 2011.

As per the terms of sanction, the work was to be executed at Condominium Property Regimes (CPR)[42], Gochar land[43]/community land/waste land at ₹ 85,000 per hectare in 260 hectares[44]. While sanctioning the funds, the GOI clearly stated that "Central Grant is sanctioned on the condition that this will be utilised in the community/waste land as per proposal submitted by the State Government.

Scrutiny of records revealed (April 2013) that instead of implementing the scheme according to the terms of sanction and proposal submitted by itself to the GOI, which was to be on Gochar land/community land/waste land, the Department implemented the scheme in the fields owned by individual farmers through distribution of cash at the rate of ₹ 5,000 per individual farmer and expended ₹ 70 lakh in the process of distribution of cash to 1400 farmers. It was further noticed that the District Level Officers also spent ₹ 22.40 lakh towards distribution of manures, mineral mixture, etc., to those farmers, aggregating a total expenditure of ₹ 92.40 lakh from the scheme funds during 2011-12.

Thus, the Department not only deviated from its own proposal, but also violated the conditions/terms of sanction of GOI to utilise the funds for specific purpose of implementation of Grassland Development including Grass Reserves Scheme in community land/Gochar/CPR/waste land etc. For deviation from its own proposal against which the sanction was obtained, the Department had also not obtained the requisite

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42 *CPR means a big plot of land with ownership of the land as either tenants in common or by joint tenancy with their partners.*
43 *Gochar land means village grazing land/cow grazing land.*
44 *Against the proposal from the Department of implementation in 290 hectares for ₹4.24 crore.*

approval from the GOI. Thus, the implementation was contrary to the letter and spirit of the sanction and led to an unauthorised expenditure of ₹ 92.40 lakh.

The Department stated (July 2013) that they had implemented the scheme (violating the GOI guidelines) in the interest of farmers for enhancing fodder production in the lands of individual farmers and based on the Audit observation, they would check such cases of irregular expenditure in future.

The reply was not tenable as the utilisation certificate furnished (July 2012) by the Department to the GOI stated that the amount was expended for the purpose for which it was sanctioned. This certificate was however incorrect, as the amounts were not spent on works on CPR/Gochar land/community land/waste land but were spent on private lands. Also, any expenditure not covered within the scope of the Centrally Sponsored Scheme should have been borne by the State from its own resources. It may also be stated that the relaxation for deviation from the terms of sanction in this respect was neither sought for nor obtained from the GOI.

FOOD SECURITY & AGRICULTURE DEVELOPMENT DEPARTMENT

2.7 Unauthorised expenditure

Unauthorised expenditure of ₹ 187.08 lakh under Integrated Nutrient Management due to non-adherence to cost norms as stipulated under the guidelines of the scheme.

The Macro Management in Agriculture (MMA) scheme guidelines stipulates that the maximum permissible assistance for Crop Production Programme under Integrated Nutrient Management (INM) was to be 25 *per cent* of the cost limited to ₹ 1,000 per hectare. It was categorically stated that these amounts were not to be exceeded in order to ensure that deliveries to the number of farmer beneficiaries are not curtailed.

Scrutiny of records revealed that the Department incurred ₹ 249.44 lakh during 2010-11 and 2011-12 towards demonstration in 13,000 hectares of land under Integrated Nutrient Management at an expenditure of ₹ 1,918 per hectare. This expenditure was in excess of the maximum permissible amount of 25 *per cent* of expenditure (₹ 62.36 lakh[45]) limited to ₹ 1,000 per hectare, resulting in unauthorised excess expenditure of ₹ 187.08[46] lakh. The Department had also not obtained the approval from GOI for the deviation from the norms of MMA for incurring the excess expenditure of ₹ 187.08 lakh from Central Scheme funds.

Thus, the expenditure incurred by the Department in violation of the scheme guidelines resulted in unauthorised expenditure of ₹ 187.08 lakh besides depriving many potential farmer beneficiaries the admissible coverage under the scheme.

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[45] *25 per cent of the expenditure = 25 per cent of ₹ 249.44 lakh = ₹ 62.36 lakh.*

[46] *₹ 62.36 lakh is less than ₹ 130 lakh @ ₹ 1,000 per hectare and hence admissible. Excess expenditure (₹ 249.44 lakh – ₹ 62.36 lakh) = ₹ 187.08 lakh.*

The Department stated (August 2013) that the North Eastern States being hilly in nature, annual washout of the plant nutrient is very high due to torrential monsoon season. Further, State having gone into organic agriculture, the Department was compelled to increase the application of plant nutrient in the soil to meet up the gap in organic fertilizer and heavy loss of plant nutrient. It was further stated that GOI accorded approval @ ₹ 3,000 per hectare in 2012-13 on the basis of work plan submitted by the Department. However, fact remains that during the years 2010-11 and 2011-12, the amount approved by GOI was @ ₹ 1,000 per hectare and hence the Department, in violation of the scheme guidelines, incurred unauthorised excess expenditure of ₹ 187.08 lakh.

ROADS & BRIDGES DEPARTMENT

2.8 Undue benefit to contractors

Contractors were paid ₹ 1.97 crore for carriage of stones which was in excess of requirement as stipulated in the AOR and in violation of the SPW Manual

Analysis of Rates (AOR) is prepared by the Roads and Bridges Department (RBD) for settling the rates for various items of works executed by the works departments. The AORs also stipulate the (i) specification and the quantity of materials required to be used in various items of works and (ii) deduction of 20 *per cent* of stone derived from the excavation/hill cutting of hard/blasting rocks as usable stones for which stacking charges @ ₹ 7.02 per *cubic metre* was also allowed. Further, Sikkim Public Works (SPW) Manual (Clause 45) stipulates that the contractor is required to submit all the permits/royalty documents in original as proof of transportation of materials from the designated quarry.

Scrutiny (February–March 2013) of the bills and statements of theoretical consumption related to utilisation of stones during April 2008 to March 2013 pertaining to 14 works revealed that payments to the contractors on account of carriage of stone were released by the Department on the basis of quantity of stones claimed to have been utilised by the contractors, without considering the quantities permissible as per the AOR. The Department had not cross checked the quantity of stones required to be used as per the specification in the AOR by taking into consideration the availability of 20 *per cent* of stone from hard/blasting rock.

Moreover, it was seen that the contractors had not submitted the transit/royalty documents as proof that the materials had actually been transported, to support the claim of the quantity of stones transported, as required under the SPW Manual.

Audit observed that the actual requirement of stones to be transported was 84,246.65 *cubic metre*. Against this, the Department made payment for carriage of 1,20,995.30 *cubic metre* of stones. This resulted in excess payment of ₹ 1.97 crore for the stated transportation of 36,748.65 *cubic metre* of stones, which was over and above the quantity required for the works, as per the AOR. Details are given in the **Appendix 2.8.1**.

Thus, failure on the part of the Department in exercising due diligence while checking the quantum of stones for which payment was admissible, and also not taking into account the 20 *per cent* derived from the cutting/hardblasting of usable stones as stipulated in the AOR norms and ignoring the requirements of the SPW Manual, resulted in giving undue benefit of ₹ 1.97 crore to the contractors.

The matter was reported to the Department/Government (July 2013); their reply had not been received (October 2013).

ENERGY & POWER DEPARTMENT

2.9 Loss on sale of power

Rejection of the highest offer for sale of power (30 MW) by the Department without valid reason resulted in loss of ₹ 2.55 crore besides loss of interest of ₹ 1.01 crore against unrecovered sale proceeds of ₹ 7.14 crore.

State of Sikkim had power availability of 161 Mega Watt[47] (MW) against the internal consumption of 65 MW during 2010-2012. The surplus power was being sold by Energy and Power Department (EPD), Government of Sikkim, through Power Exchange Agreements[48] and Bilateral Agreements[49] with Private Traders. During 2010-11, Energy and Power Department (EPD) invited (January 2011) limited offers from three traders (i.e., Tata Power Trading Co. Ltd (Tata), Global Energy Private Limited (Global) and Mittal Processor Pvt. Ltd) to sell 30 MW of power on 'Round The Clock (RTC)' basis. Tata offered the highest rate of ₹ 4.19[50] per kwh against the second highest offer of ₹ 3.90 per kwh from Global.

EPD accepted (January 2011) the second highest bid offer of ₹ 3.90 per kwh from Global as against the highest bid of Tata on the grounds that: (i) in the past, the bidder backed out in the last moment; (ii) their delivery point being Eastern Region periphery would cause additional cost of three *per cent* towards power transmission and (iii) their offer was valid only upto October 2011 as against March 2012 fixed by the Department.

Scrutiny revealed (November 2012) that while rejecting the offer of Tata, the EPD did not consider the fact that out of the 14 traders engaged in the country during 2009-10 in short term trading of power, Tata was amongst the top three traders, whose share of electricity trading during 2009-10 was 9.83 *per cent.* As against this, the Global did not exist in the list of 14 traders, which was indicative of the fact that the firm (Global) was not as experienced and reputed as Tata in the power trading. The incompetence of Global was further established by the fact that it subsequently defaulted in clearing its dues to EPD. Further, even after considering the cost of applicable transmission charges at around three

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47 *Including 68 MW purchased from Central Public Sector Undertakings through allocation by MOP, GOI, 75 MW free power availed from hydro plants of NHPC commissioned in Sikkim and 16 MW from Others, besides 2 MW generated by the State's own generating plants.*

48 *Electricity market where the power/energy is traded under the regulation of Central Electricity Regulatory Commission.*

49 *A bilateral contract in an electricity market is an agreement between a willing buyer and a willing seller to exchange electricity, rights to generating capacity, or a related product under mutually agreeable terms for a specified period of time.*

50 *Original offer of ₹ 4.32 per kwh, reduced by the applicable transmission charges at three per cent.*

per cent, the rate offered by Tata still remained higher than Global by ₹ 0.29[51] per kwh. As regards the periodicity of offer (up to October 2011) by Tata, it is pertinent to mention that the issue should have been resolved by EPD through negotiations considering the reputation and higher price offered by Tata.

Due to selection of Global instead of Tata, the EPD had to incur a loss of ₹ 2.55 crore on sale of 87.84 million units of power during April 2011 to July 2011.

It was also noticed that while accepting the bid of Global for sale of power, no formal agreement or Memorandum of Understanding (MoU) was entered into with Global so as to safeguard the interest of the Government. In the absence of any legally binding agreement, the bill payment security mechanism i.e., opening of Letter of Credit (LC), entering into tripartite agreement with the banker of the firm, etc. was also not ensured. Due to failure of EPD in ensuring payment security mechanism, dues to the extent of ₹ 7.14 crore remained outstanding for recovery from Global as of October 2012. Consequently, the EPD sustained loss of interest to the tune of ₹ 1.01 crore[52] for the period from June 2011 to October 2012 on the said unrecovered dues.

Thus, the decision of EPD to reject the offer of the highest bidder (Tata) with reputed background in power trading coupled with absence of a formal agreement for sale of power with Global resulted in an avoidable loss of ₹ 2.55 crore towards sale proceeds, besides the loss of interest of ₹ 1.01 crore on non-recovery of dues of ₹ 7.14 crore.

In reply, the EPD stated (September 2013) that the dealings with Tata were not reliable considering their failure in drawal of power to the full extent during December 2010 to March 2011 as per agreement with them and that the defaults made by Global in payment of dues were on account of defaults in payment by the end users.

The justification regarding non-reliability of Tata as put forth by the EPD for rejecting the bid of Tata was contradictory to its own decision of considering Tata for invitation of limited bid offers for sale of power. The possibilities of backing out by Tata in the last moment, as contended by the EPD could have also been avoided by calling for earnest money deposit and bank guarantee mandatorily from the bidders. As regards the reasons put forth for defaults in payment by Global, it is stated that the same do not justify renewal of purchase agreement with Global as the inefficiencies in recovery of dues by Global cannot be linked with the obligation of Global for timely payment of dues of the EPD.

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[51] *₹ 4.19 (original offer of ₹ 4.32 per kwh, reduced by the applicable transmission charges of ₹ 1.13 per kwh) minus ₹ 3.90.*

[52] *Calculated @ 8.5 per cent being charged by the State bank of India during the period.*

Economic Sector
(Public Sector Undertakings)

CHAPTER III

ECONOMIC SECTOR (PUBLIC SECTOR UNDERTAKINGS)

3.1 Overview of State Public Sector Undertakings

Introduction

3.1.1 The State Public Sector Undertakings (SPSUs) consist of State Government Companies and Statutory Corporations. The SPSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Sikkim, the SPSUs occupy an insignificant place in the State economy. The working SPSUs registered a turnover of ₹143.91 crore as per their latest finalised accounts as of September 2013. This turnover of SPSUs was equal to 1.45 *per cent* of State Gross Domestic Product (SGDP) for 2012-13[1]. Major activities of Sikkim SPSUs are concentrated in infrastructure and power sectors. The working SPSUs incurred an overall loss of ₹ 10.85 crore[2] in the aggregate for 2012-13 as per their latest finalised accounts as on 30 September 2013. The SPSUs had employed total 628 employees (including 12 employees of non-working SPSUs) as on 31 March 2013. The SPSUs 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. Audit findings of these DUs are incorporated in other chapters of this Report along with the findings relating to the Government Departments.

3.1.2 As on 31 March 2013, there were 15 SPSUs as per the details given below. None of these companies was listed on the stock exchange(s).

Table 3.1.1

Type of SPSUs	Working SPSUs	Non-working SPSUs[5]	Total
Government Companies	6	6	12
Statutory Corporations	2	1	3
Total	**8**	**7**	**15**

Audit Mandate

3.1.3 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. In addition to the statutory audit conducted by the Statutory Auditors, supplementary 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

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1 *The State GDP for 2012-13 is ₹9,956.54 crore (Quick estimate).*
2 *Refer Appendix 3.1.2.*
3 *Government Fruit Preservation Factory and Temi Tea Estate.*
4 *Sikkim State Co-operative Bank Ltd.*
5 *Non-working SPSUs are those which have ceased to carry on their operations.*

State under Section 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

3.1.4 There are three Statutory Corporations in the State *viz*. State Bank of Sikkim (SBS), State Trading Corporation of Sikkim (STCS) and Sikkim Mining Corporation[6] (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. Supplementary 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 SPSUs

3.1.5 As on 31 March 2013, the investment (capital and long-term loans) in 15 SPSUs was ₹ 398.70 crore as per details given below.

Table 3.1.2

(₹ in crore)

Type of SPSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working SPSUs	58.38	279.06	337.44	2.19	-	2.19	339.63
Non-working SPSUs	46.56	0.01	46.57	12.50	-	12.50	59.07
Total	***104.94***	***279.07***	***384.01***	***14.69***	***-***	***14.69***	***398.70***

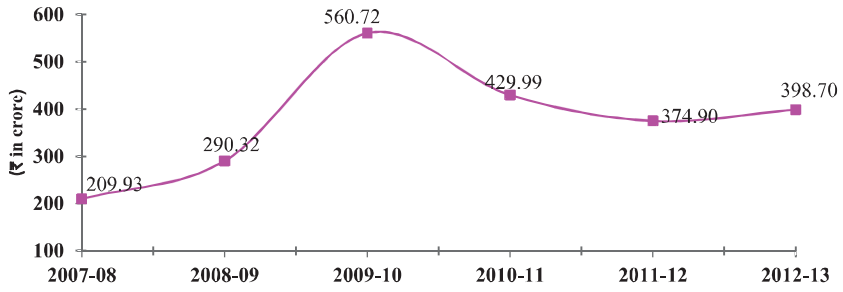
Source: Data collected from SPSUs

A summarised position of Government investment in SPSUs is detailed in **Appendix 3.1.1**.

3.1.6 As on 31 March 2013, of the total investment in SPSUs, 85.18 *per cent* was in working SPSUs and the remaining 14.82 *per cent* in non-working SPSUs. This total investment consisted of 30 *per cent* towards capital and 70 *per cent* in long-term loans. The investment had grown by 167.10 *per cent* from ₹ 209.93 crore in 2007-08 to ₹ 560.72 crore in 2009-10. The total investment had decreased by 33.14 *per cent* from ₹ 560.72 crore (2009-10) to ₹ 374.90 crore (2011-12) due to constant decrease in the long term loans of the SPSUs after 2009-10. The total investment in SPSUs, however, marginally increased to ₹ 398.70 crore (2012-13) mainly due to increase (₹13.99 crore) in the loans of one SPSU (namely, Sikkim Industrial Development and Investment Corporation Limited) during the year 2012-13 as shown in the graph below:

[6] *A non-working Corporation as on 30 September 2013.*

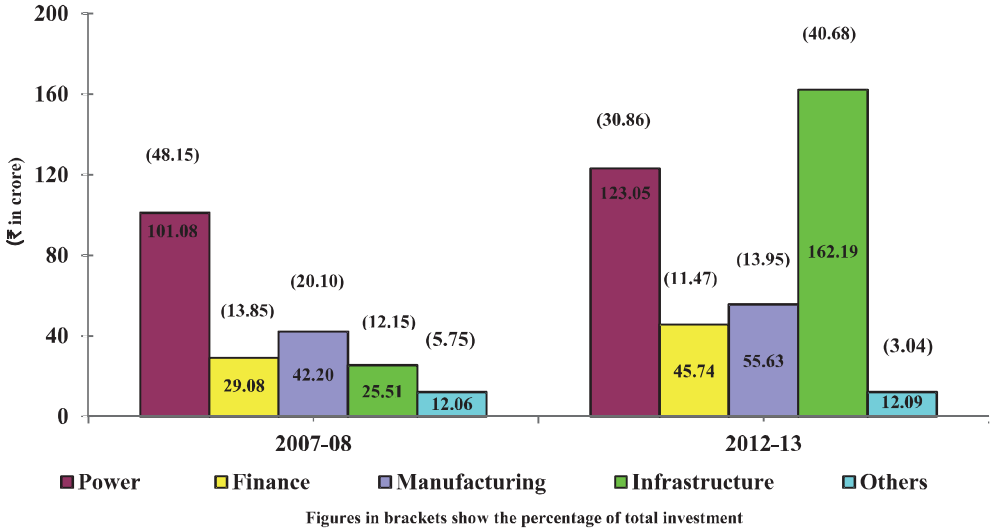
Chart 3.1.1



Investment (Capital and long-term loans)

3.1.7 The total investments in various sectors and percentage thereof at the end of 31 March 2008 and 31 March 2013 are indicated below in the bar chart.

Chart 3.1.2



Figures in brackets show the percentage of total investment

3.1.8 The investment made in SPSUs during 2007-08 to 2012-13 was mainly in power and infrastructure sectors. The investment in infrastructure sector had grown by 535.79 *per cent* from ₹ 25.51 crore in 2007-08 to ₹ 162.19 crore in 2012-13. The power sector had also registered an increase of 21.74 *per cent* from ₹101.08 crore in 2007-08 to ₹ 123.05 crore in 2012-13. The increase of investment under infrastructure sector was mainly due to loan of ₹ 128 crore borrowed by Sikkim Industrial Development and Investment Corporation Ltd. (SIDICO) from Housing and Urban Development Corporation and State Bank of Sikkim during 2012-13.

Budgetary outgo, grants/subsidies, guarantees and loans

3.1.9 The details regarding budgetary outgo towards equity, grants/subsidies, guarantees issued and interest waived in respect of SPSUs are given in **Appendix 3.1.3**. The summarised details are given below for three years ended 31 March 2013.

Table 3.1.3

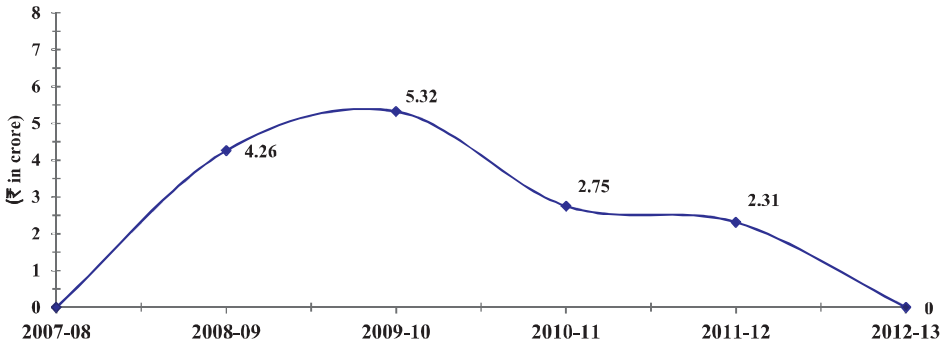
(₹ in crore)

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount
1.	Equity Capital outgo from budget	4	0.96	-	-	-	-
2.	Grants/Subsidy received	1	1.79	1	2.31	-	-
3.	**Total Outgo (1+2)**	**5**	**2.75**	**1**	**2.31**	-	-
4.	Loans written off	-	-	-	-	1	0.84
5.	Interest/Penal interest waived	1	0.12	1	0.43	2	0.38
6.	**Total Waiver (4+5)**	**1**	**0.12**	**1**	**0.43**	**2**[7]	**1.22**
7.	Guarantees issued	1	3.28	1	4.08	1	1.07
8.	Guarantee Commitment	2	246.70	2	163.72	2	162.84

Source: Data collected from SPSUs

3.1.10 The details regarding budgetary outgo towards equity and grants/subsidies for past six years are given in the graph below:

Chart 3.1.3



Budgetary outgo towards equity and Grants/Subidies

3.1.11 It may be observed that during the period of six years from 2007-08 to 2012-13, the budgetary outgo was at the highest (₹ 5.32 crore) in 2009-10 and had shown decreasing trend thereafter. During the year 2012-13, there was no budgetary outgo towards equity, loans, etc. of SPSUs. The guarantee commitment at the end of year has decreased from ₹ 163.72 crore in 2011-12 to ₹ 162.84 crore in 2012-13. As on 31 March 2013, guarantee amounting to ₹ 31.14 crore and ₹ 131.70 crore were outstanding against two Government companies, namely, Sikkim Scheduled Castes, Scheduled Tribes and

[7] *In respect of one SPSU (SIDICO) loan as well as interest/ penal interest were written off.*

Other Backward Classes Development Corporation Limited (SABCCO) and Sikkim Industrial Development and Investment Corporation Limited (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 on the loans availed against Government guarantee. During 2012-13, one Company (SIDICO) out of above two Government Companies, had availed loans of ₹ 113.19 crore against Government guarantee. Though a guarantee commission of ₹ 1.13 crore was payable to the State Government against the said loans, the Company did not pay the same.

Reconciliation with Finance Accounts

3.1.12 The figures in respect of equity, loans and guarantees outstanding as per records of SPSUs should agree with the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned SPSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2013 is stated below.

Table 3.1.4

(*₹ in crore*)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of SPSUs	Difference
Equity	80.69	89.22	(8.53)
Loans*	37.03	2.03	35.00
Guarantees*	186.42	162.84	(23.58)

** SPSU-wise figures of loan/ guarantee were not available in the Finance Accounts of the State.*

3.1.13 Audit observed that the differences in equity investment pertained to nine SPSUs and some of the differences were persisting since 2004-05. It was further observed that the un-reconciled differences in respect of equity of SPSUs increased by ₹ 1.86 crore during current year from ₹ 6.67 crore (2011-12) to ₹ 8.53 crore (2012-13). The Principal Accountant General (PAG) had also taken up (December 2013) the issue with the Principal Secretary (Finance) to the Government of Sikkim (GoS) and the concerned SPSUs for early reconciliation of long pending differences. The Government and the SPSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of SPSUs

3.1.14 The financial results of SPSUs, financial position and working results of working Statutory Corporations as per their latest finalised accounts as on 30 September 2013 are detailed in **Appendices 3.1.2, 3.1.4 and 3.1.5** respectively. A ratio of SPSUs turnover to State GDP shows the extent of SPSU contribution in the State economy. Table below provides the details of working SPSUs turnover and State GDP for the period 2007-08 to 2012-13.

Table 3.1.5

(₹ in crore)

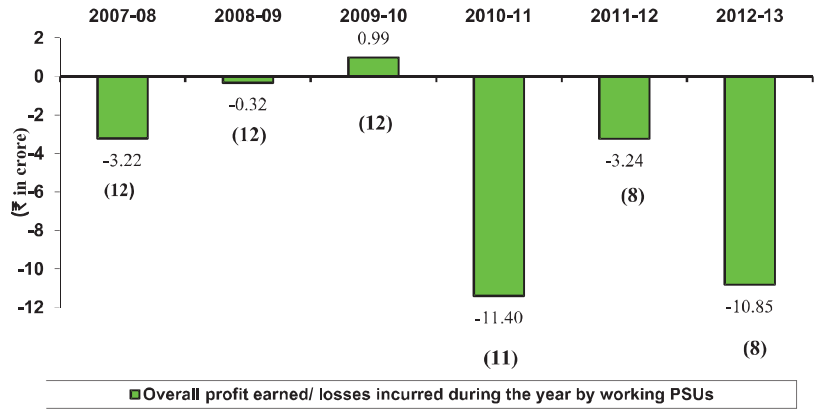
Particulars	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Turnover[8]	44.44	31.34	41.98	42.81	86.43	143.91
State GDP	2,506.09	3,229.08	6,132.76	7,411.57	8,616.23[9]	9,956.54[10]
Percentage of Turnover to State GDP	1.77	0.97	0.68	0.58	1.00	1.45

Source: Data collected from SPSUs and Department of Economics, Statistics, Monitoring & Evaluation

It may be noticed that during 2007-13, the State GDP had grown by 297 *per cent* from ₹ 2,506.09 crore (2007-08) to ₹ 9,956.54 crore (2012-13). The increase in turnover of SPSUs during the corresponding period was 223.83 *per cent* only which was not in proportion of the growth in State GDP. As a result, the percentage of turnover of SPSUs to State GDP decreased from 1.77 *per cent* (2007-08) to 1.45 *per cent* (2012-13).

3.1.15 Profit earned/Losses[11] incurred by the working SPSUs during 2007-08 to 2012-13 are given below in the bar chart:

Chart 3.1.4



(Figures in brackets show the number of working SPSUs in respective years)

As per the latest finalised accounts of working SPSUs as on 30 September 2013, out of eight working SPSUs, five SPSUs[12] incurred a loss of ₹ 14.58 crore whereas three SPSUs[13] earned a profit of ₹ 3.73 crore during the year 2012-13. The major profit was earned by SIDICO (₹ 2.80 crore).

It may be observed that the performance of working SPSUs in terms of the overall working results had shown improving trend upto 2009-10 when the working SPSUs earned profits of ₹ 0.99 crore (2009-10) as against the losses of ₹ 3.22 crore incurred during 2007-08. The working SPSUs again incurred losses of ₹ 11.40 crore during 2010-11 mainly due to loss of ₹ 9.63 crore reported by Sikkim Power

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8 *Turnover as per their latest finalised accounts as on 30 September of respective year.*
9 *Provisional Estimates.*
10 *Quick Estimates.*
11 *Figures are as per the latest finalised accounts of working SPSUs as on 30 September of the respective year.*
12 *Sl. No.A-1, A-2, A-3, A-5 and A-7 of Appendix 3.1.2.*
13 *Sl. No.A-4, A-6 and A-8 of Appendix 3.1.2.*

Development Corporation Limited. The position, however, improved during 2011-12 when the losses of working SPSUs decreased to ₹ 3.24 crore mainly on account of profits (₹ 11.84 crore) earned by one working SPSU (namely, State Bank of Sikkim) and transfer of three loss making Government Companies[14] under non-working category. During 2012-13, however, the working SPSUs incurred overall losses of ₹ 10.85 crore due to loss of ₹ 7.05 crore reported by State Bank of Sikkim.

3.1.16 A review of latest Audit Reports of CAG shows that the working SPSUs incurred losses to the tune of ₹ 3.30 crore, which were controllable with better management. Year wise details from Audit Reports are stated below:

Table 3.1.6

(₹ in crore)

Particulars	2010-11	2011-12	2012-13	Total
Net profit/(loss)	(11.40)	(3.24)	(10.85)	(25.49)
Controllable losses as per CAG's Audit Report	2.79	-	0.51	3.30

Source: Data collected from SPSUs and CAG Audit Reports

The losses of SPSUs are mainly attributable to deficiencies in planning, implementation of project, running their operations, financial management and monitoring.

3.1.17 The above losses pointed out by Audit Reports of CAG are based on test check of records of SPSUs. The actual controllable losses could be much more. The above table shows that with better management, the losses can be minimised substantially. The SPSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for improving professionalism and accountability in the functioning of SPSUs.

3.1.18 Some other key parameters pertaining to SPSUs are given below:

Table 3.1.7

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Return on Capital Employed (*per cent*)	1.80	3.38	2.00	5.24	4.30
Debt	194.46	462.76	395.91	260.93	279.07
Turnover[15]	31.34	41.98	42.81	86.43	143.91
Debt/Turnover Ratio	6.20:1	11.02:1	9.25:1	3.02:1	1.94:1
Interest Payments	5.52	7.33	24.56	64.90	87.49
Accumulated losses	66.86	68.62	69.82	83.57	90.29

(Above figures pertain to all SPSUs except for 'Turnover' which is for working SPSUs)
Source: Data collected from SPSUs

3.1.19 There was constant improvement in Debt Turnover Ratio after 2009-10. The debt-turnover ratio improved from 11.02:1 (2009-10) to 1.94:1 (2012-13) due to gradual increase in the turnover figures and significant reduction in the debts of SPSUs after 2009-10. The decrease in the debts was mainly due to repayment of loans (₹ 182.21 crore) by three SPSUs (viz., Sikkim Industrial Development and Investment Corporation Limited, Sikkim Power Development Corporation Limited and Sikkim Scheduled Castes,

[14] *Sl. No.C-12, C-13 and C-14 of Appendix-3.1.2.*
[15] *Turnover of working SPSUs as per the latest finalised accounts as on 30 September of respective year.*

Scheduled Tribes and Other Backward Classes Development Corporation Limited) during 2010-11 to 2012-13. The percentage of return on capital employed had also increased significantly from 1.80 *per cent* (2008-09) to 5.24 *per cent* (2011-12) mainly due to increase in profits of two SPSUs (viz. Sikkim Industrial Development and Investment Corporation Ltd. and State Bank of Sikkim). The percentage of return on capital employed, however, again decreased to 4.30 *per cent* in 2012-13 due to significant losses (₹ 7.05 crore) incurred by State Bank of Sikkim.

3.1.20 The State Government had not formulated (September 2013) any dividend policy under which SPSUs are required to pay a minimum return on the paid up share capital contributed by the State Government. As per their latest finalised accounts as on 30 September 2013, three SPSUs earned an aggregate profit of ₹ 3.73 crore but only one SPSU[16] declared dividend of ₹ 0.51 crore.

Arrears in finalisation of accounts

3.1.21 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 SPSUs in finalisation of accounts by September 2013.

Table 3.1.8

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1.	Number of Working SPSUs	11	11	11	8	8
2.	Number of accounts finalised during the year	24	10	8	7	10
3.	Number of accounts in arrears	18	19	22[17]	20	18
4.	Average arrears per SPSU (3/1)	1.64	1.73	2.00	2.50	2.25
5.	Number of Working SPSUs with arrears in accounts	11	11	9	8	7
6.	Extent of arrears (in years)	1 to 4	1 to 4	1 to 5	1 to 4	1 to 4

3.1.22 The table above indicates that the SPSUs were able to finalise significant number of accounts during 2008-09 (24 nos.). There was constant decrease in the number of accounts finalised by working SPSUs in subsequent years. During the period from October 2012 to September 2013, out of eight working SPSUs, three SPSUs[18] finalised more than one year accounts, two SPSUs[19] finalised at least one year accounts and remaining three SPSUs[20] did not finalise any of the accounts. As per the position on latest finalised accounts of working SPSUs as on 30 September 2013, 7 working SPSUs had the arrears of 18 accounts, which included 8 accounts of 2 SPSUs (namely, Sikkim Poultry

16 *Sikkim Industrial Development and Investment Corporation Ltd.*

17 *including three accounts of one company (Sl. No. C-14 of Appendix-3.1.2) which became non-working during 2011-12 with other two companies (Sl. No.C-12 & C-13 of Appendix-3.1.2.).*

18 *State Bank of Sikkim, State Trading Corporation of Sikkim and Sikkim Industrial Development and Investment Corporation Limited.*

19 *Sikkim Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited.*

20 *Sikkim Tourism Development Corporation Limited, Sikkim Poultry Development Corporation Limited and Sikkim Hatcheries Limited.*

Development Corporation Limited and Sikkim Hatcheries Limited functioning under Animal Husbandry and Veterinary Services Department) each having arrears of four accounts. The delay in finalisation of accounts of the working SPSUs was due to delay in compilation/adoption of accounts by the Board of Directors of respective SPSUs.

3.1.23 In addition to above, there were arrears in finalisation of accounts by four non-working SPSUs ranging from two to 18 years.

3.1.24 The State Government had invested ₹ 2.25 crore (Grants) in one working SPSU[21] during the years for which their accounts had not been finalised. Delay in finalisation of accounts might result in risk of fraud and leakage of public money.

3.1.25 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 SPSUs within the prescribed period. Though the concerned administrative departments of the State Government were informed every quarter by the audit about the arrears in finalisation of accounts, no remedial measures were taken to clear the backlog of accounts in a time bound manner.

In view of the arrear position discussed above, it is recommended that the Government may impress upon respective SPSUs to expedite the process of finalisation of accounts and bring them up to date.

Winding up of non-working SPSUs

3.1.26 There were seven non-working SPSUs (six Government Companies and one Statutory Corporation) as on 31 March 2013. None of these non-working SPSUs have commenced liquidation process. The numbers of non-working SPSUs at the end of each of the previous five years are given below.

Table 3.1.9

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
No. of non-working Companies	3	3	3	6	6
No. of non-working Corporations	1	1	1	1	1
Total	**4**	**4**	**4**	**7**	**7**

The stages of closure in respect of non-working SPSUs are given below.

Table 3.1.10

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of non-working SPSUs	6	1	7
2	Closure, i.e. closing orders/instructions issued but liquidation process not yet started.	5[22]	1[23]	6

[21] *Sikkim Poultry Development Corporation Limited.*

[22] *Sikkim Jewels Limited, Sikkim Time Corporation Limited and Sikkim Precision Industries Limited, Sikkim Flour Mills Limited. and Chandmari Workshop and Automobiles Limited.*

[23] *Sikkim Mining Corporation.*

No Company/Corporation was, however, wound up during 2012-13. The Government may consider either winding up or revival of these seven non-working SPSUs.

Accounts Comments and Internal Audit

3.1.27 Three working Companies forwarded their four audited accounts relating to earlier years to the Principal Accountant General during the year 2012-13[24].Out of these, two accounts of two Companies were selected for supplementary audit. In respect of remaining two accounts of two working Companies, non-review certificates had been issued. Similarly, two working Statutory Corporations forwarded their six annual accounts[25] relating to earlier years to the Principal Accountant General during the year 2012-13. 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 3.1.11

(₹ in crore)

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Increase in loss	6	29.93	2	0.51	3	6.99
2.	Increase in profit	1	2.59	-	-	3	0.04
3.	Decrease in loss	3	1.49	1	0.11	-	-
4.	Decrease in profit	1	1.05	4	11.05	3	5.39
5.	Non-disclosure of material facts	-	-	-	-	1	36.25
6.	Errors of classification	5	7.77	4	4.04	2	9.37
		16[26]	**42.83**	**11**[27]	**15.71**	**12**	**58.04**

3.1.28 During the year, out of total ten accounts finalised by five SPSUs, the statutory auditors had given unqualified certificates for four accounts and qualified certificates for six accounts. Additionally, CAG also qualified eight accounts during the supplementary audit.

3.1.29 Some of the important comments in respect of accounts of the SPSUs audited during 2012-13 are stated below.

State Bank of Sikkim (2008-09)

- The Equity Share Capital of State Bank of Sikkim (SBS) was held by Government of Sikkim (GOS) and UCO Bank. A total number of 10,000 shares valuing ₹ 10 lakh were allotted to UCO Bank against payment of ₹ 5 lakh only. However, UCO Bank failed to pay the calls in arrear of ₹ 5 lakh. Consequently, the Management refunded ₹ 5 lakh to UCO Bank in June 2006 without forfeiting the

[24] *During the period October 2012 to September 2013.*
[25] *State Bank of Sikkim and State Trading Corporation of Sikkim for 2008-09, 2009-10 & 2010-11.*
[26] *Significant impact on 16 instances of seven SPSUs.*
[27] *Significant impact on 19 instances of five SPSUs.*

said amount. The Balance Sheet for the year 2008-09, however, still shows that 10,000 shares were held by UCO Bank, which is factually incorrect. This has resulted in overstatement of Share Capital as well as Sundry Debtors by ₹ 5 lakh each.

- Non provision of liabilities against rent (₹ 0.10 crore) resulted in understatement of Other Liabilities & Provisions with corresponding overstatement of profit by ₹ 0.10 crore each.
- Commission receivable from the Government of Sikkim (GoS) (₹ 0.16 crore) was recognised although the same was not admitted as liability by GoS. This resulted in overstatement of 'profit for the year' as well as 'current assets-receivables' by ₹ 0.16 crore each.

State Bank of Sikkim (2010-11)

- Short provision of liabilities towards rent (₹ 0.07 crore) and employee's gratuity (₹ 3.87 crore) resulted in understatement of Liabilities & Provisions with corresponding understatement of loss by ₹ 3.94 crore each.

Sikkim Power Development Corporation Limited (2011-12)

- The Company did not disclose the fact of the recovery suit filed by M/s BEML in the High Court of Calcutta for ₹ 0.98 crore against the Company for outstanding dues in respect of four bull dozers purchased by the Company in April 2007.

Sikkim Industrial Development and Investment Corporation Limited (2011-12)

- Short provision towards diminution in value of investment (₹ 0.86 crore) which was permanent in nature, resulted in overstatement of investment and profit by ₹ 0.86 crore each.

Status of placement of Separate Audit Reports

3.1.30 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 3.1.12

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	Concerned administrative department delayed forwarding of SARs for placement in Legislature.
2.	State Bank of Sikkim	2007-08	2005-06	August 2011	

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.

Disinvestment, Privatisation and Restructuring of SPSUs

3.1.31 During the year 2012-13, Government of Sikkim had not disinvested its equity shareholding in any of the SPSUs.

SIKKIM POWER DEVELOPMENT CORPORATION LIMITED

3.2 Failure to invoke Bank Guarantee in full

Due to failure in insisting upon the Bank for honouring the Bank Guarantee in full, the Company could not recover ₹ 1.28 crore causing interest loss of ₹ 51 lakh.

Bank Guarantee (BG) is an instrument issued by Banks in which they agree to stand guarantee against non-performance of a party and as per the stipulated conditions of BG, the issuing Bank shall compensate the beneficiary to the extent of the guaranteed amount. As per directions (July 2007) of Reserve Bank of India, payment should be made to the beneficiary on invocation of BG without delay and demur.

Government of Sikkim awarded (September 2004) the work of "Fabrication & Erection pertaining to Water Conductor System, Penstock pipes and allied works" of Rellichu Hydro Electric Power Project (HEP) to M/S Yuksom Engineering Works Pvt. Ltd (Yuksom) at a cost of ₹ 9.58 crore. The work was required to be completed within two years (September 2006. Subsequently, the development of the Rellichu HEP was handed over (November 2005) to Sikkim Power Development Corporation Limited (Company).

The Company released (February 2006) mobilisation advance of ₹ 2.30 crore to Yoksom for supply of material against BG of State Bank of Sikkim (SBS) for ₹ 2.35 crore. The BG was valid for one year (viz. upto 3 February 2007), which was renewed by Yuksom for a further period of one year only (viz. upto 4 February 2008). The BG was not renewed thereafter.

Scrutiny of records revealed that Yuksom did not execute the work even after a lapse of three years from the date of issue of Work Order. The Company, therefore, invoked (1 February 2008) the BG before its expiry (viz. 4 February 2008) and requested SBS to deposit the amount released against BG in the Fixed Deposit for a period of one year. Against the BG of ₹ 2.35 crore, however, SBS released (February 2008) ₹ 75 lakh only which was invested in Fixed Deposit. A further sum of ₹ 27 lakh (March 2011) was adjusted towards the pending bills of the contractor. Although the BG of ₹ 2.35 crore was to be immediately honoured by the bank, the Company failed to follow up and insist upon the SBS for fulfilling its obligation and release balance amount of ₹ 1.28 crore. As a result, the balance unrecovered amount of mobilisation advance (₹1.28 crore) has not been received by the Company till date (May 2013).

Considering the huge loan burden of the Company, the project relating to the development of Rellichu HEP was also abandoned as per the decision (August 2009) of the Board of Directors of the Company.

Thus, inaction on the part of the Company to pursue with SBS for release of balance amount of BG invoked (February 2008) resulted in non-recovery of ₹ 1.28 crore for more than five years causing loss of interest of ₹ 51 lakh (at eight *per cent* for five years).

In reply, the Management accepted the facts and stated (July 2013) that the efforts are being made to recover the balance amount of mobilisation advance.

The matter was reported (June 2013) to Government; their replies had not been received (October 2013).

SIKKIM SCHEDULED CASTES, SCHEDULED TRIBES & OTHER BACKWARD CLASSES DEVELOPMENT CORPORATION LIMITED

3.3 Levying interest beyond permissible limit

Levying of interest beyond the permissible limit by the Company resulted in extra financial burden of ₹ 38.64 lakh on the beneficiaries.

Sikkim Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation (Company) was set up under the Social Justice, Empowerment & Welfare Department, Govt. of Sikkim with the main objective to provide financial assistance to the eligible beneficiaries belonging to Scheduled Castes (SC), Scheduled Tribes (ST) & Other Backward Classes (OBC) whose annual income was less than ₹ 31,592 per annum (rural areas) and ₹ 42,412 per annum (urban areas).

The Company is the State Channelising Agency (SCA) for financing the income generating schemes of individuals belonging to ST, SC & OBC categories. The Company avails financial assistance by way of loan from Apex Corporations[28] for financing these schemes. As per the terms and conditions set out in sanction letters issued from time to time, the Apex Corporations would charge annual interest at the rate of three *per cent* on loan extended to the Company, while the Company was permitted to charge maximum of six *per cent* interest from the beneficiaries. With a view to boost the income generating activities of the beneficiaries of SC, ST and OBC categories, the Government of India (GOI) recommended (September 2006) the SCAs (Company) to reduce interest being charged from these beneficiaries. The State Government was also directed (September 2006) to provide finance to SCA for meeting infrastructural and operational expenditure.

Scrutiny of records revealed that during 2006-07 to 2012-13, the Company disbursed loans aggregating ₹ 38.41 crore to 2,339 beneficiaries. It was, however, observed that contrary to the directives of the Apex Corporations/GOI, the Company had charged

[28] *National Backward Classes Finance & Development Corporation, National Scheduled Tribe Financial Development Corporation and the National Scheduled Caste Financial Development Corporation (Apex Corporations).*

interest at seven *per cent* from the beneficiaries instead of maximum permissible rate (six *per cent)*. The recovery of interest in excess of the prescribed rate has caused extra interest burden to the tune of ₹ 38.64 lakh on the beneficiaries as detailed below:

Table 3.3.1

(₹ in lakh)

Sl. No.	Year	Term loans disbursed @ 7 *per cent*	Interest @ 7 *per cent*	Interest @ 6 *per cent*	Excess payment of interest @ 1 *per cent*
1	2006-07	770.77	53.95	46.24	7.71
2	2007-08	773.59	54.16	46.42	7.74
3	2008-09	903.67	63.26	54.22	9.04
4	2009-10	485.06	33.95	29.10	4.85
5	2010-11	229.34	16.05	13.76	2.29
6	2011-12	575.85	40.31	34.55	5.76
7	2012-13	125.42	8.78	7.53	1.25
				Total	**38.64**

Thus, the beneficiaries had to bear additional financial burden of ₹ 38.64 lakh on account of the higher interest rates charged by the Company in violation of the terms and conditions of Scheme financing agreements entered with the Apex Corporations. The matter assumes even more significance considering the fact that the Company was incorporated with the main objective of promoting economic and development activities of members belonging to SCs, STs and OBCs.

The Management stated (November 2013) that after increase (June 2002) in the interest rates by the Apex Corporations from three to four *per cent*, the Company had also correspondingly increased the interest rate chargeable from the beneficiaries from six to seven *per cent*.

The Government in its reply admitted (November 2013) that interest of seven *per cent* was being charged and stated that the process of reducing the interest rate has been initiated.

Revenue Sector

CHAPTER IV

REVENUE SECTOR

4.1 Trend of revenue receipts

4.1.1 The tax and non-tax revenue raised by the Government of Sikkim during the year 2012-13, 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 during the year and the corresponding figures for the preceding four years are mentioned below:

Table 4.1.1

(₹ in crore)

Sl. no.		2008-09	2009-10	2010-11	2011-12	2012-13
I.	**Revenue raised by the State Government**					
	• Tax revenue	199.19	223.65	279.54	293.92	435.48
	• Non-tax revenue	1,205.31	1,356.44	1,137.76	1,044.57	806.96
	Total:	1,404.50	1,580.09	1,417.30	1,338.49	1,242.44
Percentage of increase over previous year		(-) 12.85	(+)12.50	(-) 10.30	(-) 5.56	(-) 7.18
II.	**Receipts from the Government of India**					
	• State's share of net proceeds of divisible Union taxes	364.20	374.68	524.99	611.65	698.48
	• Grants-in-aid	902.55	1,299.62	1,105.02	1,722.50	1,852.40
	Total:	1,266.75	1,674.30	1,630.01	2,334.15	2,550.88
III.	**Total receipts of State Government (I + II)**	2,671.25	3,254.39	3,047.31	3,672.64	3,793.32
IV.	**Percentage of I to III**	**53**	**49**	**47**	**36**	**33**

Note: Tax and Non-tax revenue during 2007-08 was ₹ 1,611.60 crore

Thus, growth of revenue during 2012-13 over previous year was at (-) 7.18 *per cent* against (-) 5.56 *per cent* in the year 2011-12. Further, during the year 2012-13, the revenue raised by the State Government (₹ 1,242.44 crore) was 33 *per cent* of the total revenue receipts against 36 *per cent* in the preceding year. The balance 67 *per cent* of receipts during 2012-13 was from the Government of India. Non-tax revenue and total receipts of the State shown in the table above include gross receipts under State Lotteries.

4.1.2 The following table presents the details of tax revenue raised during the period from 2008-09 to 2012-13:

Table 4.1.2

(₹ in crore)

Sl. No.	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase (+) or decrease (-) in 2012-13 over 2011-12
1	Sales Tax/VAT	101.14	121.07	142.74	124.19	227.08	83
2	Taxes on Income other than Corporation Tax	16.16	2.84	4.94	4.86	6.73	38
3	State Excise	46.47	57.27	70.64	96.26	111.12	15
4	Stamps and Registration Fees	4.35	4.48	5.70	8.27	5.35	(-) 35
5	Taxes on Vehicles	6.94	7.88	10.67	16.56	16.38	(-) 1
6	Other Taxes and Duties on Commodities and Services	22.18	27.39	37.52	39.17	63.16	61
7	Land Revenue	1.95	2.71	7.33	4.61	5.66	23
Total		**199.19**	**223.64**	**279.54**	**293.92**	**435.48**	**48**

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

Increase:

Sales Tax/VAT: The increase was due to increase in business activity and monitoring activities. Besides, computerisation and online tax administration were also the reasons for the increase.

State Excise: The increase was mainly due to receipt of more excise duty on wine and spirits manufactured in India and classed as Foreign Liquor and Distillery Spirits and Country Spirits.

Other Taxes and Duties on Commodities and Services: The increase was mainly due to more collection of Cesses under other Acts.

Decrease:

Stamps and Registration Fees: The decrease was mainly due to less receipt of Fees for registration of documents.

The other departments had not given reasons for the variations (September 2013).

4.1.3 The following table presents the details of non-tax revenue raised during the period 2008-09 to 2012-13:

Table 4.1.3

(₹ in crore)

Sl. no.	Head of revenue	2008-09	2009-10	2010-11	2011-12	2012-13	Percentage of increase (+) or decrease (-) in 2012-13 over 2011-12
1	Interest Receipts	25.94	44.18	28.14	29.39	46.00	57
2	Road Transport	17.64	20.29	24.76	30.89	29.01	(-) 6
3	Plantations	2.35	1.80	2.90	2.59	3.98	54
4	Dividends & Profits	1.31	0.46	2.37	0.00	1.53	-
5	Forestry and Wild Life	11.26	8.79	12.25	12.53	12.28	(-) 2
6	Tourism	2.11	1.62	3.00	1.84	2.13	16
7	Crop Husbandry	0.71	0.40	0.51	0.46	0.71	54
8	Power	154.74	285.83	87.86	79.70	82.90	4
9	Printing & Stationery	1.50	2.27	1.52	1.92	2.08	8
10	Medical and Public Health	0.96	1.02	0.72	1.27	1.50	18
11	Village & Small Industries	0.08	0.09	0.07	0.10	0.06	(-) 40
12	Public Works	4.97	2.89	3.48	5.38	4.70	(-) 13
13	Police	11.68	14.52	9.57	12.89	49.23	282
14	Animal Husbandry	0.30	0.32	0.38	0.48	0.72	50
15	Industries	0.25	0.18	0.27	0.54	0.85	57
16	State Lotteries[1]	957.00	949.92	938.15	844.15	546.39	(-) 35
		(43.95)	(40.90)	(42.54)	(43.62)	(41.43)	(-) 5
17	Others	12.51	21.86	21.81	20.44	22.89	12
Total		**1,205.31**	**1,356.44**	**1,137.76**	**1,044.57**	**806.96**	**23**

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

Increase:

Dividends and profits: The increase was due to more receipts by earning of dividends.

Medical and Public Health: The increase was due to increase in user charges collection and fee hike under PFA Act.

Police: The increase was mainly due to more receipts for police supplied to other State Government.

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

Crop Husbandry: The increase was mainly due to more collection of proceeds from sale of seeds by Government farms than previous year as the yield was comparatively more, and lease out of Bio-fertiliser unit at Mazitar.

Animal Husbandry: The increase was due to corrective measures adopted by the Department.

Tourism: The increase was due to more receipts under rent and catering, and leasing out of new properties.

Decrease:

Public works: The decrease was due to less realisation under Hire Charges of Machinery and Equipment.

The other departments had not given reasons for the variations (September 2013).

4.1.4 Variation between budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts under the principal heads of Tax and Non-Tax revenue for the year 2012-13 are given in the following table:

Table 4.1.4

(₹ *in crore*)

Sl. No.	Head of Revenue Receipt	Budget estimates	Actuals	Variation increase (+) decrease (-)	Percentage
	Tax Revenue				
1	Sales Tax/VAT	187.14	227.08	39.94	21.34
2	Taxes on income other than corporation tax	142.93	150.19	7.26	5.08
3	State Excise	95.00	111.12	16.12	16.97
4	Other taxes and duties on commodities and services	37.63	63.16	25.53	67.84
5	Taxes on Vehicles	15.00	16.38	1.38	9.2
6	Stamp Duty and registration Fees	7.47	5.35	(-) 2.12	(-) 28.38
7	Other taxes on income and expenditure	5.62	6.56	0.94	16.73
8	Land revenue	5.48	5.66	0.18	3.28
	Non-tax Revenue				
9	Miscellaneous General Services	780.99	546.39	(-) 234.6	(-) 30.04
10	Power	100.05	82.90	(-) 17.15	(-) 17.14
11	Police	44.88	49.23	4.35	9.69
12	Road transport	29.05	29.01	(-) 0.04	(-) 0.14
13	Forestry and wildlife	13.48	12.28	(-) 1.2	(-) 8.9
14	Interest Receipts	21.15	46.00	24.85	117.49
15	Public works	4.56	4.70	0.14	3.07
16	Other administrative services	3.03	9.64	6.61	218.15
17	Water supply and sanitation	3.40	2.74	(-) 0.66	(-) 19.41
18	Medical and Public Health	1.27	1.50	0.23	18.11
19	Tourism	5.00	2.13	(-) 2.87	(-) 57.4
20	Dividends and profit	0.25	1.53	1.28	512
21	Urban Development	1.75	0.97	(-) 0.78	(-) 44.57
22	Plantations	3.20	3.98	0.78	24.38
23	Other Rural Development Programme	2.32	1.46	(-) 0.86	(-) 37.07
24	Stationary and Printing	1.51	2.08	0.57	(-) 37.75

Source: Estimates of Receipt and Finance Accounts for the year 2012-13

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

Other taxes and duties on commodities and services: The increase was due to better collection.

Urban Development: Decrease was due to complete ban on allotment of sites and less number of regularisation proposals, unsuccessful tender in smaller towns.

Sales Tax/VAT: The increase was due to increase in business activity and monitoring activities. Besides, computerisation and online tax administration were also the reasons for the increase.

Water supply and sanitation: Decrease was due to unrealistic increase of yearly budget target estimate with the increase of connections and fewer tender forms sold.

Medical and Public Health: Increase was due to increase in user charges collection, fee hike under PFA Act.

Tourism: Decrease was due to non-payment of lease rents and low selling of Tender Forms.

The other departments had not given reasons for the variations (September 2013).

4.1.5 Cost of collection

The gross collection of major revenue receipts and expenditure incurred on collection and the percentage of such expenditure to gross collection during the period 2010-11 to 2012-13 along with the relevant all India average percentage of expenditure on collection to gross collections for 2011-12 are mentioned in the following table.

Table 4.1.5

(₹ in crore)

Sl. No.	Head of revenue	Year	Gross Collection	Expenditure on collection	Percentage of expenditure on collection to gross collection	All India average percentage for the year 2011-12
1	Sales Tax/VAT	2010-11	142.74	3.28	2.30	0.83
		2011-12	124.19	6.08	4.90	
		2012-13	227.08	5.73	2.52	
2	State Excise	2010-11	70.64	3.93	5.56	2.98
		2011-12	96.26	3.87	4.02	
		2012-13	111.12	4.50	4.05	
3	Taxes on Vehicles	2010-11	10.66	1.13	10.60	2.96
		2011-12	16.56	1.32	7.97	
		2012-13	16.38	1.73	10.56	
4	Stamp Duty and Registration Fees	2010-11	5.70	0.20	3.51	1.89
		2011-12	8.27	0.13	1.57	
		2012-13	5.35	0.16	2.99	

Source: Finance Accounts

As would be seen from the above table, cost of collections in respect of all the four revenue heads were more than the corresponding All India averages which the concerned departments need to look into.

4.1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2013 in respect of some Heads of Revenue as reported by the departments was ₹ 29.17 crore of which ₹ 4.50 crore (15.43 *per cent*) were outstanding for more than five years as per details mentioned in the following table:

Table 4.1.6

(₹ in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2013	Amount outstanding for more than five years
1	Sales Tax/VAT	0.38	0.16
2	Tourism	0.25	0.25
3	Police	20.89	Nil
4	Food Storage and Warehousing	0.01	Nil
5	Non-ferrous Mining and Metallurgical Industries	3.30	2.55
6	Animal Husbandry	0.57	0.57
7	Water Supply and Sanitation	1.76	0.12
8	Public works	2.01	0.85
	Total	**29.17**	**4.50**

4.1.7 Refunds

As per information received in respect of Commercial Tax/VAT, there was no refund case during the year. No information was received in respect of other departments.

4.2 Response of the departments/ Government towards Audit

On the basis of inspections conducted in various departments of the State Government by sending Audit parties from the office of the Principal Accountant General each year, all irregularities which are of serious nature are incorporated in the Inspection Reports (IRs) and forwarded to the concerned offices with a request to furnish replies within a specified period. Audit findings of very serious nature are processed into draft paragraphs and forwarded to the Administrative Head of the concerned Department through demi-official letters drawing their attention to the audit findings with a request to furnish their response within six weeks. The response of the departments/Government towards audit is discussed in the succeeding paragraphs.

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

The Principal Accountant General (Audit), Sikkim (PAG) conducts periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up 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 PAG within one month from the date of the issue of the IRs. Serious financial irregularities are reported to the Heads of the departments and the Government.

IRs issued upto December 2012 disclosed that 328 paragraphs involving ₹ 710.16 crore relating to 131 IRs remained outstanding at the end of June 2013 as mentioned in the following table along with the corresponding figures for the preceding two years.

Table 4.2.1

	June 2011	June 2012	June 2013
Number of outstanding IRs	110	127	131
Number of outstanding audit observations	248	332	328
Amount involved *(₹ in crore)*	281.70	814.27	710.16

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2013 and the amounts involved are mentioned in the following table:

Table 4.2.2

Sl. No.	Name of Department	Nature of Receipts	No. of Outstanding IRs	No. of Outstanding Audit Observations	Money value involved (₹ in crore)
1	Finance, Revenue and Expenditure (Commercial Taxes Division)	VAT/Taxes on Sales, Trade, etc.	11	62	234.52
2	Finance, Revenue and Expenditure (State Income Tax)	Income Tax	14	60	32.95
3	Excise (Abkari)	State Excise	08	23	22.97
4	Land Revenue and Disaster Management	Land Revenue	21	24	0.81
5	Transport	Taxes on Motor vehicles	06	18	2.97
6	Mines and Geology	Non-ferrous Mining and Metallurgical Industries	05	06	3.35
7	Forest, Environment and Wildlife Management	Forestry and Wildlife	42	69	46.48
8	Finance, Revenue and Expenditure (State Lotteries Division)	Lottery	05	10	13.16
9	Energy and Power	Power	10	32	344.79
10	Urban Development and Housing	UD & HD	09	24	8.16
Total			**131**	**328**	**710.16**

The first replies required to be received from Heads of Offices within one month from the date of issue of the IRs were not received for three IRs (issued during 2012-13) upto December 2013. The large pendency of the IRs due to non-receipt of the replies is indicative of the fact that Heads of Offices and Heads of the departments had not initiated adequate action to rectify the defects, omissions and irregularities pointed out by Audit through IRs.

It is recommended that Government takes suitable steps to put in place an effective procedure for prompt and appropriate response to audit observations as per the prescribed time schedules.

4.2.2 Departmental Audit Committee Meetings

In order to expedite settlement of the outstanding audit observations contained in the IRs, Departmental Audit Committees are constituted by the Government. These committees are to be chaired by the Secretaries of the concerned administrative departments and attended by the concerned officers of the State Government and officers of the PAG. The audit committees

need to meet regularly in order to expedite clearance of the outstanding audit observations. During 2012-13, one meeting was held, in which 11 IRs containing 89 paragraphs were discussed and 31 paragraphs were settled.

The Government may ensure regular holding of meetings of the Audit Committees for ensuring effective action on the audit observations.

4.2.3 Response of the departments to the draft audit paragraphs

Five draft paragraphs proposed for inclusion in the Audit Report of the Comptroller and Auditor General of India for the year ended March 2013 were forwarded (July 2013) to the Secretaries/Commissioners of the respective departments through demi-official letters. The administrative Secretaries/Commissioners furnished replies in respect of all draft paragraphs.

4.2.4 Follow up on Audit Reports – summarised position

The administrative departments are required to submit Action Taken Notes on paragraphs and reviews included in the Audit Reports after its presentation in the State Legislature.

As at the end of 2012-13, Audit Reports for the period upto 2007-08 were discussed and recommendations made.

4.2.5 Compliance with earlier Audit Reports

In the Audit Reports 2007-08 to 2011-12 cases of irregularities involving ₹ 105.14 crore were reported. As of March 2013, the departments concerned have accepted observations of ₹ 3.17 crore and recovered ₹ 0.19 crore. Audit Report wise details of cases accepted are given in the following table:

Table 4.2.3

(*₹ in crore*)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2007-08	1.33	0.32	Nil
2008-09	8.48	0.25	Nil
2009-10	7.08	0.15	Nil
2010-11	86.03	0.24	Nil
2011-12	2.22	2.21	0.19
Total	**105.14**	**3.17**	**0.19**

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

In order to analyse the system of addressing the issues highlighted in the IRs/Audit Reports by the departments/Government, the action taken on the paragraphs and Performance Audits included in the Audit Reports of the last five years in respect of **Excise (Abkari) Department** is evaluated and included in this Report.

The succeeding paragraphs 4.3.1 to 4.3.2 discuss the performance of the Excise Department in dealing with the cases detected in course of local audit conducted during

the last five years and also the cases included in the Audit Reports for the years 2002-03 to 2011-12.

4.3.1 Position of Inspection Reports

The summarised position of IRs issued during the last five years, paragraphs included in these Reports and their status as on 30 June 2013 are given in the following table:

Table 4.3.1

(₹ *in crore*)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance		
	IRs	Paragraphs	Money value	Irs	Paragraphs	Money value	Irs	Paragraphs	Money value	Irs	Paragraphs	Money value
2008-09	4	11	7.70	1	4	0.09	1	4	5.29	4	11	2.50
2009-10	4	11	2.50	1	5	0.71	0	2	0.26	5	14	2.95
2010-11	5	14	2.95	1	4	15.85	0	2	0.01	6	16	18.79
2011-12	6	16	18.79	1	6	4.05	0	0	0.00	7	22	22.84
2012-13	7	22	22.84	Nil	Nil	Nil	Nil	Nil	Nil	7	22	22.84

The Department was periodically reminded to furnish replies to the outstanding audit observations.

4.3.2 Assurance given by the Department/Government on the issues highlighted in the Audit Reports and recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last five years accepted by the Department and the amounts recovered there against are mentioned in the following table:

Table 4.3.2

Year of Audit Report	No. Of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted	Money value of accepted paragraphs (₹ in crore)	Amount recovered during the year (₹ in crore)	Cumulative position of recovery of accepted cases (₹ in crore)
2003-04	1	₹ 4.83 crore	*No reply*	-	Nil	Nil
2005-06	1	₹ 1.49 crore	-	-	Nil	Nil
2007-08	1	₹ 26.10 lakh	-	-	Nil	Nil
2010-11	1	₹ 7.50 crore	*No reply*	-	Nil	Nil
2011-12	Nil	Nil	Nil	-	Nil	Nil

From the above table it would be seen that the Department has not accepted any of the cases mentioned above and resultantly, the entire objected amount remained unrecovered.

4.4 Results of audit

4.4.1 Position of local audit conducted during the year

Test-check of the records of five units under Revenue departments (Motor Vehicles, Commercial Taxes Division, Mines, Minerals and Geology, State Lotteries and State Excise) conducted during the year 2012-13 revealed irregularities involving revenue aggregating ₹ 51.50 crore in 27 cases. During the course of the year, the departments concerned accepted all these cases which were pointed out in audit during 2012-13.

4.4.2 This Report

Five paragraphs involving financial effect of ₹ 32.84 crore were forwarded to respective Government/departments. The Government/departments accepted audit observations involving ₹ 31.37 crore, out of which ₹ 1.36 crore has been recovered (₹ 73.98 lakh relating to State Lotteries and ₹ 62.04 lakh relating to Commercial Taxes, both under the Finance, Revenue and Expenditure Department). This Chapter contains three paragraphs involving ₹ 30.03 crore with accepted amount of ₹ 28.94 crore. These are discussed in the succeeding paragraphs.

FINANCE, REVENUE & EXPENDITURE DEPARTMENT (COMMERCIAL TAXES DIVISION)

4.5 Undue benefit to a company

Delay in assessment of tax for the period 2006-07 to 2010-11 on sales turnover of ₹ 142.80 crore benefitted a company as it retained tax collected from the consumers amounting to ₹ 28.56 crore over a period exceeding two to seven years.

Section 11(2) of Sikkim Sales Tax Act 1983 read with Rule 12 (1,2 and 4) of Sikkim Sales Tax Rules 1983 required mandatory submission of quarterly returns alongwith the proof of payments by the dealers within 30 days following the quarter (30 April, 31 July, 31 October and 31 January of every year).

Test check (February 2013) of records of Commercial Taxes Division revealed that one dealer i.e., M/s Mount Distilleries had not been assessed for local sales tax (LST)[2] for the period from April 2006 to March 2010. The Division issued demand notice after provisionally assessing (April 2011) the tax liability of the said dealer for ₹ 7.71 crore on a turnover of ₹ 77.11 crore. Audit scrutiny of the said assessment revealed the following irregularities:

- The tax liability was calculated at the rate of 10 *per cent* of the gross sales turnover instead of applicable 20 *per cent*. It was done presuming, without verification that the dealer had claimed for eligibility of tax benefit for having gone for expansion.
- Assessment was done after deducting ₹ 32.53 crore from gross sales turnover as cash discount. Sikkim Sales Tax Act 1983 defines 'sale price' as the amount payable towards the sale of goods, less any sum allowed as 'cash discount' by the seller to the buyer. Other types of discounts like turnover discount, target discount, sales promotion discount, etc. are not eligible for deduction from the sale price.

Scrutiny revealed that the said amount was not eligible to be treated as cash discount as the same was not granted through the invoice/bill at the time of sale of goods. The Division had admitted the discount as cash discount only on the basis of dealer's

[2] *LST of 10 per cent is applicable for the industrial units eligible for incentives under the Industrial Policy Scheme of the Government. Other units including M/s Mount Distilleries are liable to pay LST @ 20 per cent.*

statement without verifying the documents in support of any cash discount. In absence of any record with the Division in support of 'cash discount', requisition for documents was issued to Excise Department. However, no such document could be produced by that Department too.

After these being pointed out (February 2013) in Audit, the Division made (March 2013) final assessment at the rate 20 *per cent* of gross sales turnover and disallowing the 'cash discount' earlier admitted in provisional assessment. The turnover was, therefore, enhanced to ₹ 142.80 crore and the tax liability assessed for ₹ 28.56 crore.

The Division stated (August 2013) that it had issued the demand notice for the said amount and penalty (₹ 14.28 crore). It was further stated that the dealer has filed application for review of the assessment and has raised objection on the imposition of full rate of tax and penalty, which was under examination.

While the tax due has not been realised and is under review (October 2013), fact remains that the company was not assessed for the period 2006-07 to 2010-11, before 8 March 2013, thereby extending the undue benefit to the dealer of retention of the tax amount of ₹ 28.56 crore collected by him over a period of two to seven years as detailed in **Appendix 4.1.**

4.6 Non-levy of Sikkim Value Added Tax

Irregular utilisation of Way Bills resulted in evasion of SVAT amounting to ₹ 1.09 crore.

According to Section 2 (xxxvi) of the Sikkim Value Added Tax (SVAT) Act 2005, taxable turnover means the turnover on which a dealer is liable to pay tax as determined after making such deductions from his total turnover and in such manner as may be prescribed. Under Section 2 (vii), capital goods which are exempted from tax liability, means plant, machinery, dyes, tools and equipment used in the process of manufacturing, excluding civil structures and such goods as may be notified from time to time. Issue of demand notice is prerequisite under Rule 44 or 45 of SVAT 2005 for initiating the realisation/recovery process against any dealer.

Test-check of records (February-March 2013) of the Commercial Tax Division, Gangtok for the period from May 2007 to March 2012, revealed that the Division had not systemically monitored the legitimate use of Way Bills by the dealers. From the records, it was seen that the Division detected (April 2008) irregular utilisation of Way Bills towards purchase of iron, steel and cement, not directly involved in usual course of its business, which was to manufacture medicines and cosmetics, by M/s Golden Cross Pharma Pvt. Ltd., Rorathang. In response to the related query of the CTD, the company confirmed that the purchase of construction materials were not related to the manufacturing process and assured (May 2008) the Division that it shall pay full amount of the SVAT for all such purchases.

It was, however, seen that despite the earlier detection (April 2008) of evasion of SVAT, by irregular utilisation of Way Bills, and assurance given by the company to pay the full

amount of tax, the company took inadmissible deductions[3] while calculating its "taxable turnover" beyond the period of detection. The company thus, on its continued purchase of construction materials, kept on evading payment of SVAT. It was further observed that during the period from May 2007 to March 2012, construction materials worth ₹ 13.48 crore were purchased by the company without any payment of SVAT. The Division also had not issued any Demand Notice even for the period up to March 2008, for which the evasion of SVAT was detected by them.

Thus, inadmissible deductions while calculating its taxable turnover by irregular utilisation of Way Bills by the company, and lack of follow up and monitoring by the Division, resulted in evasion and non-recovery of SVAT amounting to ₹ 1.09 crore as detailed in the **Appendix 4.2**.

The Division replied (August 2013) that a registered dealer involved in manufacturing can file way bill for goods imported for use as raw material, packing material, plant, machinery, consumables and construction material. Hence, the issue of way bill for import of cement and steel by the dealer was neither irregular nor was there any revenue loss. The reply is not tenable as the deductions availed by the company pertained to inter-State transactions of purchase of iron, steel and cement which were not directly related to the business of the company.

4.7 Non-realisation of revenue

Systemic lacunae in the Commercial Taxes Division (CTD) to ensure realisation of taxes from works contractors executing works of registered dealers, resulted in loss of revenue of ₹ 38.21 lakh.

As per Sikkim Value Added Tax (Amendment) Rules 2006 read with Sub-rule (1) and Sub-rule (2) of Rule 39 of the Sikkim Value Added Tax (SVAT) Rules 2005, in the case of the works contract where amounts towards labour charges and other like charges or no non-taxable components, not involving any transfer of property in goods, actually incurred in connection with the execution of such works contract are not ascertainable, the State or Central Government or a body making payment of any sums to any contractor for carrying out such works contract, at the time of payment of such sums in any manner, shall deduct at source a tax payable under Section 13, at the rate of two *per cent* on the gross value of each bill on account of the execution of the works contract. The paying authority shall issue a certificate in Form 11A to the contractor and a copy thereof to the appropriate assessing authority, duly verified and signed by the authorised officer of the paying authority. Further, as per the Rule 42 of the Act *ibid* every person entering into any contract with any contractor for execution of works contract, shall inform the Commissioner of such contract within fifteen days from the date of signing of the contract or issue of letter of intent. The contractor was also required to file quarterly and annual returns as per Section 30 of the SVAT Act 2005.

[3] *Inadmissible deduction: The deductions availed by the company were inadmissible as the transactions pertained to the purchase of iron, steel and cement which were not directly related to the business of the company.*

Test check of records revealed (March 2013) that there was no system in place in the CTD, Gangtok to ensure realisation of tax from the contractors undertaking works of registered dealers/organisations/bodies in the State through registration of all works executing contractors, making the works awarding dealers accountable to enforce realisation from contractors and deposit the same in to the Government account, obtaining periodical returns along with proof of payment of appropriate tax from the work awarding entities, appropriate follow up and monitoring etc. It may be mentioned that in the case of Government departments, such deduction at the source of payment itself were being ensured by the departmental Drawing and Disbursing Officers.

Scrutiny revealed that there were 422 works contractors registered under CTD, out of which records relating to only seven were produced. Two firms[4] out of seven functioning as registered works contractors were awarded execution of various works by the Central Agricultural University at Gangtok. It was further noticed that the works awarding organisation did not deposit any tax payable by these contractors as required under the Rules. This organisation also neither informed the CTD of entering into contract with these contractors for execution of works nor did the Division enquire about the same. The CTD had not taken any initiative to introduce appropriate system in the Division to ensure realisation of taxes due from the dealers/organisations/ bodies/ contractors. Further, the works contractors never filed any quarterly or annual return till the date of Audit (March 2013).

It was further seen that one works contractor (M/s Supreme Engineering Services, a Mumbai based contractor), who was not registered, was not paying tax despite the fact that it was executing various works in the State for pharmaceutical companies (M/s Golden Cross Pharma Pvt. Ltd and M/s Cipla Ltd). The extent of evasion of tax could not be quantified due to non-availability of information with the CTD. Ignorance of non-registration of works contractors functioning in the State also indicated that the prevailing system of ensuring realisation of taxes from works contractors was inadequate with consequential serious risk of evasion of tax. The Division also confirmed (June 2013) the non-payment of taxes by these works contractors.

Thus, due to systemic inadequacy in the CTD in ensuring realisation of taxes, the Government could not realise ₹ 38.21 lakh as detailed in **Appendix 4.3**.

The matter was reported to the Division/Government (May 2013); their reply has not been received (October 2013).

[4] *Deecon India Pvt.Ltd, Dikchu and M/s North East Engineering & Associates, Marchak, Ranipool.*

General Sector

CHAPTER V

GENERAL SECTOR

5.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2013 deals with the findings on audit of the State Government units under General Sector.

The names of the State Government departments and the total budget allocation and expenditure of the State Government under General Sector during the year 2012-13 are given in the table below:

Table 5.1.1

(₹ in crore)

Sl.No.	Name of the Departments	Total Budget Allocation	Expenditure
1.	Home	35.18	30.95
2.	Judiciary	18.53	16.46
3.	Election	2.91	2.91
4.	Information and Public Relation	12.43	12.33
5.	Sports and Youth Affairs	21.51	16.31
6.	Printing and Stationery	6.59	6.41
7.	Public Service Commission	2.34	2.33
8.	Information Technology	5.05	3.21
9.	Police	250.25	210.91
10.	Vigilance	4.43	4.70
11.	Development Planning, Economic Reforms and North Eastern Council Affairs	46.45	34.46
12.	Personnel, Administrative Reforms and Training, Public Grievances, Career Options and Employment, Skill Development and Chief Minister's Self Employment Schemes	8.58	8.32
13.	Governor	5.34	5.34
14.	Legislature	12.38	12.41
15.	Science, Technology and Climate Change	2.56	2.04
16.	Law	4.44	4.44
17.	Land Revenue and Disaster Management	555.65	313.76
18.	State Excise (Abk)	6.00	6.03
19.	Finance, Revenue and Expenditure	1,306.97	1,053.65
20	Parliamentary Affairs	1.11	1.12
	Total	**2,308.70**	**1,748.09**

Besides the above, the Central Government has been transferring a sizeable amount of funds directly to the implementing agencies under the General Sector to different departments of the State Government. The major transfers for implementation of flagship programmes of the Central Government are detailed below:

Table 5.1.2

(₹ *in lakh*)

Sl.No.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Funds transferred during the year
1.	Information & Public Relation	NE Areas	Sikkim Express, Sikkim Now, Gangtok	0.25
2.	Sports & Youth Affairs Department	NEA	Sports & Youth Affairs Department	10.00
3.	Information Technology	Electronics Governance	Centre for Research & Training in Informatics	0.00
		NE Areas	Centre for Research & Training in Informatics	10.00
4.	Police	Crime & criminal tracking network and system(CCTNS)	Computerisation of Police Society(SK_COPS)	147.00
		Directorate of Forensic science	Computerisation of Police Society(SK_COPS)	0.00
5.	Science, Technology and Climate Change	Bioinformatics	Sikkim State Council of Science & Technology	5.50
		Environment information, education & awareness.	Sikkim State Council of Science & Technology	5.20
		Research & Development Department of Biotechnology	Sikkim State Council of Science & Technology	5.67
		Science & Technology Programme for Socio Economic Development	Sikkim State Council of Science & Technology	0.84
		State Science & Technology Programme	Sikkim State Council of Science & Technology	87.00
		Technology Development Programme	Sikkim State Council of Science & Technology	3.51
6.	Land Revenue and Disaster Management	MPLAD scheme	District Collector East	1000.00
		Scheme of NDMA	Land Revenue & Disaster Management Department	151.89
7.	Sikkim Information Commission	Propagation of RTI Act – Improving Transparency and Accountability	Sikkim Information Commission	2.50
			Total	**1,429.36**

Source: Central Plan Scheme Monitoring System

5.2 Planning and conduct of Audit

Audit process starts with the assessment of risks faced by various departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls, etc.

After completion of audit of each unit on a test-check basis, Inspection Reports containing audit findings are issued to the heads of the departments. The departments are to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled based on reply/action taken or further action is required by the audited unit for compliance. Some of the important audit observations arising out of these Inspection Reports are processed

for inclusion in the Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India for laying on the table of the Legislature.

The test audits were conducted involving expenditure of ₹ 379.32 crore (including expenditure of ₹ 338.10 crore of previous years) (details of year-wise break-up is given in **Appendix 5.1**) of the State Government under General Sector. This Chapter contains two Performance Audits on 'Disaster Management' and 'Roads & Bridges Projects funded under NLCPR and NEC' as given below:

LAND REVENUE & DISASTER MANAGEMENT DEPARTMENT

5.3 Disaster Management

The State has experienced many earthquakes due to its location in an earthquake prone zone. During the last 100 years, the State has been hit by 104 recorded cases of earthquakes of intensity in the range of 3.0 to 8.7 on the Richter scale, translating to an average of one earthquake per year. These earthquakes, combined with heavy annual precipitation and landslides, have time and again resulted in loss of life and property. The GOI provided assistance of ₹ 200.38 crore for immediate relief and accorded sanction of ₹ 1,000 crore for long-term reconstruction of damaged infrastructure.

Audit showed that the State, despite being located in a seismically active zone and being a victim of recurrent natural disasters, was yet to adequately recognise these disasters as threats which thwarted its developmental plans and mission to transform itself into a model State within a targeted time frame. The Disaster Management Act 2005 and other guidelines issued by the GOI from time to time covering all issues of Disaster Management (DM) had not been implemented fully. The institutional mechanism to address DM issues had not been firmly established and the DM policy 2007 not fully implemented. Further, the State DM plans required strengthening and the Departmental DM plans were not made till date of audit (September 2013). There had been diversion from funds provided by GOI for immediate relief and long-term reconstruction of damaged infrastructure.

The institutional mechanism for overseeing DM in the State with clear chain of command and functional responsibilities had not been firmly established even after more than seven years of enactment of the DM Act 2005.

(Paragraph 5.3.8)

Despite the State being vulnerable to recurrent natural disasters, the Government had not prioritised DM as an area requiring constant and focused attention.

(Paragraph 5.3.9)

There was irregular expenditure relating to damaged houses (₹ 53.95 lakh), shifting and re-location of Government offices (₹ 1.70 crore).

(Paragraph 5.3.10.2)

As against the target of completion of 3,986 houses (by March 2013), only 364 houses were completed by July 2013; Funds amounting to ₹ 65.60 crore were also irregularly utilised for purposes other than those specified for.

(Paragraph 5.3.10.3)

The monitoring mechanism was inadequate. There was no proper system to obtain regular progress reports on relief and reconstruction activities from the line departments. Many proposals were not vetted properly leading to diversion and irregular utilisation of central funds.

(Paragraph 5.3.12)

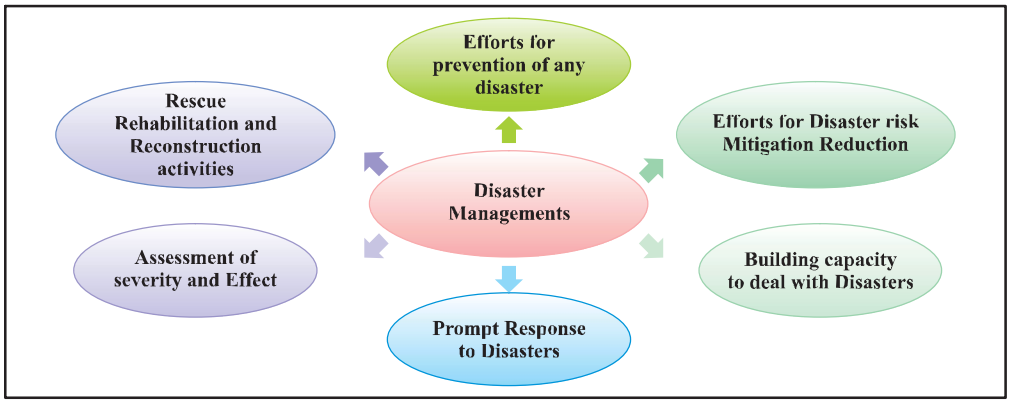
5.3.1 Introduction

The DM Act 2005, defined disaster as a "catastrophe, mishap, calamity or grave occurrence in any area, arising from natural or manmade causes, or by accident or negligence which results in substantial loss of life or human suffering or damage to and destruction of property or damage to or degradation of environment and is of such a nature or magnitude as to be beyond the coping capacity of the community of the affected area".

Thus, DM is a continuous and integrated process of:

- planning, organising, coordinating and implementing measures which are necessary or expedient for prevention of any disaster;
- mitigation or reduction of any disaster or its severity or consequences;
- capacity building to deal with any disaster;
- prompt response to any threatening disaster situation or disaster;
- assessing the severity or magnitude of any disaster;
- evacuation, rescue and relief operations; and
- rehabilitation and reconstruction activities.

Chart 5.3.1: Components of Disaster Management



Source: DM Act 2005.

5.3.1.1 How disaster prone is Sikkim?

Sikkim is a small mountainous State tucked in the eastern Himalayas with sharply defined and extremely Steep Mountain slopes. Located between $27^0$04'' and $28^0$07" North latitudes and $88^0$01" and $88^0$55" East longitudes, the State has a total area of 7,096 sq.km. and is stretched over 112 kms. from North to South and 64 kms. from East to West. The population of the State is 6.10 lakh according to the 2011 census. The entire area of Sikkim lies in Zone IV of the Seismic Zonation Map of India and is susceptible to frequent high intensity earthquakes.

The State has had a long history of natural disasters, resulting particularly from earthquakes and landslides. The geomorphology of the State is such that it is susceptible to frequent earthquakes of medium to severe intensity. Over the past 100 years, the State has witnessed 104 recorded cases of earthquakes of severity 3.0 to 8.7 on the Richter scale. Heavy annual rainfall[1] and loosely packed steep slopes compound the problem by triggering landslides. Earthquakes, landslides, flash floods, fire, snow avalanches, hailstorms, thunder and lightning, riots and stampede have been identified as threats to which the State of Sikkim is vulnerable.

5.3.1.2 Why did we select this subject?

Sikkim is a young State which merged with the Indian Union in May 1975, but it aspires to be a model State in the country, excelling in various fields like Tourism, Education, Health, Infrastructure, Agriculture, Hydropower, etc. The State has been frequently hit by natural disasters.

The major earthquake of 18 September 2011, compounded by heavy rainfall and landslides, caused unprecedented damage to life and property all over the State. The GOI provided assistance of ₹ 200.38 crore for immediate relief and sanctioned ₹ 1,000 crore for long-term reconstruction of damaged infrastructure.

Audit on DM in Sikkim, covering a period of 5 years (2002-07) was incorporated in the Comptroller and Auditor General's Audit Report on Government of Sikkim for the year ended 31 March 2007. The Report, *inter alia*, had observed non-implementation of vital aspects of DM in the State and misutilisation of funds provided for relief works under the Calamity Relief Fund. The PAC had, *inter alia*, recommended (2009-10) for ensuring compliance to established norms/rules while making expenditure from the Calamity Relief Fund and where unavoidable, obtain required relaxation of norms from the Ministry of Home Affairs, GOI. The present audit has been taken up to examine the status of implementation of the wider aspect of DM in the State vis-à-vis the utilisation of funds provided for relief and reconstruction activities.

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[1] *Measuring upto 3,800 mm.*

5.3.2 Scope of audit

The Audit of DM for the period 2008-13 was conducted during May-August 2013. Out of the total expenditure of ₹ 604.13 crore[2] incurred during 2008-13, thirty *per cent* of the expenditure (₹ 181.21 crore) was selected for examination in the audit based on random sampling method.

5.3.3 Audit methodology

Audit process commenced with the selection of topics, issues for examination, preparation of audit guidelines. Thereafter, audit questions were framed based on the feasibility study and guidelines were prepared. This was followed by an audit plan outlining the scope and objectives of the audit assignment, the areas of concerns to audit and the time frame for various activities.

The Entry Conference was held (May 2013) with the Secretary, Land Revenue and Disaster Management Department (LRDMD), where in the audit objectives, scope, criteria and methodology were discussed. After completion of audit, an Exit Conference was held (October 2013) with the Secretary, LRDMD to discuss the audit findings. Responses received from the LRDMD and other departments were considered while preparing this Report and have been included wherever necessary.

5.3.4 Audit objective

Audit was carried out with the objective of assessing the efficacy of measures adopted by the State in organising relief and rescue operations and mitigating the damages caused by the earthquake. The Audit was also carried out with the objective of assessing the preparedness and preventive action taken towards overall DM. The audit objectives were to assess:

- existence of appropriate DM Policy and DM Plans for the State in conformity with the National DM Policy and Plan;
- existence of proper institutional framework, including coordination with concerned departments, to carry out DM activities;
- efficacy of financial management for appropriate DM;
- implementation of relief and reconstruction activities;
- adequacy and effectiveness of communication and response systems towards disaster preparedness, and
- effectiveness of monitoring and evaluation of relief/reconstruction activities.

[2] *₹ 324.02 crore on immediate relief and ₹ 280.11 crore on permanent reconstruction of damaged infrastructure.*

5.3.5 Audit criteria

The audit observations were benchmarked against rules, norms, tenets and conditions laid down in the following documents:

- DM Guidelines issued by the National DM Authority;
- Disaster Management Act 2005, GOI;
- Guidelines and norms of assistance under the National Disaster Response Fund (NDRF)/State Disaster Response Fund (SDRF) for immediate relief activities;
- Terms and conditions for utilisation of funds issued by GOI for permanent reconstruction works;
- Notifications issued by the State/Central Government on DM;
- Mission Statement of Government of Sikkim;
- Schedule of Rates issued by State PWD for execution of works; and
- Sikkim Financial Rules.

5.3.6 Acknowledgement

Audit acknowledges the co-operation and support extended by the Secretary, LRDMD, and his officers in providing necessary records and information.

Audit findings

The objective-wise findings of the audit are enumerated below:

5.3.7 Policy and planning

Audit objective 1: To assess the existence of proper DM Policy and DM Plans for the State in conformity with the National DM Policy and Plan.

The National DM policy envisages a holistic approach to DM, encompassing the entire disaster management cycle (preparedness, prevention, mitigation, response, relief, rehabilitation and reconstruction). It also attempts to address all aspect of DM covering institutional, legal and financial arrangements, capacity building, knowledge management, research and development.

5.3.7.1 Mission Statement

The State Government has embarked on an ambitious mission to transform itself into a model State within the country to achieve overall holistic development of the State and to emerge as an important destination for tourism, education, health, organic farming and precision industry. The State Government's pronouncements in its Mission Statement, however, did not feature disaster risk reduction and management of disasters.

5.3.7.2 DM Policy for the State

The GOI, Ministry of Law and Justice notified (December 2005) the DM Act 2005.The Central Act extended to the whole of India. The Government of Sikkim did not enact any specific and separate DM Act but republished the Central Act in its official gazette in August 2007 for its guidance. The Central Act, *inter alia*, provided for establishment of a State DM Authority (SDMA) with the Chief Minister as its Chairperson *(Ex-Officio)*, other members (not exceeding eight) to be nominated by the Chairperson of the SDMA and the chairperson of the State Executive Committee (SEC). The State Government constituted the Sikkim State DM Authority (SSDMA) only in November 2010, five years after the notification of the DM Act, 2005, by the GOI and three years after its publication in the State Gazette.

In terms of Section 18 (a) of the DM Act, 2005, the SSDMA (State Authority) was to lay down the DM Policy for the State. However, the State Government notified the Sikkim State DM Policy in August 2007, before the creation of the SSDMA-the authority mandated to address all issues relating to DM in the State. Thus, although the policy was notified in August 2007, the designated authority to carry forward the tenets of the policy was non-existent till November 2010.

The State Government declared[3] in December 2012 that a new State Policy on DM was being formulated. However, the new policy had not been formulated (September 2013).

While accepting the audit observation, the Department stated (October 2013) that the State DM Policy was being updated.

5.3.7.3 Disaster Management Plans

Planning for DM is the first stage of the DM cycle, on which the effectiveness and success of the remaining components largely depend. In terms of Section 18 (1) of the DM Act 2005, it was the responsibility of the State DM Authority to:

(i) lay down the State DM Policy (SDMP),

(ii) approve the State Plan in accordance with the guidelines laid down by the National Authority,

(iii) approve the DM Plans prepared by the State Government departments, and

(iv) lay down guidelines to be followed by the State Government departments for integration of measures for prevention of disasters and the mitigation of their impact in their development plans and projects.

The SEC was to prepare the State DM Plan (SDMP), which was to be approved by the SSDMA. However, the SDMP prepared by the SEC was approved by SSDMA in 2011-12, two years after creation of SSDMA. Further, the SDMP, which was required to be reviewed and updated annually in terms of the DM Act, had not been reviewed/updated since its initial preparation.

[3] *In the White Paper issued (December 2012) against the high intensity earthquake of 18 September 2011.*

5.3.7.4 *State Disaster Management Plan*

Section 23 of DM Act provides that there should be a DM Plan for every State. It also directs departments of State Governments to draw up their own plans in accordance with the State plan. This State plan was to be prepared by the SEC in conformity with guidelines laid down by the SSDMA and the National Disaster Management Authority (NDMA).

However scrutiny of the SDMP revealed that the document was more in the nature of a report and a general guideline than a Plan for concrete action as detailed below.

- it did not contain any time bound plan of action to be taken before a disaster, during the occurrence of a disaster and after a disaster.
- the Plan did not mention specifically the authorities, organisations, and individuals who would act prior to, during and after a disaster in different roles.
- detailed responsibilities and time lines for preventive measures to be taken before a disaster; search, rescue, evacuation and relief operations during a disaster; and rehabilitation and restoration activities after a disaster were not specified. For instance, target date for finalisation and implementation of building bye-laws and safe construction practices were not delineated.
- the time line for assessment of existing structures to identify structural deficiencies for taking up retrofitting works was not set.
- firm planning for restricting/prohibiting construction in unsafe areas had not been done. The modalities for mainstreaming DM in development activities and planning of infrastructure were not spelt out in the SDMP.
- target dates and modalities for finalising State Government Departments' individual DM Plans were not determined.
- the modalities for stocking and logistics of essential commodities like ready to eat food, clothing, emergency medicines and other necessary items required in emergency situations during disasters were not worked out despite the fact that the State witnessed 104 recorded cases of earthquake during the past 100 years translating to average one earthquake every year.

The Department stated (October 2013) that the existing SDMP is in a report form and was being reviewed and re-drafted to make it an actionable document.

- ***Hazards and Risks Vulnerability Assessment***

In the SDMP, the Department identified earthquakes, landslides, fire, flood/flash floods, snow avalanches, droughts, hailstorms, thunder and lightning and riots/stampede as hazards that could lead to disasters in the State. The Department recently completed (September 2012) a Multi-Hazards Risk Vulnerability Assessment (MHRVA) of the State *(four districts),* one Gram Panchayat Unit (Turung-Mamring) in South Sikkim and the Gangtok Municipal Corporation. The objective of the MHRVA study was to enhance the capacity of local planners, administrators and stakeholders to enable them to create and

update the regional emergency plan, allocate resources for risk mitigation and enhance community preparedness. It was however, seen that the results of the study had not been put to use by any Department of the State Government as none of the departments had prepared their DM plans. The MHRVA study completed (2011-12) at a cost of ₹ 70 lakh from funds provided by the GOI under its Capacity Building Programme thus failed to yield the intended benefit.

The Department stated (October 2013) that since DM was in nascent stage in Sikkim and the Departmental DM Plans had not been prepared, results of the MHRVA report could not be put to use.

➢ ***Non-formulation of techno-legal framework***

In terms of the Guidelines issued (April 2007) by the NDMA for management of earthquakes, the State Government/SDMA was required to adopt a model techno-legal framework for ensuring compliance of earthquake-resistant design and construction practices in all new constructions. The State Government was required to update the urban regulations by amending them to incorporate multi-hazard safety requirements. The State Government was also required to review, revise and update the town and country planning Acts, land use and zoning regulations, building bye-laws etc. and repeat the process at least once every five years. All the above tasks were to have commenced immediately after issue of the guidelines and completed by 31 December 2008.

As of August 2013, more than six years after the issue of the guidelines by the NDMA, the LRDMD had not completed the formulation, notification and adoption of the techno-legal framework prescribed by the GOI guidelines. The Building Bye-Laws and Urban Regulation Acts were in the draft stage awaiting finalisation and notification by the State Government.

The Department stated (October 2013) that necessary steps would be initiated to establish a firm techno-legal regime once the SSDMA was strengthened and made capable of handling DM functions in the right perspective.

➢ ***Emergency Casualty Management Plan***

In terms of the NDMA guidelines, an Emergency Casualty Management Plan (ECMP) aimed to address post disaster disease surveillance and networking with hospitals, referral institutions and facilities (such as availability of ambulances and blood banks) was required to be prepared. Audit noticed that such an ECMP had neither been prepared nor had procedures for the treatment of casualties by private hospitals during disasters been laid down.

The Department stated (October 2013) that ECMP existed with the State Health Department and this would be incorporated in the new State Plan.

➢ ***Departmental DM Plans***

The Departments of the State Government were required to prepare their own DM Plans in accordance with the State Plan. None of the departments of the State Government had prepared any DM Plan of their own based on the State Plan (July 2013).

5.3.7.5 *District DM Plans*

In terms of Section 31 of the DM Act, 2005, every district authority was required to prepare District DM Plans (DDMPs) after consultation with local authorities with due regard to the National Plan and the State Plan which was to be approved by the State Authority. The District plan was to be reviewed and updated annually.

Test-check revealed that the DDMPs for the four districts of the State had been prepared three years ago in 2009-10. These DDMPs were required to be updated annually. However, those had not been updated since their initial preparation.

The Department stated (October 2013) that the District DM Plans were being reviewed.

5.3.7.6 *Annual Plans*

The State's Annual Plan highlights developmental plans of the State Government and earmarks the financial outlay required for implementing the plans. During the period under review, the DM did not feature in any Annual Plan of the State Government. No activity regarding incorporation of DM in the development plans of different departments was included. No financial provision was earmarked for DM in any form. Thus, the State did not mainstream DM in its overall developmental plans.

5.3.8 Institutional framework

Audit objective 2: To assess the existence of proper institutional framework, including coordination with concerned departments, to carry out DM activities .

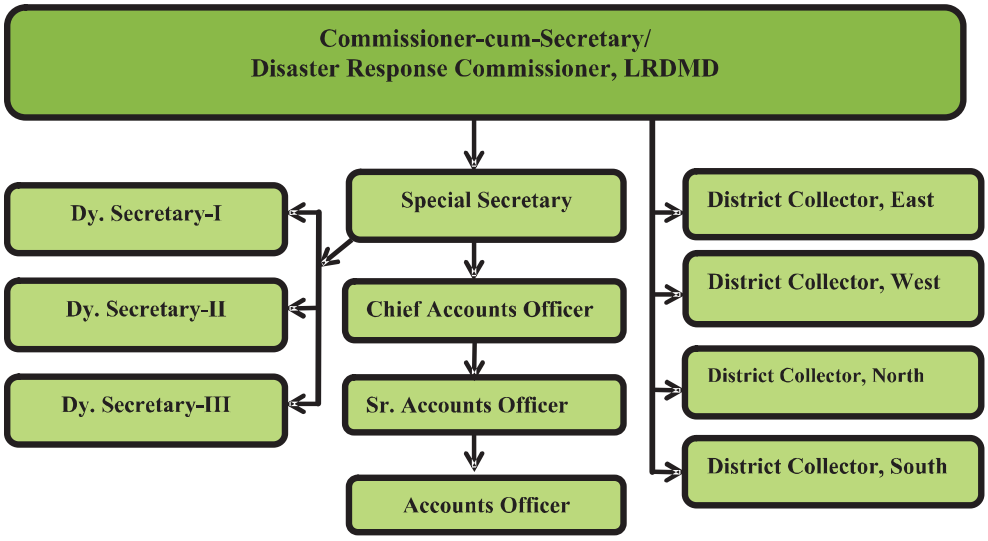
Institutional frameworks play a key role in DM, especially during calamities where response and relief has to be provided to the victims on an immediate basis. The existence of an institutional framework and its effectiveness in addressing DM in the State of Sikkim is given below.

5.3.8.1 *Land Revenue and Disaster Management Department*

Although the erstwhile Land Revenue Department (LRD) was renamed the 'Land Revenue and Disaster Management Department' (LRDMD) by the State Government in May 2004, the Rules of Business relating to 'Disaster Management' had not been framed till date (July 2013). Only the item 'Natural Calamities Relief Fund' was included in the Rules of Business of the erstwhile Land Revenue Department. The LRDMD, based on this, operated the State Disaster Response Force (SDRF). The SDRF dealt with immediate relief to victims of natural disasters and was not concerned with overall DM in the State. Thus, LRDMD functioned with a very limited mandate with focus on immediate relief rather than on overall DM activities.

The Commissioner-cum-Secretary, LRDMD functioned as the Disaster Response Commissioner (DRC) and operated the SDRF. The DRC was the overall in-charge for disaster response and relief under the SDRF and was assisted in his functions by seven officers at the State level-one Special Secretary, three Deputy Secretaries, a Chief Accounts Officer, one Senior Accounts Officer and one Accounts Officer. At the District level, the respective District Collectors supervised and oversaw the relief operations.

Chart 5.3.2: Organisational Chart



5.3.8.2 Sikkim State Disaster Management Authority

In compliance with Section 14 of the DM Act, 2005, the State Government notified (November 2010) the Sikkim State DM Authority (SSDMA) headed by the Chief Minister as *Ex-officio* Chairman; Minister, HCHSFWD as Vice Chairman, Chief Secretary as Chief Executive Officer; Additional Chief Secretary and heads of four[4] other departments as members. The SSDMA was responsible for overall DM in the State in terms of the Notification. According to the notification, the SSDMA was entrusted with the following responsibilities:

- declaring disaster situation and disaster areas with boundaries and mobilisation of resources for DM,
- declaring disaster prone zones with boundaries and issuing notifications for unsafe areas,
- preparation of State DM Action Plan and Policy,
- constitution of State Technical Committee and Tactical Team for State and Districts,
- capacity building, laying of techno-legal regime and incorporation of essential components of DM with socio-economic development planning, making available support of regional/international experience, knowledge and resources for DM,
- overall fiscal guidance on DM,
- standard operating procedure for State Level DM team, staff requirement in the DM Division,

[4] *Heads of Finance, Home, Land Revenue and Building & Housing Departments.*

- integration of the Incident Command System with the existing DM System, State network of Emergency Operations Centres (EOCs) and Functions of Control Room,
- monitoring daily situation of disaster occurrence in the State and actions to be taken thereof by State Government, GOI and Organisations situated outside the State.

The LRDMD/SSDMA had been carrying out some of the mandated activities of the SSDMA like declaring disaster situations and disaster areas, preparation of State DM Plan and Policy, capacity building exercises, establishing State network of EOCs and monitoring daily situation of disasters. The other major mandated activities, however, remained to be addressed, reasons for which are highlighted below:

The SSDMA had no dedicated and separate office of its own till date (July 2013) despite it being constituted more than two years ago. The SSDMA functioned from the premises of the LRDMD with some officers of the LRDMD involved partly in the SSDMA also. There was no clear segregation of functions and responsibilities between the SSDMA and the LRDMD towards DM. It was not clear who headed the SSDMA, technically, on a regular basis, to discharge its multifarious activities requiring specialised technical knowledge of DM. The requirement of regular staff for manning the SSDMA, based on its functions and responsibilities, had not been worked out till date (July 2013). Recruitment Rules and cadre formation for such staff had also not been formulated. As on date of Audit (July 2013), nine staff members, all in the grade of Assistants, had been inducted for the SSDMA. Those staff members were lower grade employees with no decision making powers. Thus, although the SSDMA had the overall responsibility of DM in the State, it was inadequately manned and its functioning remained ineffective.

In terms of the DM Act (Section 15), the SSDMA was to meet as and when necessary and at such time and place as the Chairperson (CM) of the authority thought fit. The Chairperson of the authority would preside over the meetings. In the event of inability of the Chairperson to attend the meeting, the Vice-Chairman *(Minister, HCHSFWD)* would preside. Since its formation in November 2010, the State Authority had met only once (19 September 2011), a day after the earthquake of 18 September 2011. The meeting dealt with payment of ex-gratia to the victims of the disaster.

In the absence of regular meetings, regular staff, and effective functioning, the SSDMA had not fulfilled its responsibilities with respect to overall DM in the State as per the Notification and DM Act of 2005.

The Department, *inter alia*, stated (October 2013) that due to frequent transfer of officers, lack of adequate trained manpower and absence of clear cut roles and responsibilities between the LRDMD and the SSDMA, the Department was unable to address the various issues of DM in the right earnest. The Department further added that efforts were being initiated to clearly segregate roles and responsibilities of the LRDMD and SSDMA to make the SSDMA a self sufficient and fully equipped agency to handle all its responsibilities as mandated by the Government Notification.

5.3.8.3 Non constitution of State Advisory Committee

Section 17 of the DM Act empowers the State Authority to constitute an Advisory Committee consisting of experts in the field and having practical experience of DM to make recommendations on different aspects of DM. The State Authority had not constituted any advisory committee consisting of experts on disaster management (July 2013) to assist it in various aspects of DM.

The Department stated (October 2013) that although State Advisory Committee was not constituted, it sought technical expertise from various line departments.

5.3.8.4 State Executive Committee

In terms of Section 20 of the DM Act, the State Government constituted (August 2010) a State Executive Committee (SEC) with the Chief Secretary as the Chairman (Ex-officio) and Heads of four other Government departments[5] as members. The SEC was, *inter alia*, responsible for:

- coordinating and monitoring implementation of National Policy, National Plan and State Plan,
- examining vulnerability of different parts of the State to different disasters,
- specifying preventive measures to be taken,
- laying down guidelines for preparation of DM plans by Government departments and district authorities,
- monitoring implementation of DM plans prepared by the Government departments and District authorities and guidelines laid down by the State Authority etc.,

Meetings held by the SEC during 2010-13 are given below.

Table 5.3.1

Year	Date	Agenda
2010-11	01.10.2010	Sanction of funds for relief and reconstruction from the SDRF, appointment of consultant to advise on Rateychu Water project to avoid further landslides, involvement of the IRB with equipment in South/West for disaster relief, purchase of rescue equipment and vehicle.
	01.11.2010	Sanction of funds for *jhora* training works/anti-erosion works executed during 2008-09 and 2009-10, approval of new proposals of various departments and financial sanction, appointment of consultant to advise on Rateychu Water project.
2011-12	28.02.2012	Relaxation of norms for grant of ex-gratia to injured, advance payment to various departments/offices for disbursing ex-gratia, regularisation of all sorts of expenditure incurred after the earthquake of 18 September 2011, training of disaster response team on handling of equipment, preparation of manual by LRDMD for functioning of the SDMA, implementation of the National School Safety Programme (NSSP) and engagement of outside agency for preparation of DPR for reconstruction of damaged infrastructure.
2012-13	02.08.2012	Utilisation/regularisation of funds from the NDRF/Prime Minister's special package towards relief and reconstruction, ex-gratia payments, purchase of vehicles, setting up SSDMA and Control room, status of activities under SSDMA, National conference on DM to be held on 17-18 September 2012,

[5] *Secretary, LRDMD (Convener); Secretary, FRED; Secretary, UDHD; Secretary, HCHSFWD.*

		distribution of GCI sheets, implementation of CSS on Disaster Risk Reduction, finalisation of State DM Plan by August 2012, mock drills, involvement of NGOs in DM, effective implementation of activities under NSSP etc.
	27.11.2012	Meeting of SSDMA under the CM's chairmanship, progress of works under NDRF/PM's package, implementation of Capacity Building (CSS) programme, purchase of 4 vehicles for the 4 DDMAs, implementation of the National Service Scheme Policy, proposal for works under SDRF, purchase of equipment, creation of posts for subordinate staff under SSDMA (CR operators, drivers), formation of technical support team for SSDMA consisting of army, police, civil defence, home guards, BRO, India Meteorological Department, DST, BSNL etc., GIS mapping of works undertaken under the PM's package etc., deputation of multi-disciplinary team of officers to Gujarat, Orissa and Uttaranchal to study DM practices.

During the three years 2010-13, the SEC met five times as detailed above. The agenda of the SEC meetings mainly concerned sanction of funds from the SDRF/NDRF and the PM's package for relief and reconstruction works. Deliberations on overall DM, *per se*, were few and far between. Thus, the SEC acted mainly as a sanctioning body, instead of acting as a body responsible for coordinating and monitoring of overall implementation of DM Policy and Plans in the State.

5.3.8.5 District DM Authority

The State Government constituted District DM Authorities (DDMAs) for the four districts of the State under Section 25 of DM Act 2005 in August 2010, three years after notification of the DM Act in the State. The members of the DDMA consisted of the District Collector as the Chairperson, Zilla Adhyaksha, as the Co-Chairperson and four[6] other senior level officers in the districts as members. After constitution (August 2010) of the DDMAs, 17 meetings were held in the North District,18 meetings in the East, 16 meetings in the West and 15 meetings in the South District. The DDMAs mainly focused on disbursement of ex-gratia and restoration works of an immediate nature as revealed by the agenda and minutes of the meetings. This indicated that the State was still functioning in the old post-disaster relief and restoration mode and had not yet embraced the concept of pre-disaster preventive strategies and actions.

5.3.8.6 District Advisory Committee

In terms of the DM Act, 2005, the DDMA could constitute one or more District Advisory Committees and other Committees for the efficient discharge of its functions. The DDMAs had not constituted any Advisory Committee.

The Department stated (October 2013) that District Advisory Committees had not been constituted but technical expertise in the districts was sought from line departments in the districts.

[6] *Superintendent of Police, Chief Medical Officer, District Development Officer and Addl. District Collector (Member Secretary).*

5.3.9 Financial Management

Audit objective 3: To assess efficacy of financial management for appropriate DM .

Provision of timely and adequate funding is a crucial aspect in DM. Even the most well designed mitigation or response program can fail to get results for want of sufficient funds. For emergency response, it is important that funding is available in time and relief measures reaches the affected people quickly.

Based on the recommendations of the Thirteenth Finance Commission, the schemes of SDRF and NDRF were made operative for a five year period (1 April 2010 to 31 March 2015). The budgetary provision of the relief funds was to be dealt with by the Ministry of Finance (MoF), GOI while the processing of the request for funds by the State Government was to be done by the DM Division of MHA.

Guidelines for administration of the funds were issued by the MHA from time to time. The guidelines prescribed that the SDRF and NDRF were to be used only for meeting expenditure for providing immediate relief to the victims of earthquake, fire, flood, hailstorm, landslide, avalanche, cloud burst and pest attack. The expenditure on disaster preparedness, restoration, reconstruction and mitigation were not to be met from the SDRF/NDRF. These were to be met from the plan funds of the State.

5.3.9.1 State Disaster Response Fund (SDRF)

The SDRF was constituted under section 48(1) (a) of the DM Act 2005. It came into force from 2010-11 onwards. Till 2010, there was a Calamity Reli f Fund (CRF), the balance of which was merged into the SDRF from 2010-11. The amount of annual contribution to the SDRF of each State, for each of the financial years 2010-11 to 2014-15, was recommended by the XIII Finance Commission.

GOI was to contribute up to 90 *per cent* of those funds in the form of non-plan grant. The balance 10 *per cent* was to be contributed by the State Government.

The scheme provided for release of Central share under SDRF in two equal installments, in the months of June and December. The first installment of central contribution to SDRF for 2010-11 was to be released unconditionally. The second installment for 2010-11 and subsequent installments were to be released on receipt of confirmation of accounting procedure and compliance with other conditions of the guidelines.

The State Government was required to make suitable budget provision under the head 2245-Relief on account of Natural Calamities-05 SDRF-101 Transfer to Reserve Fund and Deposit accounts-SDRF. Immediately upon receipt of GOI's share, the State would transfer the amount along with its share to the Public Account Head (MH-8121). The actual expenditure on relief works would be booked only under respective minor heads within MH 2245 (01 for droughts; 03 for floods, cyclones etc.). The SDRF was also at times provided with additional grants-in-aid from the NDRF whenever the State was hit by major disasters and the balance in the SDRF was not sufficient for relief activities as per GOI norms. Such funds were also to be treated in the same manner as funds in the SDRF.

The year-wise status of availability of funds under SDRF and expenditure against it is depicted in the table below:

Table 5.3.2

(₹ *in crore*)

Year	O.B	Funds receipt from				Interest from investments	Total	Expendi-ture	C.B
		GOI		State	Other source*				
		SDRF	NDRF						
2008-09	17.23	14.35	8.36	4.78	0	1.15	45.87	32.36	13.51
2009-10	13.51	14.78	0	4.93	0	0.28	33.50	14.57	18.93
2010-11	18.93	10.24	0	2.27	0	1.46	32.90	17.76	15.14
2011-12	15.14	31.74	200.38	2.39	1.18	0.89	251.72	157.17	94.55
2012-13	94.55	22.57	0	2.51	0	0.67	120.30	102.16	18.14
Total		**93.68**	**208.74**	**16.88**	**1.18**	**4.45**		**324.02**	

Source: Departmental figure. **Receipt from Prime Minister's Office.*

The audit observations are given below:

➢ ***Release of State share***

The total contribution to the SDRF during the period 2008-13 was ₹ 110.56 crore, out of which the State contributed ₹ 16.88 crore against its share *(10 per cent)* of ₹ 11.05 crore. The State's contribution was thus 15.27 *per cent* of the total contribution as shown below:

Table 5.3.3

(₹ *in crore*)

Year	Total Contribution	State Share *(10 per cent)*	State Share actually released	Excess/shortfall in release
2008-09	19.13	1.91	4.78	2.87
2009-10	19.71	1.97	4.93	2.96
2010-11	12.51	1.25	2.27	1.02
2011-12	34.13	3.41	2.39	(-) 1.02
2012-13	25.08	2.51	2.51	0
Total	**110.56**	**11.05**	**16.88**	

Source: Departmental figure.

The State released more than its share of 10 *per cent* in three out of the five years 2008-13. Only in one year (2011-12) there was shortfall of ₹ 1.02 crore.

5.3.9.2 Funds for long term reconstruction

In addition to the funds provided for immediate relief as stated above, the GOI released ₹ 400 crore during 2011-13 as Special Plan Assistance (SPA) towards long-term reconstruction of infrastructure damaged by the earthquake out of its commitment of ₹ 1,000 crore to the State. Out of ₹ 400 crore received (March 2013), ₹ 280 crore had been expended (March 2013). During audit, the following were observed.

5.3.9.3 State Disaster Mitigation Fund/District Disaster Mitigation Fund

The DM Act 2005, envisaged constitution of a State Disaster Mitigation Fund (SDMF) and also District Disaster Mitigation Fund (DDMF) by the State Government immediately after issue of notification for creation of the SSDMA. Every Department of the State Government was required to make provisions in their annual budget for funds to

be provided to the SDMF/DDMF for the purpose of carrying out disaster mitigation activities and programmes set out in the DM plans.

Audit scrutiny revealed that although the SSDMA had been formed, the SDMF/DDMF had not been created till July 2013. Since the SDMF/DDMF had not been created, funds from the Union and the State could not be sourced for disaster mitigation activities in terms of the DM plans of the State.

The Department stated (October 2013) that efforts were being made to incorporate creation of the SDMF/DDMF in the overall DM Plan of the State in future.

5.3.9.4 District Disaster Response Fund (DDRF)

In terms of section 48 of the DM Act, 2005, each district was required to establish a DDRF for the purpose of providing immediate relief to victims of disasters. Although the DM Act had been published in the State as early as August 2007, the DDRF had not been formed. Funds for relief activities in the districts were provided as advance by the LRDMD from the SDRF time to time, based on demand by the District Collectors (DCs). The DCs mainly provided ex-gratia payments to the victims of disasters besides payments for repair/restoration activities on a smaller scale. Major repair/restoration works were handled by the LRDMD through different line departments.

The Department *inter alia* stated (October 2013) that it would look into the matter and consider creation of the DDRFs in near future.

5.3.10 Implementation of relief and reconstruction measures

Audit objective 4: To assess that relief and reconstruction measures were implemented properly.

5.3.10.1 Assessment of damages

Provision of timely and adequate funding is a crucial aspect in disaster management for providing immediate relief, repair and restoration activities and reconstruction of damaged assets. It is important to assess the damages for making funding arrangements. The position of assessment of damages and availability of funds in the aftermath of the earthquake of 18 September 2011 is given below:

The LRDMD submitted (September-October 2011) a memorandum for financial support of ₹ 13,194.62 crore[7] to the GOI for immediate relief and restoration works. An Inter-Ministerial Central Team[8] (IMCT) visited (September-October 2011) Sikkim for an on-the-spot assessment of damages and admissibility of Central assistance after the earthquake of 18 September 2011. Based on the report of the IMCT, the GOI approved (January 2012) assistance of ₹ 227.51 crore from the NDRF for immediate relief, subject to adjustment of 75 *per cent* of the balance available under the SDRF. The GOI accordingly released (January 2012) ₹ 200.38 crore to the State after adjusting ₹ 27.13 crore from the available balance in the SDRF (75 *per cent*).

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[7] *Memorandum-I: ₹ 6,890.50 crore + Memorandum-II: ₹ 3,492.13 crore + Memorandum-III: ₹ 2,811.99 crore.*

[8] *Joint Secretary, MHA (North East); Director, Central Electricity Authority; Director, Ministry of Agriculture; CMO, Member; Dy. Secretary, MOF; Deputy Secretary, Ministry of Drinking Water and Sanitation; Regional Officer, MORT; Shri Bhupesh Kumar, Central Water Commission.*

For permanent reconstruction of damaged infrastructure, the GOI sanctioned (September 2011) lump-sum assistance of ₹ 1,000 crore to the State in keeping with the commitment of the Prime Minister during his visit to the State in the aftermath of the disaster. The Central support for permanent reconstruction was a one-time SPA and was not based on any detailed assessment or study of the damages caused by the earthquake.

The assessment of ₹ 13,194.62 crore by the State for immediate relief and restoration works was highly unrealistic as even the funds of ₹ 200.38 crore provided from the NDRF had been largely diverted on items of expenditure not covered by the GOI guidelines as elucidated in the succeeding paragraphs.

The Department, *inter alia*, stated that assessment of ₹ 13,194.62 crore by the State included both immediate relief and permanent restoration works. The reply was not tenable considering the fact that the GOI allocated only ₹ 1,200.38 crore for both immediate relief and permanent reconstruction works against the State's assessment of ₹ 13,194.62 crore. Even the GOI allocation which constituted a mere nine *per cent* of the State's assessment was diverted for unauthorised purposes.

5.3.10.2 Unauthorised re-allocation of funds by the State Government

After receipt of sanction of funds for immediate relief from the GOI based on the actual spot visits by the Central team, the State Government redistributed Central funds provided for repair/restoration of immediate nature of damaged infrastructure among various departments as detailed below:

Table 5.3.4

(*₹ in crore*)

Sector	Funds allocated by GOI	Re-allocation by State
Roads & Bridges	60.45	30.00
Water Supply	52.64	3.00
Power	42.92	5.00
Health	12.08	5.00
Education (HRDD)	3.38	5.00
UDHD	0.05	8.00
Irrigation	2.99	1.00
Agriculture	2.79	10.80
AHVS	2.94	5.00
Tourism	0.00	5.00
Building & Housing	0.00	8.00
SNT	0.00	5.00
Police	0.00	5.00
IPR	0.00	0.50
Culture	0.00	5.00
Ecclesiastical	0.00	5.00
Social Justice	0.00	2.00
Milk Union	0.00	0.10

Source: Departmental figures.

The Department stated (October 2013) that the diversion from the GOI allocation was done as per the actual re-assessment of damages by the departments after the situation in the State had normalised to a certain extent.

5.3.10.3 Irregular utilisation of NDRF/SDRF funds

Funds under the SDRF/NDRF are non-plan funds to be utilised strictly as per guidelines issued by MHA. It was observed in Audit that there were many deviations from these guidelines as detailed below:

- ***Irregular expenditure of relief fund by Food Security and Agriculture Development Department***

The norms of assistance to victims of disasters under the SDRF/NDRF laid down (January 2012) by the GOI for the Agriculture sector permitted financial assistance for land and other loss like desilting of agricultural land/removal of debris from agricultural land in hill areas (₹ 8,100 per ha), loss of substantial portion of agricultural land by landslides (₹ 25,000/ha), input subsidy for horticultural/agricultural crops, sericulture etc. at specified rates ranging between ₹ 500 per ha to ₹ 8,000 per ha.

The GOI, based on report of the IMCT, had allocated gratuitous relief of ₹ 2.94 crore to small and marginal farmers (Agriculture Department) under the NDRF towards various works like removal of debris from agricultural land *(₹ 0.79 crore)*, relief towards loss of substantial portion of land caused by landslides *(₹ 1.24 crore)* and agriculture input subsidy for crop loss *(₹ 0.76 crore)*. Ignoring the GOI allocation, the State allocated ₹ 10.80 crore to the Agriculture Department. Out of this amount, ₹ 9 crore was divided equally *(₹ 4.5 crore each)* between Horticulture and Agriculture sectors and utilised for repair and maintenance of existing office building, staff quarters, farms, Village Level Worker Centres, parking yards etc. The remaining amount of ₹ 1.80 crore was distributed to farmers as relief towards damage of agricultural land.

The norms of assistance from the SDRF/NDRF did not allow for repair/maintenance of Government buildings. The assistance is provided by the GOI for immediate relief to victims of disaster for bringing them out of the trauma/distress of the disaster. While ₹ 10.80 crore was erroneously allocated to the Agriculture Department by the State Government in violation of the GOI instructions, ₹ 9 crore out of this amount was irregularly spent on repair and restoration of existing fixed assets of the Horticulture/Agriculture departments, thus violating the SDRF/NDRF norms and without obtaining approval of the GOI.

The Department stated (October 2013) that some NDRF funds were utilised for repair/renovation of departmental structures as there was major damages to the structures.

The reply was not tenable as GOI norms for expenditure of NDRF funds permit expenses on immediate relief activities for specified items and not for repair/renovation of Government assets.

- ***Irregular utilisation of relief funds by Animal Husbandry, Livestock, Fisheries and Veterinary Services Department (AHLVSD)***

The GOI norms for relief under the Animal Husbandry sector allowed assistance to small and marginal farmers at specific rates towards replacement of milch animals, draught animals, animals used for haulage, and poultry birds which are killed or lost by the

farmers during disasters. Relief is permitted at the rate of ₹ 16,400 per buffalo/cow/yak, ₹ 1,650 per sheep/goat, ₹ 10,000 per calf/donkey/pony, ₹ 15,000 per horse/bull. For poultry birds, it was ₹ 37 per bird subject to a ceiling of ₹ 400 per beneficiary household. The Department reported loss of 525 cattle and 808 sheep/goat/pigs in the disaster. The maximum relief permissible under the SDRF/NDRF norms for such losses was ₹ 0.99 crore. The GOI provided (January 2012) gratuitous relief of ₹ 2.38 crore under Animal Husbandry sector, which exceeded the actual requirement by ₹ 1.39 crore.

In addition to the gratuitous relief of ₹ 2.38 crore to be provided to small and marginal farmers, GOI had also provided additional assistance of ₹ 2.94 crore under NDRF towards immediate restoration of damaged AHLVSD buildings in the North District. Against the GOI allocation of ₹ 2.94 crore, the State Government allotted ₹ 5 crore to the AHLVSD, exceeding the GOI allocation by ₹ 2.06 crore. The Department irregularly utilised the entire funds towards works of permanent nature like repair of the departmental Headquarters at Gangtok, repair of staff quarters, repair of animal farms, Veterinary centres all over the State.

The Department stated (October 2013) that some NDRF funds were utilised for repair/renovation of departmental structures as there was major damages to the structures. The reply was not tenable as GOI norms for expenditure of NDRF funds permit expenses on immediate relief activities for specified items and not for repair/renovation of Government assets.

- ***Unauthorised diversion of funds by Urban Development and Housing Department***

Against the GOI sanction of only ₹ 5 lakh to the UDHD, the State Government irregularly allocated ₹ 8 crore. Scrutiny of records revealed that 90 *per cent* of the funds *(₹ 7.33 crore)* provided to the UDHD had been utilised in violation of the GOI norms on varied expenditure such as restoration of car parks, rural marketing centres, housing units, housing quarters, office buildings, restoration of drainages and protective works, carpeting of streets, dismantling of buildings, etc. All such expenditure, as mentioned above, was not covered by the NDRF/SDRF guidelines.

The Department stated (October 2013) that the works were carried out on need basis. Reply was not tenable as such expenditure was not allowed under the NDRF/SDRF norms.

- ***Irregular allocation of relief funds to Tourism, Building and Housing, SNT, Police, IPR, Culture, Ecclesiastical Departments***

The GOI had not allocated any funds to the Tourism, Building and Housing, SNT, Police, IPR, Culture, Ecclesiastical and Social Welfare Departments. The State Government irregularly allocated ₹ 42.30 crore to those departments, disregarding GOI allocation. The entire funds were utilised by those departments in violation of the SDRF/NDRF norms on repair of tourist infrastructure, departmental buildings, religious structures, purchase/repair of equipment (computers, printers etc.) for departmental use, purchase of vehicles, repair of Government residential quarters, etc.

The Department *inter alia* stated (October 2013) that the restoration works were carried out from the NDRF as the State did not have resources for such restoration works. The equipment were purchased for rescue operations etc. The reply was not tenable as the restoration of Government assets as mentioned above and purchase of equipment like computers, printers etc. for office use were beyond the purview of NDRF/SDRF guidelines.

➢ ***Unauthorised expenditure by Water Security and PHE Department***

Under the drinking water supply component, the norms of expenditure of NDRF/SDRF, *inter alia*, permit expenditure on immediate repair/restoration of water supply lines, stand posts, hand pumps, cleaning of drinking water reservoirs, repair of water reservoirs, intake structures etc. damaged during a natural calamity. There was no provision for meeting expenditure on repair/restoration of sewer lines and sanitary fittings from the SDRF/NDRF funds. The WSPHED, however, utlised ₹ 10 lakh on restoration and repair of sewer lines and sanitary fittings in violation of the GOI guidelines.

The Department stated (October 2013) that repair of sewer lines was taken up from the NDRF as the same had been damaged by the earthquake requiring immediate attention. The reply was not acceptable as such expenditure was not permissible under NDRF/SDRF norms.

➢ ***Implementation of impermissible work under relief measures by LRDMD***

The norms of expenditure under the SDRF scheme did not contain any provision for expenditure from the SDRF on *jhora* training works, protective works, anti-erosion works, or any other sundry items not related to providing immediate relief to victims of natural calamities. The LRDMD, however, during 2010-11, 2011-12 and 2012-13 irregularly utilised ₹ 1.25 crore, ₹ 6.96 crore and ₹ 1.71 crore *(total ₹ 9.92* crore*)* respectively from the SDRF on *jhora* training works, protective walls, soil conservation works, etc. which was in violation of the SDRF norms.

The Department *inter alia* stated that works on *jhora* training, anti-erosion and other protective works were taken up from the SDRF to prevent calamities resulting from landslides.

The reply was not tenable as the SDRF funds can be utilised only for relief works after a calamity. All preventive activities need to be taken up from the State's own resources.

➢ ***Irregular excess payment of relief against house damage***

The norms of assistance under the SDRF/NDRF towards relief to victims of a disaster for fully damaged/destroyed *pucca* houses is ₹ 35,000 per house. The State Government had no authority to deviate from the GOI norms and authorise payments from the SDRF/NDRF in excess of amounts prescribed in the guidelines. It was however, seen that the Government distributed (December 2011) ₹ 4.5 lakh each to 13 persons of North District from funds provided under NDRF as relief towards damage of houses in contravention of the guidelines resulting in irregular and excess expenditure of ₹ 53.95 lakh.

The Department stated (October 2013) that the excess amount was being reimbursed from the Chief Minister's Relief Fund.

➢ ***Irregular expenditure towards shifting/re-location of office***

Funds under the SDRF/NDRF are provided by the GOI at specified rates for immediate rescue and relief operations. There is no provision in the norms of assistance under the SDRF/NDRF for incurring expenditure towards shifting and re-location of Government offices. The LRDMD, however, paid (October-December 2011) ₹ 1.70 crore from the SDRF to a private agency towards shifting and relocation of various State Government offices, in violation of GOI guidelines.

The Department *inter alia* stated (October 2013) that since the resources of the State Government were insufficient, the funds under SDRF were utilised for shifting/relocating the offices. The reply was not tenable as such expenditure was not permissible under the SDRF norms.

5.3.10.4 Rreconstruction of damaged infrastructure

The GOI sanctioned (September 2011) ₹ 1,000 crore to the State as SPA for reconstruction of infrastructure damaged by the earthquake of 18 September 2011.The Central assistance was granted for reconstruction/rehabilitation of infrastructure damaged by the earthquake and not for construction of new assets normally permissible under SPA or other CSS/CS. Upto March 2013, the State received and spent ₹ 280.11 crore towards reconstruction of damaged infrastructure as detailed below:

Table 5.3.5

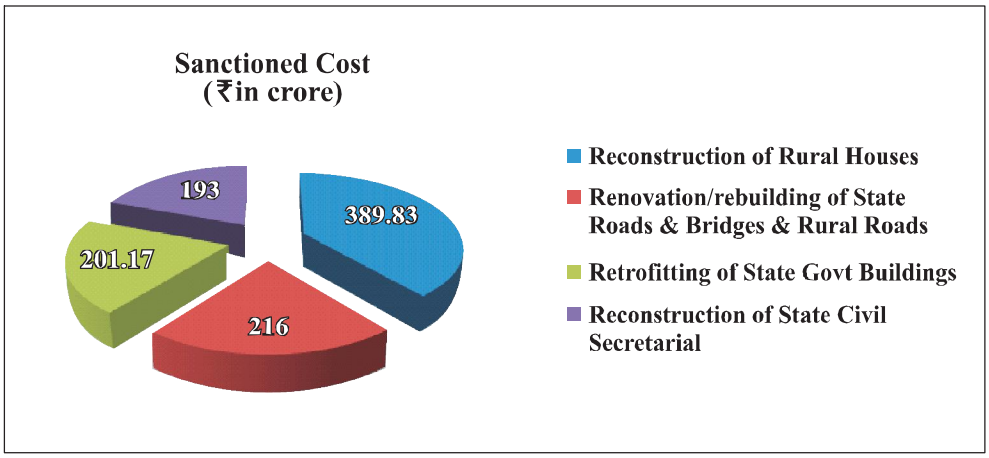
(₹ *in crore*)

Sl No	Category of Projects	No of Projects	Sanctioned Cost	Expenditure (March 2013)
1	Reconstruction of Rural Houses	7,972	389.83	120.00
2	Renovation/rebuilding of State Roads & Bridges & Rural Roads	381 *(R&B-201; PMGSY-180)*	216.00 *(R&B-200; RMDD -16)*	90.59
3	Retrofitting of State Govt. Buildings	1,535	201.17	36.98
4	Reconstruction of State Civil Secretariat	1	193	32.54
	Total		**1,000**	**280.11**

Source: Books of Accounts of Department.

The major portion of the funds for long term reconstruction was sanctioned for reconstruction of rural houses damaged due to the earthquake (39 *per cent*) followed by renovation/rebuilding of State roads and bridges and rural roads (22 *per cent*), retrofitting of State Government buildings (20 *per cent*) and reconstruction of State Civil Secretariat Building (19 *per cent*) as shown below:

Chart 5.3.3



➢ ***Reconstruction of Rural Houses***

A target for reconstruction of 7,972 rural houses was set for completion in all respects by the Rural Management and Development Department (RMDD), by March 2014. The project was proposed to be executed in five stages-Stage I (Identification of beneficiaries), Stage II (Completion of Plinth level), Stage III (Completion of Roof level), Stage IV (Completion of entire structure) and Stage V (Handing over of house). While specific targets for completion of each stage of the project with fixed timelines were not set, the RMDD set a broad target of completing 3,986 houses (50 *per cent*) by March 2013.

Audit noticed that the construction of rural houses was far behind schedule. Against the target of completing 3,986 houses by March 2013, the Department could complete only 364 houses (July 2013). The Department had not completed even the first stage of identification of beneficiaries as only 6,434 beneficiaries had been identified as of July 2013. As of July 2013, a total of 147 houses had been handed over, 217 houses were in a completed state waiting to be handed over, 1,105 houses had their roofs done and 1,251 houses were in the plinth level of construction. At this rate, it is unlikely that the Department would be able to complete construction of all 7,972 houses by the target date of March 2014. The GOI indicated (September 2012) that fund flow to the project would be stopped by March 2014.

While accepting the audit observation, the Department *inter alia* stated (October 2013) that delay in reconstruction of the houses was due to inability of the State Trading Corporation of Sikkim to supply materials in time, location of some beneficiaries in far-flung areas and the short working season in the State.

The reply indicated that the timelines set for completion of various stages of the project were not based on ground reality and hence unrealistic. The estimate of ₹ 4.89 lakh for each house was earmarked without considering the location, site condition and distance of

construction sites from the nearest road. Construction of houses located in the hill-tops far from motorable roads would obviously cost more and take more time due to additional transportation and head load involved as compared to construction of houses located close to the road.

➢ ***Renovation/rebuilding of State roads and bridges***

GOI sanctioned (October 2012) ₹ 200 crore towards renovation and rebuilding of State Roads and Bridges. Against 201 projects for which the funds were sanctioned, the Roads and Bridges Department (RBD) took up 156 roads and bridges renovation projects, allocating ₹ 163.29 crore for renovation of 102 roads, ₹ 31.71 crore towards renovation of 54 bridges, and ₹ 5 crore towards capacity building. The status of implementation of the works is as under:

The road works taken up for renovation all over the State related mainly to surface improvement of existing roads. Damages resulting from an earthquake would generally constitute failure of road formations, destruction of slopes, formation of huge and deep crevices, stretches of road being completely destroyed due to mudslides and the earth giving away etc. All such work cannot be corrected by merely laying Water Bound Macadam/Granular Sub-base and carpeting the existing road surfaces with bitumen mix. The entire exercise by the RBD of mostly renovating road surfaces with funds provided for reconstruction of damages caused by earthquake of 18 September 2011 thus does not appear to be fully in consonance with the objective of the funding for reconstruction of infrastructure damaged due to earthquake.

The Department *inter alia* stated (October 2013) that roads were blocked at number of places, in some areas the roads gave way completely, cracks were formed along the road length and potholes were created due to ensuing monsoon after the earthquake. To prevent further damage the repairing of roads was inevitable. The reply was not acceptable as the reconstruction works undertaken by the Department included improvement of road surface by laying WBM/GSB and a bituminous layer indicating that the works were taken up to make good the regular damages caused by normal wear and tear and not by the earthquake.

➢ ***Irregular excess payment of mobilisation advance and non-realisation of interest***

Para 24.6 of the SPW Manual 2009 read with notification (August 2012) by the SPW (R&B) Department on grant of mobilisation advance, *inter alia*, envisage that mobilisation advance limited to maximum 15 *per cent* of the estimated/tendered value of work or ₹ 2 crore, whichever is least, may be sanctioned to the contractor at five *per cent* interest (compounded annually) against bank guarantee. Against the above stipulation, the Department granted mobilisation advance amounting to 25 *per cent* of the value of works to four contractors. Interest of ₹ 87.57 lakh accrued (upto September 2013) on such advances remained to be realised from the contractors.

➢ ***Retrofitting of State Government buildings***

Seismic retrofitting refers to structural intervention aimed at strengthening of an existing

building *(enhancing strength, stiffness, ductility, stability and integrity)* that is found to be deficient or vulnerable. The retrofit is generally intended to mitigate effects of a future earthquake. Thus, retrofit can effectively raise the resistance of a building against earthquakes to a desired level. On the other hand, repair of a building refers to minor interventions that are non-structural in nature and unlikely to enhance structural strength. A repaired building, in fact, may be deceptive in that it will appear good, giving a false sense of safety, but does not guarantee structural safety, particularly against earthquakes.

GOI sanctioned (October 2012) ₹ 201.17 crore as SPA towards retrofitting of State Government Buildings, Schools, ICDS Centres, Rural Health Centres, Dispensaries and State Power Projects. The SPA was specifically earmarked for the purpose of retrofitting activities by the State Government.

In this regard, the following were noticed in audit:

- Out of ₹ 196.17 crore, ₹ 30 crore was allocated to the Water Security and Public Health Engineering Department (WSPHED). The WSPHED utilised the amount for repair, renovation and execution of new works like procurement of pipes and fittings, repair of water supply lines, construction of bridges, payment of old bills for distribution of potable water in trucks, construction of masonry walls, repair of office building, repair/restoration of sewer lines etc. Only ₹ 40 lakh out of the sum of ₹ 30 crore was being utilised for retrofitting of the rapid gravity sand filter plant at Selep, Gangtok.

  The Department stated (October 2013) that the works were taken up as per recommendation of the MHA and Planning Commission based on the DPRs submitted by State Government. The reply was not tenable as the details of projects approved and SPA funds recommended under the PM's package by the Planning Commission for post earthquake reconstruction works did not include water supply works.

- The State Government allocated the Rural Management and Development Department (RMDD) ₹ 10 crore for retrofitting works. From the funds provided for retrofitting, the RMDD took up normal repair/renovation works of 12 Block Administrative Centres (BACs), 55 Gram Prashashan Kendras, 4 Zilla Panchayat Bhawans and various other miscellaneous works like protective works in cremation sheds, repair of Departmental headquarters (Gram Vikash Bhawan), construction of approach road, repair of ICDS centres, repair of foot bridges, construction of steel bridge, repair of guest house, protective works etc. None of the above works undertaken by the RMDD came under the ambit of retrofitting works.

  The reply of the Department that retrofitting was done on a small scale by the RMDD to make the offices functional was not tenable as retrofitting is a specialised nature of work taken up to enhance the structural strength of the buildings to withstand future earthquakes as different from regular repair works which the RMDD had undertaken.

- The Health Department was allocated ₹ 20 crore for retrofitting of Primary Health Sub-Centres (PHSC) all over the State. Instead of taking steps towards retrofitting of the PHSC structures, the Department utilised an amount of ₹ 9.94 crore for reconstruction of 12 PHSC/PHC and an amount of ₹ 9.31 crore was utilised on construction of quarters, garage-cum-seminar hall, approach roads and water supply works. Further, a private consultant was engaged by the Department to prepare DPRs for the above works at ₹ 43.51 lakh though the works taken up were of routine nature, not requiring any specialised services from an outside agency. It was seen that only an amount of ₹ 23.78 lakh was utilised towards retrofitting of a departmental building adjoining STNM hospital (Ladakhey Building).

  While skirting the audit observation that funds for retrofitting of PHCs/PHSCs were utilised for reconstruction of buildings, approach roads, garages, water supply systems etc., the Department stated (October 2013) that the Consultant was appointed to assess damages caused by the earthquake and recommend further repair/retrofitting of PHCs/PHSCs. The reply was not tenable as the consultant did not give any recommendations for repair/retrofitting of PHCs/PHSCs but only prepared estimates for reconstruction of the PHSCs/PHCs. Such estimates were normally prepared by the engineers of the Health Department without incurring extra cost.

- The UDHD was allocated ₹ 6 crore under the component of retrofitting of Government buildings. The Department, however, utilised the above funds for (i) upgradation and improvement of Dr. B.R. Ambedkar Road (₹ 4.05 crore) (ii) upgradation and improvement of Bahai School Road (₹ 1.57 crore) and (iii) restoration and repair of UDHD head office (₹ 38 lakh). All these three works did not pertain to retrofitting of buildings. The first two works related to upgradation and improvement of existing roads, having nothing to do with the earthquake of 18 September 2011. The third work was regular repair/maintenance work of the departmental office building and not a retrofitting work targeted to strengthen its structural strength as a safety measure against future earthquakes.

  The Department replied (October 2013) that since the UDHD Head office suffered minor cracks, minor retrofitting and repair were carried out. The roads under the purview of UDHD were restored as they were in need of immediate repair. The reply was not tenable as the SPA funds had been provided for retrofitting of Government buildings and not for carrying out normal repairs or improvement of existing buildings and roads.

- ***Irregular Renovation/modernisation of State Sector Hydro Electric Project from SPA***

The State Government allocated ₹ 43.97 crore towards '*Restoration, renovation and modernisation of Lower Lagyap Hydel Project*' out of ₹ 52.80 crore allocated to the Energy and Power Department (EPD) towards retrofitting of State power projects.

Scrutiny of records revealed that the LLHP was a 34 year old project commissioned in 1979 with installed capacity of 12 MW. The water conductors, penstock pipes, power generating units and associated equipment had suffered severe damages over time due to exposure to the vagaries of weather, regular wear and tear and age and had thus become redundant. The EPD took up the long pending works towards renovation/modernisation of the LLHP from funds provided by GOI as SPA for reconstruction of infrastructure damaged by the earthquake. It was seen that only some stretches of the water conducting system and penstock had been damaged due to landslides following the earthquake of 18 September 2011. Reconstruction of this damaged portion of water conducting system/penstock only came within the ambit of the SPA support for the State under the PM's package. The EPD however, took up renovation/modernisation of the entire LLHP power project from the Central funds provided for reconstruction of infrastructure damaged by earthquake. This constituted irregular utilisation of Central plan funds provided specifically for reconstruction of earthquake damaged infrastructure.

While SPA funds allocated for reconstruction of earthquake damaged assets were irregularly allocated for renovation/modernisation of old power projects, large number of reconstruction works of power lines damaged by the earthquake remained ignored. The North District which suffered maximum damages from the earthquake had assessed damages of ₹ 70.97 crore to power transmission and distribution lines which had not been attended to. The SPA funds were thus diverted to take up long pending works of renovation and modernisation of old hydropower projects while much needed reconstruction of power supply infrastructure damaged by the earthquake remained uncared for.

The EPD *inter alia* stated (October 2013) that the Department felt necessity to undertake complete refurbishment of the old power house while carrying out restoration works of damages due to the earthquake as the power house was expected to produce substantial revenue after the renovation/modernisation of the whole system. The reply was not acceptable as funds under the SPA were provided only for restoration of damages caused by the earthquake and not for renovating or modernising the entire old systems of the power project.

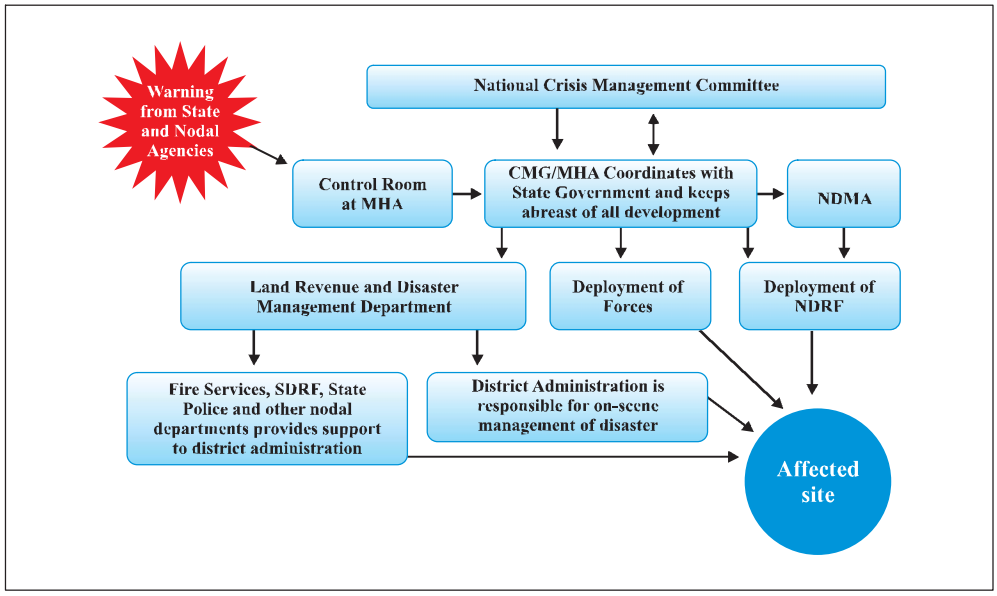
5.3.11 Communication and response system

Audit objective 5: To assess adequacy and effectiveness of the communication and response systems towards disaster preparedness.

With advancements in Information Technology, communication, disaster forecasting and quick response have become possible. Timely deployment and use of telecommunication resources play a crucial role in saving lives, mitigating disasters and providing relief operations.

Forecasting and early warning is essential for minimising loss of life and property and enabling the agencies concerned to plan rescue and relief measures. Effective early warning systems can also significantly reduce the impact of disaster on human life. Communication network for DM during disaster is shown below:

Chart 5.3.4



The communication and coordination functions for early warning, search, rescue and relief activities before, during and after a disaster were to be coordinated and controlled from the State Control Room (CR) and the Emergency Operations Centres (EOCs) located at the State Secretariat Building (CR) in the State capital and the four district headquarters (EOCs) in the four districts of the State.

5.3.11.1 Emergency Operations Centre (EOC)

EOC is an offsite facility functioning from the State/District headquarters and is an augmented control room (CR) having communication facilities and space to accommodate various emergency support functions required for disaster response. The EOC is required to assist the Responsible Officer[9] (RO) in mobilising the respective line department's resources, manpower and expertise for response and rescue. Each EOC, *inter alia*, is required to have a failsafe communication facility, adequate manpower, space and infrastructure facilities for coordinating search, rescue and relief operations as prescribed by the NDMA guidelines.

➢ ***Facilities available in the EOCs***

The State had four EOCs located in the four District Headquarters and a Control Room (CR) located at the State Secretariat Building. A District Project Officer (DPO) was in charge of each EOC in the districts supported by a Training Officer. The Control Room in the State Headquarters was headed by a Joint Director supported by a Deputy Secretary, a DPO and seven subordinate staff. Representatives of different departments met periodically in the EOCs for reviewing disaster preparedness, particularly prior to onset of monsoons. Besides this periodical exercise, the representatives, under the command of

[9] *Chief Secretary in respect of the State and District Collectors in respect of Districts.*

the Responsible Officer (RO), assembled in the EOCs during disasters for overall coordination of the situation. Adequate space was available in the EOCs/CR to accommodate participating agencies/departments. Communication facilities available in the EOCs/CR included telephone lines, internet connectivity and fax. Other available information in the EOCs/CR included contact details of emergency services, contact details of departmental nodal officers, database of NGOs, demographic details of State/District and District DM Plans.

➢ ***Facilities not available in the EOCs***

Vehicle mounted with HF/VHF and satellite telephone had not been provided to the EOCs. No plans were available for dovetailing various agencies like NDRF, paramilitary forces and Armed Forces in the EOCs. Maps depicting affected sites, resources deployed, facilities established like Incident Command Post, Staging Area, Incident Base, Camp, Relief Camp, Helibase, Helipad, etc., were also not available. Since DM plans of line Departments were not prepared, the same were not available with the EOCs. Neither Online/Web based Decision Support System (DSS) nor a standardised Command Structure with details of earmarked and trained personnel were available. Proactive planning facilities such as Comprehensive resource management system, Resource inventories of all line departments and connectivity with database of India Disaster Resource Network (IDRN), India Disaster Knowledge Network (IDKN) and Corporate Disaster Resource Network (CDRN) were also not available in any of the EOCs.

The Department *inter alia* stated (October 2013) that a number of facilities in the EOCs could not be established due to absence of funds in the State Budget for DM and other administrative constraints like proper trained manpower, frequent transfers, absence of delineation of roles and responsibilities of different officers dealing with DM etc.

5.3.11.2 Response System for disasters

The efficacy of Government's role in DM is judged largely by the quality of 'response' and its effectiveness in minimising loss of life and property of the affected people. The response to disasters also tests the level of preparedness and provides valuable lessons for future planning.

➢ ***State Disaster Response Force***

One of the vital components of DM for the State is setting up of a State Disaster Response Force (SDRF). National Policy on DM 2009 provided that the primary responsibility for DM rested with the State. Under the policy, the States were to create response capabilities from within their existing resources.

Even after more than four years of framing of the National Policy on DM, the State had not created its own SDRF. In the absence of the SDRF, the assistance of NDRF based outside the State was sought for supporting the State in the aftermath of the earthquake of 18 September 2011. The NDRF team took crucial 3-4 days to reach the most affected areas of North Sikkim. They were however, not familiar with the hilly terrain of the State for smooth operation of rescue work. At this juncture, the State did not have its own response force (SDRF) which could have coordinated with the NDRF in the rescue

operation. The State thereafter, realised the need for setting up of a response force and had accordingly raised the SDRF consisting of 16 personnel of the Sikkim Armed Police, 30 India Reserve Battalion and 30 personnel from the Home Guard and Civil Defence.

➢ ***Quick Response Teams***

The State DM Plan envisaged establishment of Quick Response Teams (QRTs) with pre-designated roles and responsibilities to respond to any disaster situation. The National DM Guidelines also envisaged establishment of QRTs equipped with latest equipment like clearing tools, probes, communication capability and medical emergency aids for the purpose of search and rescue operations during disasters. These teams were required to process the capability to be mobilised at very short notice and reach affected sites within the shortest possible time.

The LRDMD had appointed 92 QRT volunteers on temporary basis[10] during the period 2007-13. The appointments were made on recommendation of MLAs, Secretary, etc. without screening for age, educational qualification, experience, physical and mental fitness. Out of 92 QRT members, 15 members were utilised as peons and chowkidars and deployed in various Sections of the Department and district offices. No dress code had been laid down for the QRTs. While no training had been imparted to 28 members, the training imparted to other members was not uniform. There was no system of regular training for the QRTs to keep them fit and ready for facing emergency situations. Thus, appointment of QRTs in the State did not adequately serve the purpose intended in the scheme of DM.

The Department, while skirting the issue of absence of modalities for screening and appointment of QRTs, *inter alia*, stated (October 2013) that the QRTs were being trained to act in disasters. During normal situation QRTs assisted the Department in other activities. The reply did not address the issues of screening for fitness, experience and qualification required for the job of a QRT member.

➢ ***Community participation in Disaster Response***

The Department had not set up any trained and equipped teams consisting of local people in earthquake-prone areas to respond effectively in the event of an earthquake. No specific Community level teams had been developed in the districts with basic training in search and rescue operation. The Department was unaware of the role played by youth organisations such as National Cadet Corps (NCC), National Service Scheme (NSS) and Nehru Yuva Kendra Santagthan (NYKS) during the earthquake of 18 September 2011. The Department did not have any details of trained community level teams for setting up of emergency shelters, distributing relief among affected people, identifying missing people and addressing the needs of healthcare, water supply, sanitation, food, etc.

The Department *inter alia* stated (October 2013) that they had initiated process for identifying and involving reputed NGOs and Community based organisations in DM activities.

[10] *Whose services were renewed every three months.*

5.3.12 Monitoring and evaluation

Audit objective 6: To assess adequacy and effectiveness of monitoring and evaluation of relief/reconstruction activities.

There was no system in the LRDMD to obtain regular progress of relief/reconstruction activities executed by the line Departments. The nodal Department also had no mechanism to vet proposals of the executing departments to examine their appropriateness and adherence to norms which led to diversion and irregular utilisation of central funds. A monitoring Committee was constituted (December 2011) by the State Government consisting of six members headed by the Controller of Accounts as the Chairman to monitor all transactions relating to reconstruction of infrastructure damaged by the earthquake of 18 September 2011. However, no monitoring reports of the Committee were available for scrutiny.

The Department stated (October 2013) that monitoring committees were constituted for each Department undertaking repair/restoration works. Further, the Department had proposed for midterm appraisal and monitoring by a third party. However, the reply did not address the issue of absence of system for vetting departmental proposals, for obtaining regular returns and reports in prescribed formats and absence of monitoring by Committee set up by the State Government to monitor physical and financial progress of reconstruction works.

The LRDMD had not evaluated implementation of DM activities in the State during 2008-13. Evaluation of lifeline structures such as hospitals, schools, colleges, Government offices etc. and preparation of inventory of such structures for taking up retrofitting works was not done.

On the positive side the Department had taken several initiatives towards ensuring improved DM such as enactment of policy resolution on Sikkim Earthquake Management and Rehabilitation Fund, organising mass awareness on safety tips on disaster preparedness during earthquake through campaigns, Street plays, radio talks, television shows etc. after the earthquake of 18 September 2011. The Department had also initiated training of engineers and masons on safe building construction practices and landslide risk management, training of SSDMA officers/departmental officers on need of children in disaster, disaster risk management, psychosocial care on DM, Earthquake Risk Mitigation and Management and various other aspects on DM, establishment of Himalayan Institute of DM and climate change and Civil Defence Institute in the State.

5.3.13 Conclusion

The State of Sikkim is prone to frequent natural disasters, particularly earthquake and landslides. The lack of urgency to address the issue of disasters is underscored by the fact that even after more than seven years of enactment of the DM Act 2005, by the GOI, the State had not laid down a proper institutional framework with appropriate manpower

having designated roles and responsibilities to address DM in the State. The apex body, State DM Authority (SDMA) met only once during the five year period 2008-13, that too, only to discuss relief activities after the earthquake of 18 September 2011. DM had not been incorporated in the development planning process of the State. No financial resources had been earmarked in the State's Plan towards DM. The State entirely depended on Central support both for immediate relief activities as well as permanent reconstruction of damaged infrastructure. A part of the funds provided by the Central Government for relief and reconstruction activities were diverted for various purposes in violation of the specific allocation for DM related activities.

However, after the earthquake of 18 September 2011, the Government had initiated various policy resolutions and capacity building measures which are expected to strengthen DM substantially in the State.

5.3.14 Recommendation

- The State should immediately strengthen the Institutional framework for DM by clearly defining roles and responsibilities amongst officers and staff involved with DM.
- The State DM Policy should be finalised early and effective DM Plans prepared and followed at all levels *(State, Departments, Districts, Blocks, Cities and GPUs).*
- Adequate financial resources should be earmarked for activities relating to DM based on a proper DM plan for the State.
- Immediate steps may be taken to incorporate DM in the developmental planning process of the State.
- Diversion and irregular utilisation of funds provided for relief and reconstruction activities should be checked.
- The implementation of relief and reconstruction works may be strictly monitored by the Department. The Department may also consider third party monitoring through an independent agency.

DEVELOPMENT PLANNING, ECONOMIC REFORMS & NORTH EASTERN COUNCIL AFFAIRS DEPARTMENT

5.4 Roads & Bridges Projects funded under NLCPR and NEC

Sikkim became part of North-East Region (NER) in April 1998 and availed the benefit of funding from NLCPR and NEC. A number of infrastructural projects were constructed out of these funds in various sectors such as Roads & Bridges, Irrigation & Flood Control, Energy & Power, Human Resource Development Department, etc. The overall responsibility of managing NLCPR and NEC funds is primarily vested with the

Development Planning, Economic Reforms and North Eastern Council Affairs Department (DPERNECAD). The projects relating to Roads & Bridges are implemented by Roads & Bridges Department (RBD).

Audit of Roads & Bridges projects funded under NLCPR and NEC for the period 2008-13 was carried out during July-August 2013. The results of audit disclosed that due emphasis was not accorded to appropriate formulation of projects, perspective plan had not been prepared, concept papers in most cases were not submitted or were incomplete and many DPRs were prepared without proper survey and investigation leading to revision of estimates and time and cost overrun in many cases.

Analysis of financial management disclosed short release of matching share by the State Government, reporting of inflated expenditure figures to Ministry of Development of North Eastern Region (DoNER) and unauthorised expenditure on staff component and land acquisition. Similarly, analysis of project implementation revealed that in many cases the RBD had not initiated the tender procedure on time leading to delay in commencement of work, cost escalations, avoidable expenditure, irregular payment of mobilisation advances to contractors and excess payment to the contractors. The Nodal Department had neither attached due importance to quality control nor initiated suitable measures to strengthen and streamline the monitoring and evaluation system.

The RBD as well as DPERNECAD had not accorded due emphasis to formulation of projects based on assessment of infrastructural gaps in basic minimum services.

(Paragraph 5.4.7)

DPRs were prepared without proper survey and investigation leading to revision of estimates and time and cost overruns of ₹ 82.61 crore.

(Paragraph 5.4.8)

There were short releases of matching share of ₹ 8.84 crore by the State Government, unauthorised expenditure of ₹ 35.21 lakh on staff component and land compensation in contravention of the scheme guidelines.

(Paragraph 5.4.9.1 and 5.4.9.5)

None of the projects were completed within the scheduled time. The delay in execution of out of 44 projects ranged from 2 to 12 years.

(Paragraph 5.4.10.2)

Irregular expenditure of ₹ 3.92 crore was incurred on execution of various works.

(Paragraph 5.4.10.4 & 5.4.10.5)

Quality control was not attached due importance by the RBD despite having facilities to carry out various tests to ensure quality.

(Paragraph 5.4.11)

Suitable measures to streamline the monitoring mechanism were not initiated by the Nodal Department leading to change in scope of works, delayed completion of works, cost overruns, etc.

(Paragraph 5.4.12)

5.4.1 Introduction

The 'Non Lapsable Central Pool of Resources' (NLCPR) was constituted (December 1997) by the Government of India (GOI) from unspent balances of the allocated expenditure of 10 *per cent* of the budgets of Central Ministries. The broad objective of the scheme is to ensure speedy development of infrastructure in the North Eastern States by increasing the flow of budgetary financing for specific viable infrastructure projects/schemes in various sectors and to reduce critical gaps in basic minimum services such as irrigation, power, roads and bridges, education, health, water supply and sanitation etc.

The North Eastern Council (NEC) came into existence (1971) through the enactment of the North Eastern Council Act 1971 in Parliament. The NEC started functioning in 1972 as an advisory body for socio-economic and balanced development of the North Eastern States. Later the NEC (Amendment) Act 2002 entrusted the NEC with the role of a regional planning body. Since 2003-04, NEC started providing financial assistance to the North East Region (NER) states for specific projects.

Sikkim became part of the NER in April 1998. Accordingly, the benefit of funding from NLCPR and NEC was availed by the State from 1998-99 and 2003-04 respectively. A number of infrastructural projects in various sectors such as Roads & Bridges, Irrigation & Flood Control, Energy & Power, Human Resources & Development, etc. were financed out of funds made available from NLCPR and NEC.

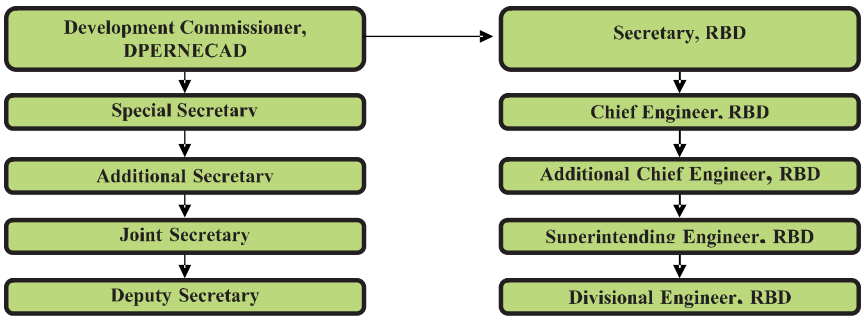
5.4.2 Organisational set up

At the State level, the responsibility for implementation of NLCPR/NEC scheme is primarily vested with the Development, Planning, Economic Reforms and North Eastern Council Affairs Department (DPERNECAD) headed by the Development Commissioner who is assisted by a Special Secretary, Additional Secretary, Joint Secretary and Deputy Secretaries.

Projects relating to Roads & Bridges are implemented by Secretary, RBD, who is assisted by a Nodal Officer nominated by him. The responsibility for execution of individual schemes within the Department rests with the concerned Superintending Engineers who are assisted by Divisional Engineers and Assistant Engineers.

The organisational structure is depicted below:

Chart 5.4.1



5.4.3 Audit objectives

The Audit was carried out to ascertain whether the funding availed from NLCPR and NEC for Roads & Bridges projects helped in ensuring speedy development of infrastructure in the State with increased flow of budgetary financing for new infrastructure projects/schemes. In addition, the objectives of the audit were to assess whether:

- There was an assessment of needs in each of the infrastructural areas and that the individual projects were planned appropriately;
- The mechanism in place for approval of the projects was adhered to and appropriate checks applied at each stage, prior to approval and after release of funds;
- Adequate funds were released in a timely manner and utilised for the specific purpose;
- Projects were executed efficiently and economically to achieve intended objectives;
- There was a mechanism for adequate and effective monitoring and evaluation of projects; and
- Impact of the scheme was analysed at various levels.

5.4.4 Audit criteria

The findings were benchmarked against the criteria given in the following documents:

- Scheme guidelines issued by Government of India;
- Instructions and circulars issued by DoNER, NEC and the State Government from time to time;
- Conditions and norms for release of funds;
- Detailed Project Reports;
- Performance indicators relevant to the Roads & Bridges sectors;
- Sikkim Public Works Code and Manual;
- Sikkim Financial Rules; and
- Prescribed monitoring mechanism.

5.4.5 Audit methodology

The process of Audit commenced with preparation of guidelines for conduct of Audit. Field audit began with a letter of engagement issued (25 July 2013) to the Development Commissioner, DPERNECAD, followed by an entry conference (July 2013) with the officers of DPERNECAD and RBD. Audit objectives, methodology, scope of audit and criteria were explained to the departments. This was followed by issue of requisition for records/data and questionnaire. Records/documents were examined and data analysis

carried out. Physical verification of assets was conducted (August 2013) jointly by Audit and departmental officers to corroborate audit observations. Audit observations were issued to RBD and DPERNECAD for their response. An exit conference was held (October 2013) with the Department wherein the findings were discussed and report finalised after taking into account the views of the departments duly incorporating the replies, wherever appropriate.

5.4.6 Scope of Audit and coverage

The Audit was carried out (July-August 2013) through test check of records in DPERNECAD and RBD covering a period of five years (2008-13) for the Roads (including Bridges) projects financed under NLCPR and NEC. The projects for audit scrutiny were selected on the basis of two stage sampling. The sanctioned projects were segregated into two strata (NLCPR and NEC) in the first stage. In the second stage, projects were selected through simple random sampling without replacement applying random table. Out of 44 projects sanctioned and operational, 20 projects were selected, indicating selection of 45 *per cent* of the total projects.

During the course of Audit, the follow up of the recommendations incorporated in the Comptroller & Auditor General's Audit Report on Government of Sikkim for the year ended 31 March 2008 and 31 March 2010 relating to NLCPR (1999-2008) and NEC (2003-10) respectively was also examined.

Audit findings

The results of Audit are enumerated in the succeeding paragraphs.

5.4.7 Planning

Audit objective 1: To assess whether critical assessment of needs in each of the infrastructural areas were done and the individual projects were planned appropriately.

NLCPR guidelines (Para-4.1) envisaged submission of a perspective plan along with a concept paper for drawing up of a priority list for the next financial year by the State Government, latest by 30 November, for availing, funding under the scheme.

Audit scrutiny revealed that:

- Perspective plan was not prepared by the DPERNECAD and thus selection of projects for drawing priority lists from the perspective plan was not feasible.
- The Priority lists submitted by the State Government to the DoNER were forwarded belatedly. The delay ranged between four and seven months. The Priority lists were also devoid of detailed gap analysis of the proposed sector and justification for the list of projects for filling those gaps.
- The Concept paper was perfunctorily prepared by drawing up a list of projects with estimated cost. Covenant of the model concept papers as enshrined in the NLCPR

guidelines on individual projects involves indicating the problems to be addressed through the project, development objectives proposed to be achieved, benefits likely to accrue quantified in terms of population and other parameters, issues relating to sustainability including operation and maintenance of assets after project completion and related issues but the same were not included in the concept paper submitted to the Ministry.

5.4.8 Project formulation

Audit objective 2: To assess that the mechanism for approval of the projects was in place and was strictly adhered to.

The NLCPR guidelines [Para-4.1(v)] envisaged upon the State Government for submission of Detailed Project Reports (DPRs) for all the projects. A DPR should be accompanied by a socio-economic feasibility report, economic and technical viability, detailed technical specifications, project implementation and monitoring schedule through Critical Path Method (CPM) and Program Evaluation Review Technique (PERT) chart, etc.

The DPRs submitted by the State Government were not accompanied by socio-economic feasibility reports, project implementation and monitoring schedule, etc. As a result, there was time overruns ranging from four to 67 months in 19 cases (one project is yet to start) and cost overrun of ₹ 82.61 crore (₹ 49.11 crore due to higher tender rate and ₹ 33.50 crore due to revision of estimates) in 12 cases.

This was despite the Public Accounts Committee's recommendation (March 2007) that implementing departments should take utmost care in preparation of DPRs to avoid cost overruns so that State exchequer was not burdened unnecessarily. The defect, however, continued as noticed from the instances given below:

➢ ***Pabong-Simchuthang-Yangyang Road***

The project "Construction and improvement of Pabong- Simchuthang-Yangyang Road" of 23 kms stretch was sanctioned (June 2008) under the State Plan at an estimated cost of ₹ 29.81 crore. The work was put to tender and awarded (September 2008) to two contractors at 22 *per cent* above the Schedule of Rates (SOR) 2006 with stipulation to complete by September 2010. As of March 2010, ₹ 3.76 crore was incurred towards the project from State fund.

While the work was in progress, DPR was revised (January 2011) to ₹ 62.84 crore and a new six kms. stretch of road was also incorporated from Yangang Bazaar to upcoming Sikkim University instead of the initial six kms. stretch road from LD Kazi Bridge to Pabong Phatak. The NEC sanctioned and approved (February 2011) the project for ₹ 62.84 crore.

Scrutiny revealed that the Department awarded (May 2011) the fresh work order without re-tendering to the same contractor who executed the initial work with stipulation for completion by March 2013. As of March 2013, ₹ 32.09 crore was expended on the

project and the project was still incomplete (40 *per cent* physical progress) owing to revision of scope of work.

Thus, the Department not only awarded the additional work to the contractor without calling for fresh tender but also could not ensure completion of the project to reap the intended benefits.

The Department stated (October 2013) that the work could not be completed in time as it was affected by landslides in the monsoons and also by the earthquake (September 2011). The Department, however, did not intimate reasons for frequent revision in scope of work which indicated defective estimate preparation.

➢ ***Steel Bridge at Makha***

The work 'Construction of 100 Metres Span Steel Bridge at Makha' under NEC was approved by the Cabinet at an estimated cost of ₹ 4.95 crore. The work was awarded (November 2007) to the lowest tenderer at 38 *per cent* above the tendered value of work. An agreement was drawn (November 2007) with the contractor with stipulation to complete the work within one year (November 2008).

Scrutiny of records revealed (August 2013) that the work had not started till November 2009. The reason for delay in commencement of work was attributed to non-finalisation of site for want of stability report of the project site. Meanwhile, RBD moved (February 2009) a proposal to revise the estimate as the contractor had showed (February 2009) his inability to execute the work as per original approved rate in view of time lag between the date of work order (November 2007) and the final selection of site (February 2009) for construction. The RBD proposed to change the length of the bridge to single span bridge (85.20 metres) from the original approved double span bridge (100 meters) in view of the stability report submitted by the Mines & Geology Department. The revised proposal at an estimated cost of ₹ 10.17 crore (original ₹ 4.95 crore) was approved (November 2009) by the Cabinet and the work was completed in February 2012.

Thus, due to delay by RBD in finalisation of site, extra expenditure of ₹ 5.22 crore was incurred beside deprival of intended benefits to the public for more than three years due to non-completion of the bridge. The span of the bridge was also reduced from double to single.

The Department assured (October 2013) that appropriate action would be taken to avoid such cost escalations in future.

➢ ***Improper planning on construction of Goskhan Dara Bridge***

The work sanctioned under NLCPR at an estimated cost of ₹ 13.38 crore was awarded (January 2007) to the lowest bidder on turnkey basis with stipulation for completion by June 2008. The project was taken up to facilitate better connectivity to the South and West Districts. The project was completed (January 2013) at an expenditure of ₹ 12.98 crore, recording a delay of 54 months. Physical verification of the project jointly with departmental officers revealed (August 2013) that though the construction of the bridge was complete, it was not open for use by vehicular traffic as shown in the photograph:

Image 5.4.1



Audit observed that the need analysis as required in the scheme guidelines for ensuring proper use of the asset was not done before obtaining sanction for the project. The construction of the bridge at the present location was fundamentally wrong as there was already a concrete bridge (LD Kazi Bridge) constructed by Gammon India Limited about a kilometre away from the newly constructed bridge. All the vehicular traffic to South and West districts was catered to by the LD Kazi Bridge. The connecting road on the other side of the newly constructed bridge which was supposed to connect the South and West districts had been closed since the last four years due to construction of hydro-electricity project of LANCO at the end point of the LD Kazi Bridge.

The Department stated (October 2013) that the construction of new bridge at Goskhan Dara was taken up to facilitate connectivity to Mangan and South-West districts as the road to existing bridge (LD Kazi) had been experiencing active slide and interrupting the vehicular traffic. The Department informed that the new bridge would be useful once the alternative highway along other side of the river bank proposed for construction by Ministry of Road Transport & Highways (MORTH) is complete. The bridge, however, was not in use as of September 2013.

➢ ***Less importance to Capacity building***

Recognising the problems of DPR preparation by the State Government, the Ministry organised capacity building training courses from time to time to impart training to officers from various states.

Audit noticed that DPERNECAD had not kept the details of the training programmes conducted by the Ministry of DoNER, number of officers imparted training during 2008-13, utilisation of services of trained officers in project preparation works, etc. This indicated that adequate importance was not attached to training although this was important in view of the deficient preparation of DPRs and its importance to avail full benefits of projects funded by DoNER/NEC.

The Department assured (October 2013) that necessary steps would be initiated to organise training for the officers and technical employees to enhance capacity building.

5.4.9 Financial management

Audit objective 3: To assess that adequate funds were released in a timely manner and utilised for the specific purpose.

The funds under NEC/NLCPR were released in the ratio of 90:10 by GOI and the State Government. The availability of funds and expenditure there against for the period 2008-13 pertaining to Roads & Bridges projects is given below:

Table 5.4.1

(₹ in lakh)

Year	Opening balance	Funds released by GOI	Funds released by GOS*	Total	Expenditure	Closing balance	% of non-utilisation of funds
NLCPR							
2008-09	477.08	3,355.52	372.83	4,205.43	1,530.99 (36)	2,674.44	64
2009-10	2,674.44	81.17	9.02	2,764.63	1,737.97 (63)	1,026.66	37
2010-11	1,026.66	2,222.47	0.00	3,249.13	1,275.34 (39)	1,973.79	61
2011-12	1,973.79	1,010.48	0.00	2,984.27	2,016.46 (68)	967.81	32
2012-13	967.81	5,065.99	200.00	6233.80	3,288.37 (53)	2,945.43	47
		11,735.63	**581.85**		**9,849.13**		
NEC							
2008-09	60.50	1,660.28	184.48	1,905.26	1,712.35 (90)	192.91	10
2009-10	192.91	3,002.03	609.56	3,804.50	1,836.20 (48)	1,968.30	52
2010-11	1,968.30	1,115.29	145.20	3,228.79	2,710.99 (84)	517.80	16
2011-12	517.80	2,291.67	0.00	2,809.47	2,358.63 (84)	450.84	16
2012-13	450.84	3,215.00	150.00	3,815.84	3,335.22 (87)	480.62	13
		11,284.27	**1,089.24**		**11,953.39**		

Source: Departmental figures. Figures in brackets indicate percentage.
**GOS: Government of Sikkim*

Audit noticed that the year-wise actual expenditure ranged from 36 to 68 *per cent* and 48 to 90 *per cent* of the available funds for NLCPR and NEC projects respectively indicating the Departments' lack of adequate preparedness for implementing the scheme despite clear stipulation in the guidelines for expeditious utilisation of funds. This led to accumulation of funds (savings) ranging from ₹ 9.68 crore (32 *per cent*) to ₹ 29.45 crore (47 *per cent*) under NLCPR and ₹ 1.93 crore (10 *per cent*) to ₹ 19.68 crore (52 *per cent*) under NEC during 2008-13.

5.4.9.1 Short release of State matching share

As per the agreed funding pattern, the State Government was required to release 10 *per cent* of matching share against the release of GOI. Only after the release of matching share by the State Government, the subsequent instalments were to be released by the GOI. The details of funds released by the State Government as matching share are given below:

Table 5.4.2

(₹ *in lakh*)

Year	Funds released by GOI	Matching State share	Funds released by GOS	Short (-) /excess (+) release of State matching share
NLCPR				
2008-09	3,355.52	372.83	372.83	0
2009-10	81.17	9.02	9.02	0
2010-11	2,222.47	246.94	0.00	(-) 246.94
2011-12	1,010.48	112.28	0.00	(-) 112.28
2012-13	5,065.99	562.89	200.00	(-) 362.89
Total	**11,735.63**	**1,303.96**	**581.85**	**(-) 722.11**
NEC				
2008-09	1,660.28	184.48	184.48	0
2009-10	3,002.03	330.59	609.56	(+)278.97
2010-11	1,115.29	123.92	145.20	(+)21.28
2011-12	2,291.67	254.63	0.00	(-) 254.63
2012-13	3,215.00	357.22	150.00	(-) 207.22
Total	**11,284.27**	**1,250.84**	**1,089.24**	**(-) 161.60**

Source: Departmental figures

It would be seen from the above table that against the requirement of matching share of ₹ 25.55 crore for the years 2008-09 to 2012-13 (₹ 13.04 crore-NLCPR and ₹ 12.51 crore-NEC), only ₹ 16.71 crore (₹ 5.82 crore-NLCPR and ₹ 10.89 crore-NEC) were released by the State Government resulting in short release of ₹ 8.84 crore (₹ 7.22 crore-NLCPR and ₹ 1.62 crore-NEC) by the State Government. This was in violation of the scheme guidelines as the State Government did not adhere to its obligations of releasing its share in time.

5.4.9.2 Misreporting of expenditure to the Ministry

According to NLCPR guidelines (Para 8.3), the second instalment of funds for the project would be released depending upon the physical and financial progress of the work, subject to utilisation of at least 80 *per cent* of the last release.

Audit scrutiny revealed that the RBD while forwarding the quarterly progress report (QPR) along with the utilisation certificates (UCs) of on-going projects for the quarter ending March 2013 exaggerated the expenditure figures in respect of 13 projects funded by NLCPR (8) and NEC (5). Figures were increased from ₹ 61.84 crore to ₹ 66.70 crore and ₹ 33.49 crore to ₹ 33.80 crore for NLCPR and NEC respectively. This led to misreporting of expenditure to DoNER for availing subsequent instalments beyond their entitlement.

It was further noticed that 23 QPRs (26 shown to audit out of a total of 40 projects) and UCs were submitted belatedly. The delay ranged from 18 to 108 days. Milestone and time frame for the requisitioned funds were not mentioned in any of the cases checked in audit.

The Department stated (October 2013) that the figures were wrongly reported due to oversight which would be rectified in future.

5.4.9.3 Absence of supervision over release of funds to implementing Department

According to the NLCPR guidelines (Para 8.6), funds released from the Pool must be transmitted to the implementing agency by the State Government within 15 days from the

date of release of funds by GOI. A certificate to this effect was also to be sent to the DoNER by the State Planning Department (DPERNECAD).

It was observed that DPERNECAD had neither kept proper records indicating actual date of transfer of funds to RBD nor furnished certificates to the DoNER that the funds were transmitted to implementing departments within 15 days of receipts of funds as required under the guidelines.

5.4.9.4 Unauthorised expenditure on staff component and land compensation

Guidelines (Para-4.1 (viii)) issued by DoNER prohibited incurring of expenditure from scheme funds towards staff component and land compensation. Despite this specific stipulation, RBD incurred ₹ 23.76 lakh towards payment of muster roll (MR) staff (₹ 5.35 lakh) and land compensation (₹ 18.41 lakh) in five cases from scheme funds, which was irregular and unauthorised.

It was also noticed that the above staff employed were never deployed towards execution of works relating to the NLCPR schemes but were engaged in the head office of the Department, divisional offices, stores, etc.

Certification by the Secretary, RBD and also countersignature by the Development Commissioner, DPERNECAD that necessary checks had been exercised before submission of UCs, were thus incorrect and misleading in view of inclusion of expenditure towards MR payments and land compensation.

The Department assured (October 2013) that such expenditure would be avoided in future.

5.4.10 Project Implementation

Audit objective 4: To assess that the projects were executed efficiently and economically to achieve intended objectives.

The status of projects indicating projects in hand as on 1 April 2008, new projects sanctioned and completed during 2008-13 and the projects remaining incomplete as of March 2013 is given below:

Table 5.4.3

Scheme		Projects as on 1 April 2008	Projects sanctioned during 2008-13	Projects completed during 2008-13	Projects lying incomplete on 31 March 2013
NLCPR	No. of Roads	5 (59)	8 (106.30)	2 (34)	11 (131.30)
	No. of Bridges	4	9	2	11
NEC	No. of Roads	15 (146)	4 (65)	13 (126)	6 (85)
	No. of Bridges	11	1	10	2

Figures in brackets indicate kilometres
Source : Departmental figures.

Defects noticed in connection with implementation of projects were highlighted in Comptroller & Auditor General of India's Audit Report on Government of Sikkim for the year ended 31 March 2008 and 31 March 2010, relating to NLCPR (1999-2008) and NEC (2003-10). Audit noticed that the defects and aberrations such as cost escalation and delay

in completion of works continued despite PAC's recommendations (March 2007) as evidenced from the following:

5.4.10.1 Tendering and award of work

NLCPR guidelines (Para 7.1) require the Implementing Department to award the works to the contractors within three months of sanction of the projects by the Ministry (even without waiting for the release of funds from State Government to implementing agency), duly following appropriate tender procedure through wide publicity in print media, website etc.

Audit scrutiny revealed that the RBD failed to initiate the tender procedure on time leading to delay in award of works to the contractors. 36 (out of 44) projects were awarded belatedly recording a delay of one to 32 months. Delayed initiation also led to delayed completion of projects and cost escalation due to time overruns, reflected in subsequent paragraphs.

➢ ***Sang khola to Sumin (1st to 12th Km)***

The Work 'Sangkhola to Sumin Road 1st to 12th Km was sanctioned (February 2010) by NEC at an estimated cost of ₹ 14.05 crore. The terms of sanction (February 2010) by NEC stipulated that the work be completed within two years (i.e. by March 2012).

The RBD tendered (November 2008) the work in two parts –first stretch from 1st to 5th Km and the second stretch from 6th to 12th Km, prior to approval given by the NEC. While the construction of 1st stretch of road (1st to 5th Km) remained incomplete for more than one year beyond the scheduled date of completion (August 2012) despite incurring ₹ 4.19 crore, the construction of the second stretch (6th to 12th Km) had not started as of August 2013. This was due to the fact that stretch of work (6th to 12th Km) was under execution by another contractor for Pradhan Mantri Gram Sadak Yojana (Stage-I) by Rural Management & Development Department (RMDD).

The RBD instead of cancelling the work for second stretch (6th to 12th Km) obtained (October 2010) approval of the State Cabinet for construction of work of four kms (13th to 16th Km) at the end point and another three kms approach road to Mangthang School, at different location. The contractor accordingly commenced and executed hill cutting work of around 1.5 kms at the above locations (approach road to Mungthan School). The NEC, while agreeing to accord sanction to extension of four kms of the road beyond 12th Km (13th to 16th Kms), refused (August 2012) to accord extension of three kms stretch of approach road, which was at a different location. This indicated that the projects were selected and tendered by the Department without reference to ground realities and the actual requirement to fill the infrastructural gap. Not only this, mobilisation advance of ₹ 92.41 lakh released (September 2010) to the contractor also remained unrealised.

The Department stated (October 2013) that the overlapping of the proposed alignment was due to oversight and assured that such lapses would be avoided in future.

➢ ***Turung High School to Suminkhor Primary school***

The construction of 'Turung High School to Suminkhor Primary School Road', a four kms stretch was sanctioned under NEC (May 2007) at an estimated cost of ₹ 3.81 crore for providing benefits to the school and its surrounding areas. The work was awarded (November 2011) to the Contractor for completion by August 2012.

Physical verification by Audit in the presence of Departmental Officers revealed (August 2013) that the road was not connected to the Suminkhor School as envisaged in the sanctioned estimate and the Detailed Project Report. The road was closed abruptly mid-way at four kms and thus did not reach the end point (Primary school) for which the project was designed. The left out distance from the end point of the newly constructed road to the primary school was around two kms. The road was not yielding value for money since it did not reach the end point and instead ended abruptly mid-way.

The Department stated (October 2013) that the construction of remaining portion of the road was being considered. As of October 2013, the proposal, however, had not been moved for construction of the road.

5.4.10.2 Delay in completion of work

Scrutiny of project execution files and QPRs of the projects revealed that none of the projects were completed within the scheduled time. The delay in execution of 44 projects valuing ₹ 219.33 crore (₹ 117.22 crore for NLCPR + ₹ 102.11 crore for NEC) ranged from four months to 12 years as detailed below:

Table 5.4.4

Delay in completion of projects				Total delayed projects	Expenditure (₹ in crore)
4 months to 1 year	1 year to 2 years	2 to 5 years	5 years and above		
8	5	26	5	44	219.33

Audit scrutiny revealed that the projects were delayed primarily owing to delayed initiation of tendering process, delay in obtaining forest clearance, delayed land acquisitions, frequent revision of estimates, etc. Both RBD and DPERNECAD failed to initiate suitable steps to complete the projects within the scheduled time. The Nodal Department (DPNERCAD) neither carried out quarterly reviews of the projects as envisaged in the guidelines nor monitored the progress from time to time for ensuring expeditious completion. Non-completion/delayed completion of projects led to postponement of accrual of intended benefits from the projects even after spending ₹ 219.33 crore on those projects.

Audit analysis of some of the selected projects is enumerated below:

➢ ***Pakyong-Manchong-Rolep Road Km 1st to 35th***

The project was taken up at an estimated cost of ₹ 33.39 crore from the funds availed from DoNER under NLCPR. The work commenced (February 2009) with stipulation for completion within two years (by January 2011). Physical verification (August 2013) by Audit in the presence of Departmental Officers revealed that the work was incomplete

even after expiry of more than two years beyond the scheduled date of completion due to landslides and slow pace of work by the contractor. The physical progress after incurring ₹ 32.23 crore was 43 *per cent* as of August 2013.

Physical Verification (August 2013) disclosed that out of three steel bridges to be constructed under the project, foundation work of two bridges had commenced. The steel bridge parts procured during 2009 were lying haphazardly on the road side as seen in the photographs:

Image 5.4.2

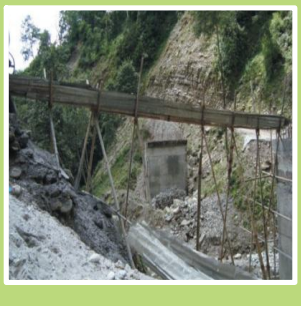


Image 5.4.3



Image 5.4.4

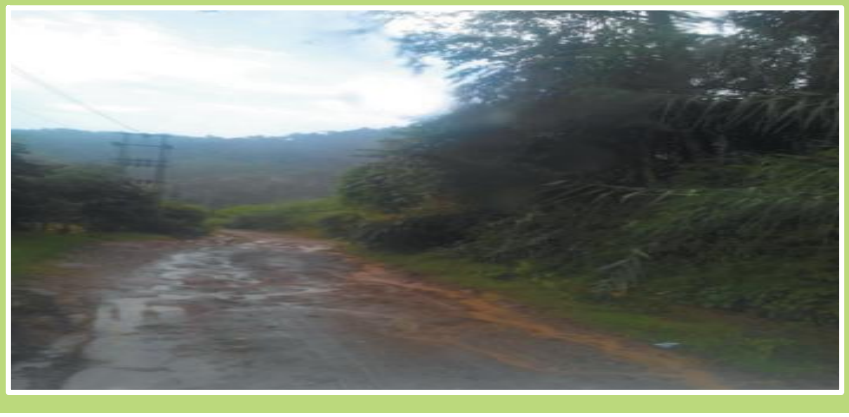


The Department stated (October 2013) that delay was due to landslides as most of the alignment of the road passes through the land slide prone area. The fact remained that the project was already behind schedule by two and half years as of October 2013 and foundation work of one (out of three) had not commenced as of October 2013.

➢ ***Sreebadam-Mangalbaria Road (18.30 Km)***

The project was sanctioned by DoNER under NLCPR for ₹ 16.80 crore. The construction of the road commenced in March 2009 and was scheduled to be completed by March 2011. As of August 2013, the work was completed to the extent of 70 *per cent* (₹ 4.77 crore). This was stated to be partly owing to frequent landslides and involvement of many contractors. Physical Verification (August 2013) disclosed that the work was not complete and was under progress as seen in the photograph.

Image 5.4.5



Audit observed that the tender for the work was invited by splitting the work in two phases. The second phase was awarded in November 2011 by further splitting the work in eight parts. The project was already behind the scheduled date of completion by two and half years as of August 2013.

The Department accepted (October 2013) the audit observations.

➢ ***Namchi-Damthang-Rabongla Road (1st to 26th Km)***

The work "Surface Strengthening, drainage and protective work on Namchi-Damthang-Rabongla Road (1st to 26th km) was sanctioned (2004-05) under NLCPR at an approved cost of ₹ 12.07 crore. The work was awarded (January 2004) to the lowest bidder at 18 *per cent* above the estimated cost with stipulation to complete the same by June 2006. The estimate of the work was revised (June 2006) to ₹ 16.68 crore with a revised target date for completion by December 2007. The work was completed (April 2009) after a delay of 26 months. This was despite release (March 2005) of ₹ 2.39 crore towards Mobilisation Advance to the contractor for expeditious completion. Further, the Department allowed the higher cost to the contractor above the agreed rates (₹ 3,111 to ₹ 7,111 instead of ₹ 2,205/drum) for 6,100 drums of bitumen which were procured after December 2007, leading to an excess committed expenditure of ₹ 1.79 crore.

The Department assured (October 2013) that such lapses would be avoided in future. Department should take corrective action against authorities responsible for such overpayment.

5.4.10.3 Extra expenditure

Sikkim Public Works Code (Section 58) requires every officer authorised to incur expenditure to be guided by high standards of financial propriety, to enforce strict economy and to ensure that relevant financial rules and regulations are observed not only by him but also his subordinate officers. This is to ensure that all works are executed expeditiously with due regard to economy and effectiveness. The RBD, however, has not been able to adhere to this prescription in many cases leading to extra expenditure and undue favours to contractors as detailed below:

➢ ***Excess payment due to insertion of double centage charges***

The SOR is prepared on the basis of the AOR which is applicable to works departments and is used to calculate the cost per unit of each item of work. The actual cost and quantity of labour required for the execution of a particular quantity of work can, thus, be worked out from the AOR. The unit cost of 'Coarse Rubble Stone Masonry (CRSM)' was accordingly arrived at ₹ 1,584.83 per cum in the AOR 2006.

Test check of records revealed that while fixing the rate for item of work CRSM, a component of cement concrete 1:3:6 mix is included in the analysis along with the other components. The Department, while preparing the item rate, allowed centage charges (such as tools & plant, sundries and water supply & electricity charges) uniformly in all components including that of cement concrete 1:3:6 mix. Since the item rate of cement

concrete 1:3:6 was already inclusive of centage charges of 5.65 *per cent* (tools & plant-1.15 *per cent*; sundries-3 *per cent* and water supply & electricity charges-1.50 *per cent*), inclusion of same charges again in the analysis resulted in double inclusion of centage charges in CRSM resulting in enhancing the cost of CRSM by ₹ 33.38 per cum (instead of ₹ 1,551.35 per cum, ₹ 1,584.73 per cum was fixed). In execution of 1,20,868 cum of 1:4:8 CRSM item pertaining to 19 works, the Department incurred an excess expenditure of ₹ 30.24 lakh. Thus, insertion of double centage charges in the AOR led to extra expenditure of ₹ 30.24 lakh besides providing undue benefit to the contractors.

The Department stated (October 2013) that the inclusion of double centage was a clerical mistake and was rectified in the subsequent SOR 2012. However, due to this mistake extra expenditure had already been incurred which had not been recovered.

5.4.10.4 Irregular grant of Mobilisation Advances and non- recovery thereof

Sikkim Public Works Manual 2009 (*Para-24.6)* permitted grant of Mobilisation Advances (MA) at simple interest of 10 *per cent* per annum in respect of certain specialised and capital intensive works above ₹ 10 crore. Recovery of such advances would be made on a pro-rata basis to the gross value of the work billed beyond 10 *per cent* to ensure recovery of entire MA before execution and payment of 60 *per cent* of the gross value of the contract. Audit noticed the following:

- ***Irregular release of MA to contractors***

The RBD released MAs amounting to ₹ 18.79 crore in respect of seven works (out of 20). Scrutiny of records revealed that six contractors, to whom MA amounting ₹ 15 crore was released between March 2005 and August 2011, were not eligible for grant of MA as per norms. Further, progress of works in those seven cases was not commensurate with the scheduled date, recording delays ranging between four and 52 months. This indicated that the resource mobilisation in terms of manpower and material by the contractors in the interest of early completion of work as envisaged in the Manual was not ensured despite availing MA.

The Department stated (October 2013) that the Mobilisation Advance was granted to the contractors after due approval of the Government. The grant of MA was, however, in violation of the provisions in the Manual.

- ***Non recovery of mobilisation advances and interest***

RBD released payment of running bills of works without effecting recovery of MA of ₹ 1.34 crore from two contractors (Upgradation of Pakyong-Machong-Rolep and Upgradation of Tintek-Dikchu roads: ₹ 97.85 lakh *plus* ₹ 35.92 lakh).

Similarly, in eight works, RBD had not recovered interest on MA amounting to ₹ 3.62 crore from the contractor's running bills. Release of running bills to the contractors without deducting the MA and also the mandatory interest is tantamount to extending undue benefits to the contractors.

The Department stated (October 2013) that the MA along with interest shall be recovered from all the contractors prior to the financial closure of the project.

5.4.11 Quality Control

The Ministry of Road Transport and Highways (MORTH) prescribed various quality control tests to be carried out at regular intervals and at the required frequency for road construction.

Audit examination revealed that quality tests as stipulated by the MORTH were not adequately carried out by the Department as evidenced from the following:

The Department had established (2003-04) a quality control laboratory at Tadong, Gangtok with the objective of carrying out quality tests on materials. It was however, noticed that the quality control laboratory was not utilised in full. The Quality assurance test for compressive strength of concrete, aggregate impact test and sieve analysis of fine aggregate in respect of only one project (out of 20 selected in audit) was found to have been conducted in September 2012.

Similarly, the mandatory tests like test to determine CBR of soil, swell test to determine swell index/expansion ratio and tests to determine quality of cement and bitumen were never carried out although facilities for carrying out such tests were available in the laboratory. This was despite RBD's circular (May 2009) for carrying out compulsory testing of materials for all works of ₹ one crore and above.

Further, ₹ 42.37 lakh allocated for ensuring quality control of the projects by the funding agencies (NLCPR and NEC) was also not spent by the RBD towards quality control works during the execution of the projects and instead utilised for meeting higher tender costs on civil works. This indicated that the orientation of the Department was more towards expenditure intensive works in the field than on carrying out quality checks to ensure quality execution of works.

The Department stated (October 2013) that the quality control tests are mandatory aspects of the project and submission of quality certificates shall be ensured in future.

5.4.12 Monitoring and evaluation

Audit objective 5: To assess the adequacy and effectiveness of the monitoring and evaluation mechanism.

Non-existence of adequate monitoring mechanism was pointed out in earlier Audit Reports (2004 and 2008). The Public Accounts Committee also recommended (March 2007) the strengthening of the existing mechanism in the interest of better implementation of the projects. The Nodal Department (DPERNECAD) however, had not initiated suitable measures to streamline the monitoring and evaluation system as would be evident from the following:

➢ ***Release of funds***

The DPERNECAD, despite being the nodal authority, for implementation of the programme, had no information about the release of funds by DoNER and NEC through Finance, Revenue and Expenditure Department to the project implementing departments and expenditure incurred against it.

➢ ***Submission of returns***

According to the NLCPR guidelines (Para-8.1), the project-wise progress of implementation shall be reported on a quarterly basis. The State shall report the progress in respect of each project at the end of the quarter. Such QPRs should reach the Joint Secretary of the Ministry of DoNER within three weeks of the end of the quarter under report. It was however, seen in audit that the executing line departments failed to submit the progress reports, utilisation certificates etc. in time to the nodal department (DPERNECAD). The nodal department also consequently failed to submit the same to the Ministry of DoNER and NEC in time. The delay in forwarding of the quarterly progress reports by the DPERNECAD to the Ministry ranged between 18 days and 108 days.

➢ ***Lax periodical inspection by nodal department***

The State Government (Nodal Department) was required to carry out periodical inspection of projects and indicate the findings through separate and distinct sections in the quarterly review report. No such finding was found included in the quarterly review report indicating that no periodical inspection was ever carried out by the nodal department during 2008-13. Thus, the monitoring by nodal department was lax.

5.4.13 Transparency and Publicity of Information

NLCPR guidelines (Para 10) requires the implementing departments to ensure that the information about developmental schemes being financed through NLCPR and NEC reaches the targeted beneficiaries. To ensure greater transparency and publicity of information, it was imperative to give wide publicity about the scheme in local media, display a sign board at project site and disseminate information through appropriate means to the public. Audit noticed that adequate steps were not initiated by RBD and DPERNECAD as evidenced from the following:

➢ ***Display board at project site***

Display board at project site, immediately after sanction of the project, indicating the date of sanction of the project, likely date of completion, estimated cost of the project, source of funding, physical target, name of the contractor, etc. was not erected by the implementing Department in 5 (out of 10) cases.

Similarly, permanent display at the site like plaque on the wall etc. indicating funding agency, date of commencement/ completion, cost involved, name of the contractor, etc.

for identification of the projects were not seen in any of the four[11] cases physically verified (August 2013) by Audit along with Departmental Officers.

The Department stated (October 2013) that there are strict direction from the Government for display of information board on all project sites. Omissions, if any, shall be taken care in future.

➢ ***Dissemination of information***

Dissemination of information about the scheme through media, print, electronic and other appropriate means as enshrined in the scheme guidelines was not initiated by the State Government.

5.4.14 Impact Studies

Audit objective 6: To assess that the impact of the scheme was analysed at various levels.

No impact study about the status of implementation had been carried out by any agency. The shortfall in convening of meetings at Chief Secretary level was pointed out in Audit Report (2008). However, no improvement was brought about. During 2008-13, quarterly meetings headed by the Chief Secretary, as stipulated in the scheme guidelines (Para 8.2) were not convened even once.

5.4.15 Conclusion

Implementation of projects over a five year period (2008-13) revealed that out of a total of 44 projects, only 18 (41 *per cent*) were completed. None of the projects were completed within the scheduled dates. The physical progress of incomplete projects ranged between 11 and 98 *per cent* as of March 2013. The completed projects (18) also recorded a delay in completion ranging between one and 12 years beyond the scheduled date of completion. Similarly, out of total funds of ₹ 246.91 crore released during 2008-13, ₹ 218.03 crore was incurred during 2008-13. Out of ₹ 218.03 crore spent, irregular, unauthorised and excess expenditure of ₹ 19.27 crore were noticed in Audit. The closing balances, coupled with irregular excess expenditure and slow pace of implementation of projects showed that the speedy development of infrastructure projects was not achieved to the desired extent.

5.4.16 Recommendations

The following recommendations are made:

➢ The RBD should prepare Detailed Project Reports after in-depth study of infrastructural gaps, cost-benefit analysis, proper surveys and investigation.

[11] *(i) Assam Pakyong Road; (ii) Rabong-Damthang- Namchi Road, (iii) Turung to Suminkhor Road, (iv) Somabari- Hilley Road*

- Time and cost overruns should be avoided to ensure optimum utilisation of funds sanctioned.
- Contract management should be improved to avoid irregular and excess expenditure.
- Monitoring and evaluation mechanism should be strengthened to ensure availing of full and timely benefit from the projects.

Follow up of Audit Observations

CHAPTER VI

FOLLOW UP OF AUDIT OBSERVATIONS

6.1 Follow-up action on earlier Audit Reports

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

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

It was however, noticed that as of May 2013, in more than 85 *per cent* cases, the concerned administrative departments had not submitted the explanatory notes on the paragraphs/reviews included in the Audit Report pertaining to the year 2010-11. In respect of Audit Report for the year 2011-12, explanatory notes had not been submitted by concerned departments in any case.

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

FRED issued instructions to all departments to submit Action Taken Notes (ATNs) 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 Executives to the Legislature and it is appropriate that they elicit timely response from the departments in the form of ATNs.

As of November 2013, out of 563 recommendations of the PAC, made between 1990-91 and 2007-08, ATNs in respect of all the recommendations had been submitted to the PAC and discussed.

6.3 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 DAAC's function was to

monitor the response and corrective action on findings reported in the Inspection Reports issued by the Principal Accountant General (Audit). It was to hold meetings once in three months and send quarterly action taken report on the issues to the State Audit and Accounts Committee.

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.

After formation of DAAC and SAAC by the State Government, only Human Resource Development Department approached the Office of the Principal Accountant General (Audit) to settle outstanding paragraphs and IRs during 2011-12. During 2012-13, not a single Department approached the Office of the Principal Accountant General (Audit) on this matter.

6.4 Outstanding Inspection Reports

The Principal Accountant General (Audit), Sikkim (PAG) conducts periodical inspection of the Government departments to test check the transactions and verify the maintenance of important accounts and other records as prescribed in the rules and procedures. These inspections are followed up 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 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 PAG within one month form the date of the issue of the IRs. Serious irregularities are reported to the Heads of the departments and the Government.

The position of outstanding IRs pertaining to Civil (Expenditure audit including that of Works, Forest and Autonomous Bodies), Revenue (Audit of Revenue departments) and Commercial (Audit of Public Sector Undertakings) audit as of October 2013 is shown below:

Table 6.1

Year	Civil (*including works, Forest and autonomous bodies*)		Revenue		Commercial	
	No. of IRs	Paragraphs	No. of IRs	Paragraphs	No. of IRs	Paragraphs
Upto 2008-09	524	980	94	197	20	35
2009-10	80	187	09	13	6	12
2010-11	122	389	15	35	5	13
2001-12	59	215	07	32	13	42
2012-13	61	302	09	33	9	55
Total	**846**	**2,073**	**134**	**310**	**53**	**157**

This large pendency of IRs is indicative of absence of adequate action to rectify the defects, omissions and irregularities pointed out through IRs by the Heads of offices and Heads of the departments.

6.5 Departmental Audit Committee Meetings

During Audit Committee Meetings held in 2012-13, 11 Inspection Reports and 89 paragraphs were discussed out of which 31 paragraphs were settled.

Gangtok **(L. Angam Chand Singh)**
The **Principal Accountant General (Audit), Sikkim**

Countersigned

New Delhi **(Shashi Kant Sharma)**
The **Comptroller and Auditor General of India**

Appendices

Appendix 1.1

Audit conducted during 2012-13 under Social Sector

(*Reference: Paragraph 1.2; Page 2*)

(₹ *in crore*)

Name of the unit	Expenditure of the unit (*i.e. expenditure of the unit for the financial year for which audit conducted*)			
	2009-10	2010-11	2011-12	2012-13
Secretary, Social Justice & Empowerment Department (Welfare Division)	-	7.00	7.13	-
Secretary, Social Justice & Empowerment Department (Women & Child Welfare Division)	-	1.99	1.00	-
Deputy Inspector General of Police Headquarters	-	9.61	5.19	-
Secretary, Ecclesiastical Department	-	-	17.57	-
Director General-cum-Secretary, Health & Family Welfare Department	-	-	-	22.17
Secretary, Food & Civil Supplies Department	-	-	19.40	20.55
Jt. Director, Human Resource Development Department (East District)	-	-	107.53	107.89
Jt. Director, Human Resource Development Department (North District)	-	18.81	15.57	16.86
Jt. Director, Human Resource Development Department (South)	-	60.92	48.18	54.28
Principal, Government College	-	-	6.87	7.51
Secretary, Human Resource Development Department	-	-	47.28	83.21
Total		**98.33**	**275.72**	**312.47**

Appendix 2.1

Audit conducted during 2012-13 under Economic Sector

(*Reference: Paragraph 2.2; Page 9*)

(₹ *in crore*)

Name of the unit	Expenditure of the unit (*i.e. expenditure of the unit for the financial year for which audit conducted*)			
	2009-10	2010-11	2011-12	2012-13
Tourism & Civil Aviation Department (West)	0.19	0.38	0.22	0.24
Divisional Engineer, Water Security & Public Health Engineering (South)	-	-	48.22	-
PCE-cum-Secretary, Water Security & Public Health Engineering Department				
Tourism & Civil Aviation Department	-	61.58	39.74	-
Secretary, Co-operation Department	-	-	10.55	-
Secretary, Commerce & Industries Department	-	47.52	22.81	-
Secretary, Food Security & Agriculture Development Department	-	54.08	63.51	-
Principal Secretary, Transport Department (Motor Vehicle Division)	-	-	-	4.20
Principal Secretary, Transport Department (Sikkim Nationalised Transport)	-	-	-	41.67
Assistant Engineer, Roads & Bridges Department (North)	-	5.18	3.86	-
Superintending Engineer, Roads & Bridges Department (South)	-	-	8.30	-
Divisional Engineer, Irrigation & Flood Control Department (North)	-	0.64	0.84	0.79
PCE-cum-Secretary, Building & Housing Department	-	-	-	44.38
PCE-cum-Secretary, Irrigation & Flood Control Department	-	-	-	151.44
PCE-cum-Secretary, Roads & Bridges Department	-	-	104.96	257.09
Secretary, Horticulture & Cash Crops Development Department	-	-	35.98	32.95
Secretary, Rural Management & Development Department	-	-	125.02	-
Total	**0.19**	**169.38**	**464.01**	**532.76**

Appendix 2.3.1

Package wise details of status of execution of RGGVY works as on 30 November 2013

(*Reference: Paragraph 2.3.3.5; Page 18*)

Sl. No.	Name of the Contractor	Awarded Cost[1] (₹ in crore)	Actual Exp. (₹ in crore)	Date of award of work	Schedule date of completion	Actual date of completion	Time over-run[2] (upto November 2013)
East District							
1.	M/s Laxmi Hi Tech Ltd	48.61	44.86	February 2009	August 2010	In progress	39 months
West District							
2.	M/s N. B. Dahal	29.79	24.90	February 2009	August 2010	In progress	39 months
3.	M/s Pem Dorjee Bhutia	17.89	10.12	February 2009	August 2010	November 2011	15 months
North District							
4.	M/s Chewing Gyatso Lachungpa	26.87	26.91	February 2009	August 2010	May 2011	9 months
5.	M/s Janam Lachenpa	4.63	4.01	February 2009	August 2010	July 2011	11 months
6.	M/s Tshering Lachungpa	3.94	2.21	February 2009	August 2010	In progress	39 months
South District							
7.	M/s Shankar Agarwal	26.58	22.84	February 2009	August 2010	In progress	39 months
8.	M/s Tsewang Gyatso Kaleon	19.80	13.67	February 2009	August 2010	In progress	39 months
	Total:	**178.11**[3]	**149.52**				

Source: Data collected from EPD

Appendix 2.3.2

Revised cost variation statement

(*Reference: Paragraph 2.3.3.6; Page 18*)

Districts	Number of BPL Households as per 2006 DPR	Original approved project cost[4] ₹ in crore	Number of BPL Households as per the detailed survey	Increase in Number (*per cent*)	Increase in cost-₹ in crore (*per cent*)
East	4672	40.22	4830	158 (3.38)	13.34 (33.17)
West	2977	38.78	3442	465 (15.62)	14.29 (36.85)
South	3062	37.52	3062	-	13.25 (35.31)
North	747	32.39	747	-	6.75 (20.84)
Total	**11,458**	**148.91**	**12,081**	**623 (5.44)**	**47.63 (31.99)**

Source: REC sanction letters dated 5 Jan 2009 and 15 Feb 2012

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1 *Includes cost of quantity variation also work order for which was issued in September 2012.*

2 *Since the work order for quantity variation was issued in September 2012 with a completion time of 12 months, time overrun has been worked out for original work order only.*

3 *Project cost including additional quantity variation of ₹196.54* ***crore*** *reduced by cost of overhead charges to EPD and agency charges to REC.*

4 *Original cost as approved (December 2006) by GoI was ₹57.10 crore which was revised (January 2009) to ₹148.91 crore.*

Appendix 2.3.3

Statement showing the payment of excess Mobilisation Advance

(*Reference: Paragraph 2.3.3.21; Page 27*)

(₹ *in crore*)

	Name of the Contractor	Contract Price		As per REC terms		
		Supply	Erection	15% on supply	10% on erection	TOTAL MA
1	Laxmi Hi-Tech Pvt Ltd	26.54	9.38	3.98	0.94	4.92
2	Nar Bdr Dahal	19.00	5.33	2.85	0.53	3.38
3	Pem Dorjee Bhutia	7.52	2.92	1.13	0.29	1.42
4	Chewang Gyatso Lachungpa	16.42	5.58	2.46	0.56	3.02
5	Janam Lachenpa	3.38	0.85	0.51	0.09	0.60
6	Tshering Lachungpa	2.39	0.71	0.36	0.07	0.43
7	Shankar Agarwal	17.66	4.84	2.65	0.48	3.13
8	Tsewang Gyatso Kaleon	8.12	3.15	1.22	0.32	1.54
	TOTAL	**101.03**	**32.76**	**15.16**	**3.28**	**18.44**
	Total mobilisation advance paid					33.36
	Excess amount paid					**14.92**

Appendix 2.3.4

Details of three tier Inspection Mechanism under RGGVY

(*Reference: Paragraph 2.3.5.3; Page 31*)

Details	First Tier	Second Tier	Third Tier
Responsibility	EPD (project implementing agency)	REC	Ministry of Power
Inspection agency selected by (a) above	Biecco Lawrie Limited	Consultancy Engineering Services (India) Pvt. Ltd	WAPCOS Limited
Purpose of inspection	Ensure that all the materials to be utilised and the workmanship conform to the prescribed specifications	Quality checks at pre-shipment stage at the vendors' outlet of major materials	For evaluation, at random, of supply and erection under the programme.
Coverage	50 *per cent* villages on random sample basis for each project and 10 *per cent* pre-dispatch inspections of major items.	10 *per cent* villages on random sample basis	One *per cent* village

Source: GoI notification (March 2005) and Departmental records

Appendix 2.3.5

Details of assets created under RGGVY scheme

(*Reference: Paragraph 2.3.5.8; Page 32*)

Particulars	Unit	East	South	West	North	Total
11 KV Switching s/stn	No	0	0	0	1	1
25 KVA DT	No	20	20	30	12	82
10 KVA DT	No	51	77	41	97	266
11 KV line- 3 ph Dog	Km	52.42	45.92	70.5	0	168.84
11 kv line-3ph weasel	Km	37.04	15.86	9.54	52	114.44
11 kv line-2ph	Km	32.28	41.46	23.2	152.23	249.17
11 kv line—xlpe	Km	3.88	0	0	0	3.88
11kv t-off-3ph	No	27	20	16	13	76
11 kv t-off-2ph	No	50	75	36	92	253
LT line-3ph	Km	17.82	14.21	7.9	10.5	50.43
LT line-1ph	Km	119.52	212.87	197.8	142.86	673.05

Appendix 2.4.1

List of name of the schemes mentioned in DAPs

(*Reference: Paragraph 2.4.7.1; Page 43*)

Sl. No.	Name of the Scheme	Sector
1	Macro Management Mode (MMM)	Central
2	Agriculture Technology Management Agency (ATMA)	Central
3	Establishment of an Agency for Reporting of Agricultural Statistics (EARAS)	Central
4	Boarder Area Development Programme	NEC
5	National Project on Organic Farming (NPOF)	Central
6	NEC- double cropping	NEC
7.	Movement of Seed	Central
8	High Yielding Varieties	State
9	Farmers /field staff trainings & other extension activities	Central
10	Conducting front line demonstrations, on-farm trials & adaptive trails	Central
11	Testing and revalidation of farm technology	Central
12	Survey/studies on different farm related aspects	Central

Appendix 2.4.2

Major Recommendation of SLSC

(*Reference: Paragraph 2.4.13.1; Page 58*)

Date of meeting	Recommendation of SLSC	Implemented-Yes/No
16-01-2008	ICAR was asked to prepare a road map of the present and future plan of action on improvement of Apple, Orange, Cardamom and Ginger	No
	Irrigation Department was requested to coordinate with the user Departments like Agriculture and Horticulture while formulating plans of Irrigation. Policy papers need to be submitted to the Govt on the need of major and medium irrigation projects	No
17-11-2008	Purchase of vehicles is not allowed from RKVY fund as per guidelines	Yes
	Convergence of schemes wherever possible	No
06-10-2009	Marketing of agriculture produce should be properly coordinated with SIMFED	Yes
	Preservation measures of endangered breed of cattle should be taken up	No
17-06-2011	Emphasis on Animal Husbandry	Yes
20-07-2012	Improve in the human resources	No
	The projects should be based on the Comprehensive District Agriculture plan	Yes

Appendix 2.5.1 (a)

Calculation on loss of interest sustained during 2010-11 by the Department due to routing the funds through budget

(Funds of ₹7,42,00,000 was released by GOI on 19 March 2010)

(Reference: Paragraph 2.5.3.1, Page 64)

Month	Month wise expenditure during 2010-11 (₹)	Funds that would have been available if it was kept in separate bank account (₹)	Interest of 4 % (saving) that would have been earned in separate bank account (₹)
April	0	74200000	247333.33
May	0	74200000	247333.33
June	0	74200000	247333.33
July	67987392	6212608	20708.69
August	25080	6187528	20625.09
September	0	6187528	20625.09
October	87600	6099928	20333.09
November	0	6099928	20333.09
December	0	6099928	20333.09
January	232890	5867038	19556.79
February	1198775	4668263	15560.87
March	4667702	561	1.87
Total	**7,41,99,439**	**Total**	**9,00,077.70**

Appendix 2.5.1 (b)

Calculation on loss of interest sustained during 2011-12 by the Department due to routing the funds through budget

(Funds of ₹ 11,88,00,000 was released by GOI on 31 March 2010 and Funds of ₹ 9,81,58,000 was released by GOI on 11 December 2011)

(Reference: Paragraph 2.5.3.1, Page 64)

Month	Month wise expenditure during 2010-11 (₹)	Fund that would have been available if it was kept in separate bank account (₹)	Interest of 4 % (saving) that would have been earned in separate bank account (₹)
April	0	118800000	396000
May	0	118800000	396000
June	4845569	113954431	379848.1
July	75393493	38560938	128536.46
August	1679497	36881441	122938.13
September	11188035	25693406	85644.68
October	2066587	23626819	78756.06
November	1151697	22475122	74917.07
December	8294826	14180296	47267.65
January	3069312	109268984*	364229.94
February	3913536	105355448	351184.82
March	7185230	98170218	327234.06
Total	**11,87,87,782**	**Total**	**27,52,557.01**

Appendix 2.5.1 (c)

Calculation on loss of interest sustained during 2012-13 by the Department due to routing the funds through budget

(An amount of ₹9,81,70,218 was available as on 31 March 2012)

(Reference: Paragraph 2.5.3.1, Page 64)

Month	Month wise expenditure during 2010-11 (₹)	Funds that would have been available if it was kept in separate bank account (₹)	Interest of 4 % (saving) that would have been earned in separate bank account (₹)
April	0	98170218	327234.06
May	0	98170218	327234.06
June	0	98170218	327234.06
July	0	98170218	327234.06
August	0	98170218	327234.06
September	0	98170218	327234.06
October	0	98170218	327234.06
November	0	98170218	327234.06
December	0	98170218	327234.06
January	0	98170218	327234.06
February	31872972	66297246	220990.82
March	26345393	39951853	133172.84
Total	**5,82,18,365**	**Total**	**36,26,504.26**

Appendix 2.5.1 (d)

Calculation on loss of interest sustained during 2013-14 by the Department due to routing the funds through budget

(An amount of ₹3,99,51,853 was available as on 31 March 2013)

(Reference: Paragraph 2.5.3.1, Page 64)

Months	Month wise expenditure during 2010-11 (₹)	Funds that would have been available if it was kept in separate bank account (₹)	Interest of 4 % (saving) that would have been earned in separate bank account (₹)
April	0	39951853	133172.84
May	0	39951853	133172.84
June	0	39951853	133172.84
Total	**0**	**Total**	**3,99,518.53**

Grand Total: ₹ 3,99,519 + ₹ 36,26,504 + ₹ 27,52,557 + ₹ 9,00,078 = ₹ 76,78,568

Appendix 2.5.2

Details of avoidable expenditure

(Reference: Paragraph 2.5.3.2, Page 66)

The estimated cost of bridge component when the span was 140 mtrs was ₹ 43,24,344

Therefore the estimated cost of the bridge component for 105 mtrs would be = ₹ 2,43,258

Hence the avoidable expenditure for 140 meter bridge was ₹ 10,81,086 (A)

The estimated cost of bridge component when the span was 150 mtrs was ₹ 46,16,353

Therefore the estimated cost of the bridge component for 65 meter would be = ₹ 20,00,420

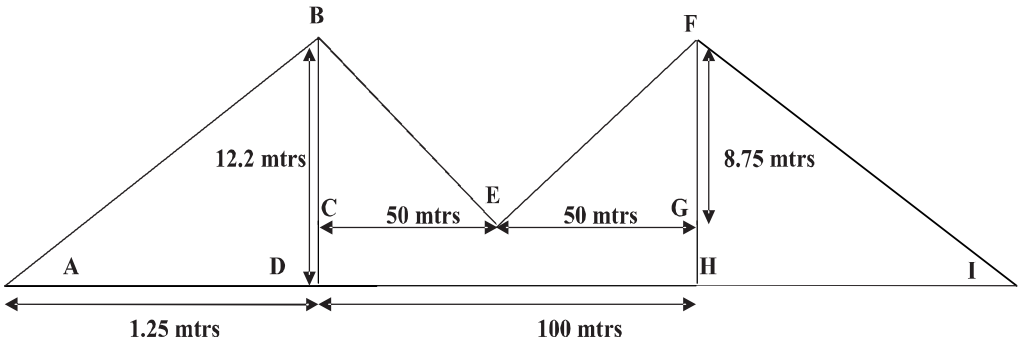
Hence the avoidable expenditure for 150 mtrs bridge was ₹ 26,15,933 (B)

Total avoidable expenditure = A + B = ₹ 10,81,086 + ₹ 26,15,933 = **₹ 36,97,019**

Appendix 2.5.3

100 mtrs bridge as per the drawing prepared by the Department

(Reference: Paragraph 2.5.3.3, Page 67)



1. Main cable:

Two triangles BCE and EFG are similar triangles. Similarly triangles ABD and FHI are also similar triangles.

In the figure, the length of the main cable is represented by AB+BE+EF+FI. = 2AB+ 2BE.

Now, AB = $\sqrt{AD^2 + BD^2}$ = $\sqrt{8.25^2 + 12.2^2}$ = 14.73 mtrs. (the distance from anchor house to tower post is only 5.25 mtrs. However, AD is 8.25 mtrs. after considering the breadth of the anchor house (3mtrs.), as the main cable is tied to the further end of the anchor house).
And, BE = $\sqrt{BC^2 + CE^2}$ = $\sqrt{8.75^2 + 50^2}$ = 50. 76 mtrs.

2 AB = 2 ×14.73 = 29.46 mtrs.
2 BE = 2 ×50.76 = 101.52 mtrs.

Therefore, length of one cable is 130.98 mtrs.
Now, giving an overlapping of 2 mtrs. on each end, total length of one cable is 134.98 (say 135) mtrs.
On this, if we add 5 % extra cable, the length will be 141.75 mtrs.
For double cable in each tower, the total requirement = 4 × 141.75 = 567 mtrs.

2. Chequered Plate:

Number of chequered plate required for 100 mtrs. bridge = 100/1.5 = 66.67 = 67 (since the length of each chequred plate is 1.5 mtrs.).

3.Cross beams:

Number of cross beams will be 68 (considering that both ends of the bridge has crossbeam before chequred plate).

4.Long beams:

Number of Long beams = 102 (as long beams are placed in three lines and length of each long beam = 3 mtrs.).

5. U-clamp, MS clamp and eye bolt:

Twice the number of cross beams = Number of MS clamp = Number of U-clamp = Number of eye- bolt = Number of suspender (as all these components are fixed in both ends of the cross beams).

6. Suspender:
Longest suspender will be equal to the height of the tower which is equal to 12.2 mtrs.
And the shortest suspender = (railing height + free board) = 2.5 mtrs.
Average length of the suspender = (12.2 + 2.5+ 12.2) / 3 = 8.96 mtrs.
After adding overlapping of 1.5 mtrs. = 11.96 mtrs.
No of cross beams = 68, therefore No of suspenders = 68 × 2 = 136.
Therefore, length of suspender (15 mm cable) required = 11.96 × 136 = 1626.56 mtrs.
After adding 5 % extra, the required length of suspender = 1707.89 mtrs., say 1,708 mtrs.

7. Bulldog clips (38mm):
Even if 15 Nos of bulldog clips are used in one overlapping, then, for 4 cables (8 overlappings), requirement = 15 x 8= 120.

8. Bulldog clips (15 mm):
Even if 6 Nos of bulldog clips are used in one suspender then, for 136 suspenders, requirement = 136 x 6= 816.

Table showing details of excess bridge material estimated for construction of 100 mtrs SFB at Tokal

Material component	As per the revised estimate (in nos)	As per audit analysis (in nos)	Difference (in nos)	Rate (₹)	Difference (₹)
Maincable (38mm)	828	**567**	261	1551.96	405061.56
Suspender (15mm)	3000	1708	1292	212.51	274562.92
Cross beam	101	68	33	2524.35	83303.55
Long beam	165	102	63	2453.51	154571.13
Saddle block	4	4		-	-
U-clamp	222	136	86	888.67	76425.62
Eye bolt	222	136	86	244.71	21045.06
Bull dog clip (25)	640	120	520	264.03	13729.56
Bull dog clip (15)	1072	816	256	54.09	13847.04
Chequered plates	110	67	43	8745.06	376037.58
				Total	**14,18,584.02**

Therefore, an amount of ₹ 114.19 lakh was unreasonably inflated on the material component of the estimate.

Appendix 2.5.4

Recovery of cost of excess materials

(*Reference: Paragraph 2.5.3.5, Page 68*)

Teesta khola at Samardang Naga (NORTH DISTRICT)										
Materials	**As per physical verification**		**As per vouchers**		**Difference**		**Rate (₹)**		**Total difference (₹)**	
	Supplied	**Fitted**	**Supplied**	**Fitted**	**Supplied**	**Fitted**	**Supply**	**Fitting**	**Supply**	**Fitting**
Chequered Plate	35	35	43	43	8	8	9716	325	77728	2600
Cross beams*	35	105	41	198	6	93	2804	150.8	16824	14024.4
Long beams	33	33	66	66	33	33	2725	65	89925	2145
Bull dog clips (15mm)	210	210	541	0	331	0	60	0	19860	0
MS clamp	70#	70	90	82	20	12	888	182	17760	2184
U clamp		70		82		12		223		2676
Eye bolt	70	70	90	82	20	12	244	327	4880	3924
Fitting guy rope	No guy rope was fitted			4		4		1309		5236
Total									**2,26,977**	**32,789.40**

* For one cross beam, 3 nuts are fitted. Hence, fitting is shown three times the number of cross beams

70 is the no. of sets of MS Clamp and U Clamp. However, fitting was charged separately for MS clamp and U Clamp.

Nimphu Chu at Lachung (NORTH DISTRICT)										
Materials	**As per physical verification**		**As per vouchers**		**Difference**		**Rate (₹)**		**Total difference (₹)**	
	Supplied	**Fitted**	**Supplied**	**Fitted**	**Supplied**	**Fitted**	**Supply**	**Fitting**	**Supply**	**Fitting**
Chequered Plate	21	16	25	23.3	4	7.3	9716	325	38864	2372.5
Cross beams	21	63	24	116	3	53	2804	150.8	8412	7992.4
Long beams	21	24	39	39	18	15	2725	65	49050	975
Bull dog clips (15mm)	126	96	321	0	195	0	60	0	11700	0
MS clamp	42	42	54	49	12	7	888	182	10656	1274
U clamp		42		49		7		223		1561
Eye bolt	42	42	54	49	12	7	244	327	2928	2289
Fitting guy rope	No guy rope was fitted			4		4		1309		5236
Total									**1,21,610**	**21,699.90**

Rail Chu at Toong Naga (NORTH DISTRICT)										
Materials	**As per physical verification**		**As per vouchers**		**Difference**		**Rate (₹)**		**Total difference (₹)**	
	Supplied	**Fitted**	**Supplied**	**Fitted**	**Supplied**	**Fitted**	**Supply**	**Fitting**	**Supply**	**Fitting**
Chequered Plate	16	16	17	17	1	1	9716	325	9716	325
Cross beams	16	48	18	82.5	2	34.5	2804	150.8	5608	5202.6
Long beams	24	24	28	28	4	4	2725	65	10900	260
Bull dog clips (15mm)	96	96	233	0	137	0	60	0	8220	0
MS clamp	0	32	0	35	0	3	888	182	0	546
U clamp		32		35		3		223		669
Eye bolt	0	32	0	35	0	3	244	327	0	981
Fitting guy rope	No guy rope was fitted			4		4		1309		5236
Total									**34,444**	**13,219.60**

Leema Chu at Lachung (NORTH DISTRICT)										
Materials	As per physical verification		As per vouchers		Difference		Rate (₹)		Total difference (₹)	
	Supplied	Fitted	Supplied	Fitted	Supplied	Fitted	Supply	Fitting	Supply	Fitting
Chequered Plate	24	24	55	28	31	4	9716	325	301196	1300
Cross beams	25	75	29	138.5	4	63.5	2804	150.8	11216	9575.8
Long beams	24	23	46	46	22	23	2725	65	59950	1495
Bull dog clips (15mm)	150	150	383	0	233	0	60	0	13980	0
MS clamp	50	50	64	58	14	8	888	182	12432	1456
U clamp		50		58		8		223		1784
Eye bolt	50	50	64	58	14	8	244	327	3416	2616
Fitting guy rope	No guy rope was fitted			4		4		1309		5236
Total									4,02,190	23,462.80

Materials	Sebu Chu at Lachung (NORTH DISTRICT)									
	As per physical verification		As per vouchers		Difference		Rate (₹)		Total difference (₹)	
	Supplied	Fitted	Supplied	Fitted	Supplied	Fitted	Supply	Fitting	Supply	Fitting
Chequered Plate	22	22	25	25	3	3	9716	325	29148	975
Cross beams	21	63	24	116	3	53	2804	150.8	8412	7992.4
Long beams	33	32	39	39	6	7	2725	65	16350	455
Bull dog clips (15mm)	168	168	321	0	153	0	60	0	9180	0
MS clamp	42	42	54	49	12	7	888	182	10656	1274
U clamp		42		49		7		223		1561
Eye bolt	42	42	54	49	12	7	244	327	2928	2289
Fitting guy rope	No guy rope was fitted			4		4		1309		5236
Total									76,674	19,782.40

Rinzee khola dovan (SOUTH DISTRICT)										
Materials	As per physical verification		As per vouchers		Difference		Rate (₹)		Total difference (₹)	
	Supplied	Fitted	Supplied	Fitted	Supplied	Fitted	Supply	Fitting	Supply	Fitting
Chequered Plate	35	35	35	35	0	0	9716	325	0	0
Cross beams	33	0	34	0	1	0	2804	150.8	2804	0
MS clamp	66	66	76	76	10	10	888	182	8880	1820
U clamp		66		76		10		223		2230
Eye bolt	66	66	76	76	10	10	244	327	2440	3270
Fitting guy rope	No guy rope was fitted			4		4		1309		5236
Total									14,124	12,556

Raffu Khola at wok Omchu (SOUTH DISTRICT)										
Materials	As per physical verification		As per vouchers		Difference		Rate (₹)		Total difference (₹)	
	Supplied	Fitted	Supplied	Fitted	Supplied	Fitted	Supply	Fitting	Supply	Fitting
Chequered Plate	33	33	33	33	0	0	9716	325	0	0
Cross beams	30	30	32	30	2	0	2804	150.8	5608	0
Bull dog clips (15mm)	240	240	314	0	74	0	60	0	4440	0
MS clamp	60	60	62	62	2	2	888	182	1776	364
U clamp		60		62		2		223		446
Eye bolt	60	60	62	62	2	2	244	327	488	654
Fitting guy rope	No guy rope was fitted			4		4		1309		5236
Total									12,312	6,700

Dong khola at Semanagairi (SOUTH DISTRICT)										
Materials	**As per physical verification**		**As per vouchers**		**Difference**		**Rate (₹)**		**Total difference (₹)**	
	Supplied	**Fitted**	**Supplied**	**Fitted**	**Supplied**	**Fitted**	**Supply**	**Fitting**	**Supply**	**Fitting**
Chequered Plate	22	22	22	22	0	0	9716	325	0	0
Cross beams	22	66	29	0	0	0	2804	150.8	0	0
Long beams	33	33	33	39	0	6	2725	65	0	390
Bull dog clips (15mm)	176	176	370	370	194	0	60	0	11640	0
MS clamp	44	44	46	49	2	5	888	182	1776	910
U clamp		44		49		5		223		1115
Eye bolt	44	44	60	49	16	5	244	327	3904	1635
Fitting guy rope	No guy rope was fitted			4		4		1309		5236
Total									**17,320**	**9,286**

Kalej Khola at Chuba (SOUTH DISTRICT)

During physical verification, temporary bridge was not seen anywhere in the site. However, payment of ₹ 10,000 was made for the same.

Rangit river at tokkal (145 mtrs span) (SOUTH DISTRICT)

During physical verification, temporary bridge was not seen anywhere in the site. However, payment of ₹ 89,880 was made for the same.

Rangit khola at Dhargaon Phamtam (150 mtrs span) (SOUTH DISTRICT)					
Materials	**Requirement calculated by audit for 150 mtrs span**	**As per vouchers**	**Difference**	**Rate of supply (₹)**	**Total difference of Supply (₹)**
		Supplied	**Supplied**		
Chequered Plate	100	104	4	9716	38864
Cross beams	101	102	1	2804	2804
Long beams	150	154	4	2725	10900
MS clamp	202	220	18	888	15984
U clamp					
Eye bolt	202	220	18	244	4392
Fitting guy rope	No guy rope was fitted				
Total					**72,944**

Rangit river at lower borong (140 mtrs span) (SOUTH DISTRICT)					
Materials	**Requirement calculated by audit for140 mtrs span**	**As per vouchers**	**Difference**	**Rate of supply (₹)**	**Total difference of Supply (₹)**
		Supplied	**Supplied**		
Cross beams	95	97	2	2804	5608
Long beams	140	154	14	2725	38150
Bull dog clips (15mm)	1140	1300	160	60	9600
MS clamp	190	214	0	888	0
U clamp					
Eye bolt	190	214	24	244	5856
Fitting guy rope	No guy rope was fitted				
Total					**59,214**

Between Som and Dentam, over Kalej Khola (WEST DISTRICT)										
Materials	**As per physical verification**		**As per vouchers**		**Difference**		**Rate (₹)**		**Total difference (₹)**	
	Supplied	**Fitted**	**Supplied**	**Fitted**	**Supplied**	**Fitted**	**Supply**	**Fitting**	**Supply**	**Fitting**
Chequered Plate	33	33	41	41	8	8	9716	325	77728	2600
Cross beams	32	64	41	82	9	18	2804	150.8	25236	2714.4
Long beams	22	22	60	55	38	33	2725	65	103550	2145
Bull dog clips (38mm)	60	60	120				292	0		
Bull dog clips (15mm)	384	168	656	0	272	0	60	0	16320	0
Railing post		32		82		50		171.6	0	8580
Angle iron struts		32		82		50		54.6	0	2730
MS clamp	64	64	82	82	18	18	888	182	15984	3276
U clamp		64		82		18		223		4014
Eye bolt	64	64	82	82	18	18	244	327	4392	5886
Fitting guy rope		2		4		2		1309		2618
Total									**2,43,210**	**34,563.40**

Between Thongling and L Rumbuk, over Rangyang Khola (WEST DISTRICT)										
Materials	As per physical verification		As per vouchers		Difference		Rate (₹)		Total difference (₹)	
	Supplied	Fitted	Supplied	Fitted	Supplied	Fitted	Supply	Fitting	Supply	Fitting
Chequered Plate	27	27	38	41	11	14	9716	325	106876	4550
Cross beams	27	54	38	82	11	28	2804	150.8	30844	4222.4
Long beams	42	41	55	55	13	14	2725	65	35425	910
Bull dog clips (38mm)	48	48	120		72		292	0	21024	
Bull dog clips (15mm)	324	324	608	0	284	0	60	0	17040	0
MS clamp	54	54	76	76	22	22	888	182	19536	4004
U clamp		54		76		22		223		4906
Eye bolt	54	54	76	76	22	22	244	327	5368	7194
Fitting guy rope		4		4		0		1309		0
Total									2,36,113	25,786.40

Between Hee and Bholukhop, over Hee Khola (WEST DISTRICT)										
Materials	As per physical verification		As per vouchers		Difference		Rate (₹)		Total difference (₹)	
	Supplied	Fitted	Supplied	Fitted	Supplied	Fitted	Supply	Fitting	Supply	Fitting
Chequered Plate	28	28	28	28	0	0	9716	325	0	0
Cross beams	27	54	28	56	1	2	2804	150.8	2804	301.6
Long beams	40	40	40	40	0	0	2725	65	0	0
Bull dog clips (15mm)	324	324	448	0	124	0	60	0	7440	0
MS clamp	54	54	56	56	2	2	888	182	1776	364
U clamp		54		56		2		223		446
Eye bolt	54	54	56	56	2	2	244	327	488	654
Fitting guy rope		4		4		0		1309		0
Total									12,508	1,765.60

Between L Mabong and Doksing, over Doksing Khola (WEST DISTRICT)										
Materials	As per physical verification		As per vouchers		Difference		Rate (₹)		Total difference (₹)	
	Supplied	Fitted	Supplied	Fitted	Supplied	Fitted	Supply	Fitting	Supply	Fitting
Chequered Plate	38	38	38	38	0	0	9716	325	0	0
Cross beams	38	76	38	76	0	0	2804	150.8	0	0
Long beams	55	55	55	55	0	0	2725	65	0	0
Bull dog clips (15mm)	456	456	608	0	152	0	60	0	9120	0
MS clamp	76	76	76	76	0	0	888	182	0	0
U clamp		76		76		0		223		0
Eye bolt	76	76	76	76	0	0	244	327	0	0
Fitting guy rope		4		4		0		1309		0
Total									9,120	0

Between Toyang and Bermoik, kalej khola (WEST DISTRICT)										
Materials	As per physical verification		As per vouchers		Difference		Rate (₹)		Total difference (₹)	
	Supplied	Fitted	Supplied	Fitted	Supplied	Fitted	Supply	Fitting	Supply	Fitting
Chequered Plate	49	49	62	62	13	13	9716	325	126308	4225
Cross beams	50	100	62	124	12	24	2804	150.8	33648	3619.2
Long beams	75	75	91	91	16	16	2725	65	43600	1040
Bull dog clips (15mm)	600	600	992	0	392	0	60	0	23520	0
MS clamp	100	100	124	124	24	24	888	182	21312	4368
U clamp		100		124		24		223		5352
Eye bolt	100	100	124	124	24	24	244	327	5856	7848
Fitting guy rope		4		4		0		1309		0
Total									2,54,244	26,452.20

Rorochu at Middle Lower Syari and Nankok (EAST DISTRICT)										
Materials	**As per physical verification**		**As per vouchers**		**Difference**		**Rate (₹)**		**Total difference (₹)**	
	Supplied	**Fitted**	**Supplied**	**Fitted**	**Supplied**	**Fitted**	**Supply**	**Fitting**	**Supply**	**Fitting**
Chequered Plate	31	31	31	30	0	-1	9716	325	0	-325
Cross beams	30	90	38	149	8	59	2804	150.8	22432	8897.2
Bull dog clips (15mm)	360	360	409	0	49	0	60	0	2940	0
MS clamp		60		**62**		2		182		364
U clamp	60	60	68	62	8	2	888	223	7104	446
Cye bolt	60	60	68	62	8	2	244	327	1952	654
Fitting of main cable.	275	275	275	640	0	365	744	176.8	0	64532
Total									**34,428**	**74,568**

Lamtasha Khola at Martam (EAST DISTRICT)										
Materials	**As per physical verification**		**As per vouchers**		**Difference**		**Rate (₹)**		**Total difference (₹)**	
	Supplied	**Fitted**	**Supplied**	**Fitted**	**Supplied**	**Fitted**	**Supply**	**Fitting**	**Supply**	**Fitting**
chequered Plate	27	27	29	29	2	2	9716	325	19432	650
Cross beams	28	84	29	149	1	65	2804	150.8	2804	9802
Long beams	42	41	42	42	0	1	2725	65	0	65
Bull dog clips (15mm)	224	224	383	0	159	0	60	0	9540	0
MS clamp	56	56	64	58	8	2	888	182	7104	364
U clamp		56		58		2		223		446
eye bolt	56	56	58	58	2	2	244	327	488	654
Total									**39,368**	**11,981**

Pachey Khola at Dikling Pacheykhani (EAST DISTRICT)										
Materials	**As per physical verification**		**As per vouchers**		**Difference**		**Rate (₹)**		**Total difference (₹)**	
	Supplied	**Fitted**	**Supplied**	**Fitted**	**Supplied**	**Fitted**	**Supply**	**Fitting**	**Supply**	**Fitting**
Chequered Plate	20	20	27	24	7	4	9716	325	68012	1300
Cross beams	20	60	24	116	4	56	2804	150.8	11216	8444.8
Long beams	30	29	35	35	5	6	2725	65	13625	390
Bull dog clips (15mm)	160	160	384	0	224	0	60	0	13440	0
MS clamp		40		48		8		182		1456
U clamp	40	40	48	48	8	8	888	223	7104	1784
Eye bolt	40	40	54	48	14	8	244	327	3416	2616
Total									**1,16,813**	**15,990.80**

Appendix 2.8.1

Statement showing excess payment in carriage of stone

(Reference: Paragraph 2.8, Page 73)

Sl. No	No of works	Quantity required as per theoretical consumption (cum)	Stones (20%) available at site (cum)	Net requirement of stones for carriage (cum)	Quantity of stones for which payment was made (cum)	Quantity in excess for which payment made (cum)	Rate of carriage (₹)	Excess amount paid (₹)	Tender Premium/ Rebate	Total excess payment (₹)
1	Chuba Perbing Km 1st to 11th	4070.35	735.72	3334.63	12837.2	9502.57	697.20	6625192	16	7685222
2	Rd to Budhha Statue 2nd Km	14787.59	763.34	14024.25	15291.10	1266.85	578.20	732493	0	732493
3	Ranka Sichey Rd	17549.91	6163.79	11386.12	17517.44	6131.32	280.71	1721123	-21	1359687
4	Nandugoan to Samseybong	2678.43	876.17	1802.26	2759.82	957.56	221.21	211822	0	211822
5	Assangthang Helipad Rd	23525.58	692.64	22832.94	23091.24	258.30	459.21	118614	22	144709
6	Gor to Taryang School , Dzongu	921.13	121.73	799.4	907.38	107.98	340.21	36736	0	36736
7	Sawney to Ralang via U Pathang	598.82	648.59	0	598.82	598.82	280.71	168095	0	168095
8	Chweribotey to Sawney Primary School	1501.92	295.82	1206.1	1424.64	218.54	161.97	35397	0	35397
9	Sang Khola Zingla Road Km 10th - 17th	9813.26	0	9813.26	13876.38	4063.12	578.20	2349296	15	2701690
10	Barapathing Pheri to Zilling Gahuchen	1397.75	464.49	933.26	1164.63	231.37	578.2	133778	0	133778
11	Sonamati Sr.Sec School Kokoley Pr. School	5861.4	10975.41	0	5034.89	5034.89	459.21	2312072	0	2312072
	Sang Khola Zingla road Km 1st -9th	17048.14	196.81	16851.33	18246.87	1395.54	578.20	806901	15	927936
13	Namprikdang to Sangkhalang Bay	1263.10	0	1263.1	5003.61	3740.51	221.21	827438	16	959828
14	Constt of Gurssay Rd from Bio diversity Park Temi to 8th Km	11393.99	19036.65	0	3241.28	3241.28	532.10	1724685	32	2276584
	Total	**1,12,411.37**	**40,971.16**	**84,246.65**	**1,20,995.30**	**36,748.65**		**1,78,03,641**		**1,96,86,050**

Appendix 3.1.1

Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2013 in respect of Government Companies and Statutory Corporations

(Reference: Paragraph 3.1.5, Page 78)

(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 2012-13				Debt equity ratio for 2012-13 (Previous year)	Manpower (No. of employees) (as on 31 March 2013)
				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	-	3
2	Sikkim Hatcheries Limited (SHL)	AH & VS	Aug-94	0.44**	0	0.02	0.46	0	0	0	0	-	8
Sector wise total				**0.44**	**0**	**0.02**	**0.46**	**0**	**0**	**0**	**0**	-	**11**
FINANCE													
3	Sikkim Schedules Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited (SABCCO)	WELFARE	Apr-96	7.51	6.51	0	14.02	0	0	31.14	31.14	2.22:1 (3.17:1)	23
Sector wise total				**7.51**	**6.51**	**0**	**14.02**	**0**	**0**	**31.14**	**31.14**	-	**23**
INFRASTRUCTURE													
4	Sikkim Industrial Development and Investment Corporation Limited (SIDICO)	INDUSTRIES	Mar-77	10.77	0	6.37	17.14	2.03	0	143.02	145.05	8.46:1 (7.65:1)	35
Sector wise total				**10.77**	**0**	**6.37**	**17.14**	**2.03**	**0**	**143.02**	**145.05**	-	**35**
POWER													
5	Sikkim Power Development Corporation (SPDC)	POWER	Dec-98	10.35	0	9.95	**20.30**	0	0	102.75	102.75	5.06:1 (4.67:1)	74
Sector wise total				**10.35**	**0**	**9.95**	**20.30**	**0**	**0**	**102.75**	**102.75**	-	**74**
SERVICE													
6	Sikkim Tourism Development Corporation (STDC)	TOURISM	Feb-98	6.46	0	0	6.46	0	0	0.12	0.12	0.02:1(0.03:1)	61
Sector wise total				**6.46**	**0**	**0**	**6.46**	**0**	**0**	**0.12**	**0.12**	-	**61**
Total A (All sector wise working Government Companies)				**35.53**	**6.51**	**16.34**	**58.38**	**2.03**	**0.00**	**277.03**	**279.06**	-	**204**

B. Working Statutory Corporations													
FINANCE													
7	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													
8	State Trading Corporation of Sikkim (STCS)	FINANCE	Mar-72	1.61	0	0	1.61	0	0	0	0	-	82
Sector wise total				**1.61**	**0**	**0**	**1.61**	**0**	**0**	**0**	**0**	-	**82**
Total B (All sector wise working Statutory Corporations)				**2.14**	**0**	**0.05**	**2.19**	**0**	**0**	**0**	**0**	-	**412**
Grand Total (A + B)				**37.67**	**6.51**	**16.39**	**60.57**	**2.03**	**0**	**277.03**	**279.06**	-	**616**
C. Non working Government Companies													
AGRICULTURE & ALLIED													
9	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(0.01:1)	2
10	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													
11	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**
MANUFACTURING													
12	Sikkim Jewels Limited (SJL)	INDUSTRIES	Jul-76	14.47	0	0.78	15.25	0	0	0	0	-	3
13	Sikkim Time Corporation Limited (SITCO)	INDUSTRIES	Oct-76	23.49	0	0	23.49	0	0	0	0	-	4
14	Sikkim Precision Industries Limited (SPIL)	INDUSTRIES	Feb-99	4.39	0	0	4.39	0	0	0	0	-	3
Sector wise total				**42.35**	**0**	**0.78**	**43.13**	**0**	**0**	**0**	**0**	-	**10**
Total C (All sector wise non working Government Companies)				**45.44**	**0.34**	**0.78**	**46.56**	**0.00**	**0.00**	**0.01**	**0.01**	-	**12**
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	-	0
Sector wise total				**6.11**	**6.39**	**0**	**12.50**	**0**	**0**	**0**	**0**	-	**0**
Total D (All sector wise non working Statutory Corporations)				**6.11**	**6.39**	**0**	**12.50**	**0**	**0**	**0**	**0**	-	**0**
Grand Total (C + D)				**51.55**	**6.73**	**0.78**	**59.06**	**0.00**	**0.00**	**0.01**	**0.01**	-	**12**
Grand Total (A + B + C + D)				**89.22**	**13.24**	**17.17**	**119.63**	**2.03**	**0.00**	**277.04**	**279.07**	**2.33:1**	**628**

** Loans outstanding at the close of 2012-13 represent long-term loans only.*
***subscription money received from SPDCL by the company.*
Source: As furnished by the PSUs

Appendix 3.1.2

Summarised financial results of Government Companies and Statutory Corporations for the latest year for which accounts were finalised*

(Referred to in paragraph 3.1.14, Page 81)

(Figures in column 5 (a) 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	Sikkim Poultry Development Corporation (SPDCL)	2008-09	2009-10	-0.07	0.00	0.01	-0.08	0	0	0	-0.73	0.16	-0.08	-
2	Sikkim Hatcheries Limited (SHL)	2008-09	2009-10	-0.10	0.00	0.04	-0.14	0.98	0	0.46	-1.67	0.34	-0.14	-
Sector wise total				**-0.17**	**0.00**	**0.05**	**-0.22**	**0.98**	**0**	**0.46**	**-2.40**	**0.50**	-0.22	-
FINANCE														
3	Sikkim Schedules Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited (SABCCO)	2010-11	2012-13	-0.49	1.00	0.03	-1.52	1.90	0	11.02	-7.99	40.78	-0.52	-
Sector wise total				**-0.49**	**1.00**	**0.03**	**-1.52**	**1.90**	**0**	**11.02**	**-7.99**	**40.78**	**-0.52**	**-**
INFRASTRUCTURE														
4	Sikkim Industrial Development and Investment Corporation Limited (SIDICO)	2012-13	2013-14	17.96	15.12	0.04	2.80	19.29	-0.91	17.14	4.14	182.55	17.92	9.82
Sector wise total				**17.96**	**15.12**	**0.04**	**2.80**	**19.29**	**-0.91**	**17.14**	**4.14**	**182.55**	**17.92**	**9.82**
POWER														
5	Sikkim Power Development Corporation (SPDC)	2011-12	2012-13	0.98	1.79	4.98	-5.79	1.52	-1.33	20.30	-22.81	144.52	-4.00	-
Sector wise total				**0.98**	**1.79**	**4.98**	**-5.79**	**1.52**	**-1.33**	**20.30**	**-22.81**	**144.52**	**-4.00**	**-**
SERVICE														
6	Sikkim Tourism Development Corporation (STDC)	2009-10	2011-12	0.41	0	0.33	0.08	1.35	-0.63	6.46	-1.82	4.88	0.08	1.64
Sector wise total				**0.41**	**0**	**0.33**	**0.08**	**1.35**	**-0.63**	**6.46**	**-1.82**	**4.88**	**0.08**	**1.64**
Total A (All sector wise working Government Companies)				**18.69**	**17.91**	**5.43**	**-4.65**	**25.04**	**-2.87**	**55.38**	**-30.88**	**373.23**	**13.26**	
B. Working Statutory Corporations														
FINANCE														
7	State Bank of Sikkim (SBS)	2010-11	2013-14	63.22	69.58	0.69	-7.05	74.15	-3.94	0.58	-13.32	1290.44	62.53	4.85
Sector wise total				**63.22**	**69.58**	**0.69**	**-7.05**	**74.15**	**-3.94**	**0.58**	**-13.32**	**1290.44**	**62.53**	**4.85**
SERVICE														
8	State Trading Corporation of Sikkim (STCS)	2010-11	2013-14	0.95	0	0.10	0.85	44.72	-2.40	1.61	7.73	9.34	0.85	9.10
Sector wise total				**0.95**	**0**	**0.10**	**0.85**	**44.72**	**-2.40**	**1.61**	**7.73**	**9.34**	**0.85**	**9.10**

Total B (All sector wise working Statutory Corporations)				**64.17**	**69.58**	**0.79**	**-6.20**	**118.87**	**-6.34**	**2.19**	**-5.59**	**1299.78**	**63.38**	**4.88**
Grand Total (A + B)				**82.86**	**87.49**	**6.22**	**-10.85**	**143.91**	**-9.21**	**57.57**	**-36.47**	**1673.01**	**76.64**	**4.58**
C. Non working Government Companies														
AGRICULTURE & ALLIED														
9	Sikkim Livestock Processing and Development Corporation (SLPDC)	2007-08	2008-09	-0.02	0	0.04	-0.06	0.01	0	0.69	-0.95	1.13	-0.06	-
10	Sikkim Flour Mills Limited (SFML)	1994-95	1995	0	0	0	0	0	0	0.60	-0.13	2.44	0	-
Sector wise total				**-0.02**	**0**	**0.04**	**-0.06**	**0.01**	**0**	**1.29**	**-1.08**	**3.57**	**-0.06**	
SERVICES														
11	Chandmari Workshop and Automobiles Limited (CWAL)	1994-95	1997	-0.10	0	0.04	-0.14	0	0	0	-0.02	0.30	-0.14	-
Sector wise total				**-0.10**	**0**	**0.04**	**-0.14**	**0**	**0**	**0**	**-0.02**	**0.30**	**-0.14**	**-**
MANUFACTURING														
12	Sikkim Jewels Limited (SJL)	2012-13	2013-14	-1.08	0	0	-1.08	0	0	15.25	-15.89	0.06	-1.08	-
13	Sikkim Time Corporation Limited (SITCO)	2012-13	2013-14	-2.23	0	0	-2.23	0	0	23.49	-21.42	2.80	-2.23	-
14	Sikkim Precision Industries Limited (SPIL)	2012-13	2013-14	-0.64	0	0	-0.64	0	0	4.39	-3.53	0.86	-0.64	-
Sector wise total				**-3.95**	**0.00**	**0.00**	**-3.95**	**0.00**	**0.00**	**43.13**	**-40.84**	**3.72**	**-3.95**	**-**
Total C (All sector wise non working Government Companies)				**-4.07**	**0.00**	**0.08**	**-4.15**	**0.01**	**0.00**	**44.42**	**-41.94**	**7.59**	**-4.15**	**-**
D. Non working Statutory Corporations														
MANUFACTURING														
15	Sikkim Mining Corporation (SMC)**	2010-11	2012-13	0	0.00	0	0	0	0	12.50	-11.88	5.26	-	-
Sector wise total				**0**	**0.00**	**0**	**0**	**0**	**0**	**12.50**	**-11.88**	**5.26**	-	-
Total D (All sector wise non working Statutory Corporations)				**0**	**0.00**	**0**	**0**	**0**	**0**	**12.50**	**-11.88**	**5.26**	-	**-**
Grand Total (C + D)				**-4.07**	**0.00**	**0.08**	**-4.15**	**0.01**	**0.00**	**56.92**	**-53.82**	**12.85**	**-4.15**	
Grand Total (A + B + C + D)				**78.79**	**87.49**	**6.30**	**-15.00**	**143.92**	**-9.21**	**114.49**	**-90.29**	**1685.86**	**72.49**	**4.30**

[#] 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 Shareholder's Fund plus Long Term Borrowings.

[$] Return on capital employed has been worked out by adding back the interest charged to profit and loss account to profit/loss figures.

***The mining operations have been discontinued since January 2007, thereafter the financial statements have been prepared under the principles of "Discontinuing operations".*

Appendix 3.1.3

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 2013

(Referred to in paragraph 3.1.9, Page 80)

(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@		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	Sikkim Poultry Development Corporation	0	0.00	0.00	0.00	0.00	0.00	0	0	0	0	0	0.00
2	Sikkim Hatcheries Limited	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	Sikkim Schedules Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited	0.00	0.00	0	0	0	0	1.07	31.14	0	0	0	0
Sector wise total		**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**1.07**	**31.14**	**0.00**	**0.00**	**0.00**	**0.00**
INFRASTURCTURE													
4	Sikkim Industrial Development and Investment Corporation Limited	0	0.00	0.00	0	0	0.00	0.00	131.70	0.84	0.00	0.12	0.96
Sector wise total		**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**131.70**	**0.84**	**0.00**	**0.12**	**0.96**
POWER													
5	Sikkim Power Development Corporation	0	0.00	2.53	0	0	2.53	0	0	0	0	0	0
Sector wise total		**0**	**0.00**	**2.53**	**0**	**0**	**2.53**	**0**	**0**	**0**	**0**	**0**	**0**
SERVICE													
6	Sikkim Tourism Development Corporation	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)		**0.00**	**0.00**	**2.53**	**0.00**	**0.00**	**2.53**	**1.07**	**162.84**	**0.84**	**0.00**	**0.12**	**0.96**

B. Working Statutory Corporations													
FINANCE													
7	State Bank of Sikkim	0	0	0	0	0	0	0	0	0	0	0.26	0.26
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0.26**	**0.26**
SERVICE													
8	State Trading Corporation of Sikkim	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**	**0.26**	**0.26**
Grand Total (A + B)		**0.00**	**0.00**	**2.53**	**0.00**	**0.00**	**2.53**	**1.07**	**162.84**	**0.84**	**0.00**	**0.38**	**1.22**
C. Non working Government Companies													
AGRICULTURE & ALLIED													
9	Sikkim Livestock Processing and Development Corporation	0	0	0	0	0	0	0	0	0	0	0	0
10	Sikkim Flour Mills Limited	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													
11	Chandmari Workshop and Automobiles Limited	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**
MANUFACTURING													
12	Sikkim Jewels Limited	0.00	0	0	0	0	0	0	0	0	0	0	0
13	Sikkim Time Corporation Limited	0.00	0.00	0	0	0	0	0	0	0	0	0	0
14	Sikkim Precision Industries Limited	0.00	0.00	0	0	0	0	0	0	0	0	0	0
Sector wise total		**0.00**	**0**	**0**	**0.00**	**0**	**0.00**	**0**	**0**	**0**	**0**	**0**	**0**
Total C (All sector wise non working Government Companies)		**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
D. Non working Statutory Corporations													
MANUFACTURING													
15	Sikkim Mining Corporation	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)		**0.00**	**0.00**	**2.53**	**0.00**	**0**	**2.53**	**0.00**	**162.84**	**0.84**	**0.00**	**0.38**	**1.22**

@ *Figures indicate total guarantees outstanding at the end of the year.*

Appendix 3.1.4
Statement showing financial position of Statutory Corporations
(Referred to in paragraph 3.1.14, Page 81)

(₹ *in crore*)

1. State Bank of Sikkim			
Particulars	**2008-09**	**2009-10**	**2010-11**
A. Liabilities			
Paid up Capital	0.58	0.58	0.58
Reserves and surplus	0.72	1.23	1.23
Deposits	970.79	1475.77	1295.39
Borrowings: Reserve Bank of India	0.00	0.00	0.00
Other Banks	48.06	77.16	6.56
Other Institutions and Agencies	0.00	0.00	0.00
Other liabilities and provisions	66.29	73.16	86.14
TOTAL - A	**1,086.44**	**1,627.90**	**1,389.90**
B. Assets			
Cash and Bank Balances	725.80	1267.78	1018.24
Investments	44.16	41.05	12.45
Loans and Advances	264.54	280.88	291.48
Net fixed assets	3.38	3.19	2.96
Other assets	38.13	28.73	51.44
Accumulated loss	10.43	6.27	13.33
Miscellaneous expenditure	0.00	0.00	0.00
TOTAL – B	**1,086.44**	**1,627.90**	**1,389.90**
C. Capital Employed*	1009.72	1548.47	1290.44

2. State Trading Corporation of Sikkim			
Particulars	**2008-09**	**2009-10**	**2010-11**
A. Liabilities			
Paid up Capital	1.61	1.61	1.61
Reserve and surplus	6.88	6.87	7.73
Current Liabilities and Provisions	67.57	61.64	78.14
TOTAL - A	**76.06**	**70.12**	**87.48**
B. Assets			
Net fixed asset	0.51	0.57	0.63
Current assets, loans and advances	75.55	69.55	86.85
Inter branch transaction	0.00	0.00	0.00
TOTAL – B	**76.06**	**70.12**	**87.48**
C. Capital Employed*	8.49	8.48	9.34

Source: As per the approved accounts of the PSUs
** Capital employed represents Shareholders' Fund plus Long Term Borrowings.*

Appendix 3.1.5
Statement showing working results of Statutory Corporations
(Referred to in paragraph 3.1.14, Page 81)

(₹ in crore)

1. State Bank of Sikkim				
	Particulars	**2008-09**	**2009-10**	**2010-11**
1	Income			
	a) Interest on loan	57.80	77.11	74.15
	b) Other income	6.48	7.32	6.78
	Total - 1	64.28	84.43	80.93
2	Expenses			
	a) Interest expended	47.26	64.32	69.58
	b) Operating expenses, Provisions and Contingencies	10.32	12.10	18.37
	c) Other expenses	0	0	0
	Total - 2	57.58	76.42	87.95
3	Profit (+)/Loss (-) before tax (1-2)	6.70	8.01	-7.02
4	Prior period adjustments	0	-2.33	-0.03
5	Provision for tax	0	0	0
6	Profit (+)/Loss (-) after tax	6.70	5.68	-7.05
7	Other appropriation	0.61	0.52	0
8	Amount available for dividend	6.09	5.16	-7.05
9	Dividend paid/payable	1.00	1.00	0
10	Total return on Capital employed	53.96	70.00	62.53
11	Percentage of return on Capital employed	6.29	5.46	4.85
2. State Trading Corporation of Sikkim				
	Particulars	**2008-09**	**2009-10**	**2010-11**
1	Income			
	a) Sale of trading goods	11.42	14.28	44.72
	b) Commission	2.60	2.47	2.81
	c) Other income	0.28	0.20	0.38
	d) Increase (+)/Decrease (-) in stock	(+) 0.22	(+) 0.25	(-) 0.13
	Total – 1	14.52	17.20	47.78
2	Expenses			
	a) Purchase of Trading Goods	10.89	12.85	41.96
	b) Trade Expenses	0.29	0.52	0.54
	c) Establishment Expenses	1.68	3.20	2.96
	d) Other Expenses	2.52	0.62	1.02
	Total – 2	15.38	17.19	46.48
3	Profit (+)/Loss (-) before tax (1-2)	-0.86	0.01	1.30
4	Provision for tax	0.00	0	0.43
5	Prior period adjustments	-0.01	-0.01	-0.02
6	Other appropriation	-	-	-
7	Amount available for dividend	-	-	0.85
8	Dividend for the year	-	-	-
9	Total return on Capital employed	**	**	0.85
10	Percentage of return on Capital employed	-	-	9.10

***negative figures*

(Source: As per the accounts of the PSUs,)

Appendix 4.1

Statement showing the details of tax deposited

(Reference: Paragraph 4.5, Page 100)

Period		Gross sale (₹)	Due date	Tax due @ 20% (₹)	Date of payment	Payment made (₹)
From	To					
01.04.2006	30.06.2006	12824161	Jul-06	2564832	-	-
01.07.2006	30.09.2006	21101686	Oct-06	4220337	-	-
01.10.2006	31.12.2006	20986976	Jan-07	4197395	-	-
01.01.2007	31.03.2007	26013167	Apr-07	5202633	-	-
01.04.2007	30.06.2007	33939643	Jul-07	6787929	21.09.2007	343000
01.07.2007	30.09.2007	45698739	Oct-07	9139748	-	-
01.10.2007	31.12.2007	64255123	Jan-08	12851025	-	-
01.01.2008	31.03.2008	64070818	Apr-08	12814164	03.03.2008	1500000
01.04.2008	30.06.2008	38639897	Jul-08	7727979	-	-
01.07.2008	30.09.2008	51172325	Oct-08	10234465	-	-
01.10.2008	31.12.2008	66125992	Jan-09	13225198	-	-
01.01.2009	31.03.2009	75555554	Apr-09	15111111	-	-
01.04.2009	30.06.2009	41913852	Jul-09	8382770	-	-
01.07.2009	30.09.2009	64459707	Oct-09	12891941	-	-
01.10.2009	31.12.2009	70936809	Jan-10	14187362	-	-
01.01.2010	31.03.2010	88907956	Apr-10	17781591	05.04.2010	4432907
01.04.2010	30.06.2010	67578382	Jul-10	13515676	-	-
01.07.2010	30.09.2010	86039081	Oct-10	17207816	13.10.2010	2000000
01.10.2010	31.12.2010	117438363	Jan-11	23487672	08.02.2011	1500000
01.01.2011	31.03.2011	132354318	Apr-11	26470864	15.02.2011	2500000
Enhancement of turnover		23,80,02,510	Apr-11	4,76,00,502	26.02.2011	2500000
					01.03.2011	2500000
Total (A)		**142,80,15,059**		**28,56,03,012**	-	**1,72,75,907**
					14.09.2011	2500000
					06.03.2012	5000000
					06.03.2012	5000000
					07.03.2012	3080934
					24.03.2012	4000000
					26.03.2012	5000000
					31.03.2012	3404373
					21.09.2012	7000000
					11.10.2012	4000000
					12.10.2012	2510947
					15.10.2012	11168540
					15.10.2012	1563
					25.10.2012	4000000
					15.11.2012	3459095
Total (B)						**6,01,25,452**
Grand Total (A+B)						**7,74,01,359**

Appendix 4.2

Statement showing the purchase of cement and MS rod by M/s Golden Cross Pharma Pvt. Limited, Rorathang

(Reference: Paragraph 4.6, Page 101)

Year and commodity with rate of tax	Total value of purchase (₹)	Amount of VAT (₹)
Cement @ 12.5% VAT		
2007-08	2,72,18,125	34,02,266
2008-09	2,71,42,580	33,92,823
2009-10	1,01,42,383	12,67,798
2010-11	3,40,435	42,554
2011-12	1,20,400	15,050
Total (A)	**6,49,63,923**	**81,20,490**
MS Rod @ 4 % VAT		
2007-08	6,98,27,106	27,93,084
2008-09	0	0
2009-10	0	0
2010-11	0	0
2011-12	0	0
Total (B)	**6,98,27,106**	**27,93,084**
Grand Total (A+B)	**13,47,91,029**	**1,09,13,574**

Appendix 4.3

Statement showing the details of non-payment of tax by the works contractors

(Reference: Paragraph 4.7, Page 102)

Sl. No.	Name of the Firm	Name of the work	Work Order (WO) issued on	Period of completion of work	Value of work (₹)
1	M/s Deecon India Pvt. Ltd	Construction of Girls' Hostel and Utility Block and Guest House and Related site development with Internal Roads and Retaining Wall etc. consisting of Civil Works such as Earth Work etc..for College of Agricultural Engineering & Post Harvest Technology at Marchak, Gangtok, Sikkim for **Central Agricultural University**	**27.12.2006**	**18 months from the date of receipt of WO i.e., June 2008**	**6,13,27,554.34**
2	-do-	Construction of Academic & Administrative Complex- South Block, Classroom & Tutorials – South Block, Boys Hostel and Utility Block and Related Site Development with Internal Road and retaining wall etc consisting of Civil Works such as Earth Work in Excavation, Pcc,Rcc, Form works etc for College of Agricultural Engineering & Post Harvest Technology at Marchak, Gangtok, Sikkim for **Central Agricultural University**	**22.12.2006**	**18 months from the date of receipt of WO i.e., June 2008**	**12,14,64,758.26**
3	M/s North East Engineering & Associates	Providing Water Supply & Fencing/Boundary Wall around Girls' Hostel External in the Campus of **Central Agricultural University** at RaniPool, Marchak, Gangtok	**29.12.2008**	**06 months from the date of receipt of WO i.e., June 2009**	**82,61,646.95**
				Total	**₹ 19,10,53,959**

TDS to be deducted at source @ 2 per cent on ₹19,10,53,959 X 2% = ₹38,21,079

Appendix 5.1

Audit conducted during 2012-13 under General Sector

(Reference: Paragraph 5.2; Page 105)

(₹ *in crore*)

Name of the unit	Expenditure of the unit (*i.e. expenditure of the unit for the financial year for which audit conducted*)			
	2009-10	2010-11	2011-12	2012-13
Finance Revenue & Expenditure Department (Commercial Tax Division)	13.62	13.74	7.58	-
Principal Resident Commissioner, New Delhi	-	-	3.98	-
Dy. Inspector General, Prison	3.44	2.78	3.06	-
Chief Election Officer, Election Department	-	-	2.59	-
Secretary, Home Department	-	-	16.10	-
Finance, Revenue & Expenditure Department	-	-	4.73	-
Secretary State Excise (Abkari) Department	5.02	5.23	5.33	-
Commandant, Indian Reserve Battalion (3rd Battalion)	-	3.95	13.40	-
Additional Inspector General of Police, Check post	-	-	9.27	-
Secretary, Law & Parliamentary Affairs Department	-	-	4.49	-
Secretary, Sikkim Government Press	-	5.09	5.59	-
Inspector General of Police Wireless Branch	5.61	4.74	4.91	-
Superintendent of Police Reserve Line	-	13.32	16.21	-
Commandant , Sikkim Fire Service	-	4.34	4.29	-
Secretary, Sikkim Legislative Assembly	-	-	14.19	-
Commandant Sikkim Armed Police	-	31.83	32.49	-
Inspector General of Police , Special Branch	-	6.08	6.97	-
Director, State Lotteries	-	-	34.84	-
Secretary, Mines & Geology	-	-	2.53	3.15
Secretary, Sports & Youth Affairs Department	-	-	14.90	16.31
Secretary Information & Public Relation Department	-	-	8.01	11.60
Secretary, Science & Technology Department	-	-	1.33	1.84
Secretary, Personal Adm. Reform Training	-	-	-	8.32
Secretary, Information & Technology (IT) Department	-	-	2.52	-
Total	**27.69**	**91.10**	**219.31**	**41.22**