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

for the year ended March 2014

GOVERNMENT OF SIKKIM

Report No. 1 of 2015

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

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PREFACE

1. This Report for the year ended March 2014 has been prepared for submission to the Governor of Sikkim under Article 151 of the Constitution of India.

2. The Report contains significant results of the performance audit and compliance audit of the Departments of the Government of Sikkim under the Social, Economic, Revenue and General Services including the Departments of Human Resource Development, Roads and Bridges, Tourism and Civil Aviation, Excise (Abkari), Finance, Revenue and Expenditure, Development Planning, Economic Reforms and North Eastern Council Affairs and public sector undertakings, viz. State Trading Corporation of Sikkim, State Bank of Sikkim, Sikkim Poultry Development Corporation Limited and Sikkim Power Development Corporation Limited.

3. The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2013-14 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; instances relating to the period subsequent to 2013-14 have also been included, wherever necessary.

4. The audit has 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, Economic, Public Sector Undertakings, Revenue and General Sectors and Chapter VI deals with Follow up of Audit observations.

This Report contains 24 audit paragraphs (including 13 general paragraphs) and three 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 Accountant General (Audit) with a request to furnish replies within six weeks. Replies were received from the departments concerned except in respect of two paragraphs (2.5 and 5.4).

SOCIAL SECTOR
COMPLIANCE AUDIT

The Audit on Implementation of Information and Communication Technology in Schools in Sikkim revealed that despite incurring a total expenditure of ₹ 7.95 crore, the intended objective was not fully achieved. The Department could not develop an environment conducive to widespread use of ICT in Schools even after incurring an expenditure of ₹ 3.76 crore on infrastructure alone. Most of the equipment purchased were lying non-functional. The implementation of ICT in Schools Scheme were characterised by various irregularities such as lack of survey and planning, delay in tendering the project, unjustified re-tendering, appointment of under qualified computer instructors, supply of sub-standard equipment. In order to implement the Scheme with the objective to create environment for widespread use of ICT, procurement of infrastructure was essential and there was also a need for either dedicated teachers to be in place or to get the in-house teachers fully trained.

(Paragraph 1.3)

ECONOMIC SECTOR
PERFORMANCE AUDIT

Tourism Development in Sikkim

Performance Audit of tourism development revealed that the Department had taken a number of steps for construction of infrastructure such as provision of way side amenities, yatri niwas and parks to provide better facilities to tourists. As a result, number of tourists visiting Sikkim showed consistent increase except for 2011 due to earthquake. Recognising the effort of the Department and overall tourism development in Sikkim, the Government of India (GOI) and other agencies had conferred a number of awards to the State. The awards included Best Performing State in North East (1998-2006), Best Eco-tourism Destination (2005), Emerging Tourist State (2008), Best State in Tourism Related

Programmes and Development of Infrastructure (2010 and 2011), Best State for Adventure Tourism (2010), Best Performing State (2010), Best State for campaign Clean India (2012), Best Rural Tourism Project (2012-13). Recently, Sikkim has been named the best region to visit in 2014 by Lonely Planet, a leading global travel guide.

The Department however, needed to further strengthen its efforts in the areas of policy implementation, project preparation and implementation, advertisement and publicity. While the Master Plan had not been formulated, Sikkim Tourism Policy, formulated in 2010 was not revisited and updated thereafter. Sikkim Tourism Advisory Council (STAC)-highest body to advise on policy implementation and its impacts on tourism was not constituted to strengthen coordination between various departments of the State Government (especially Forest) and other agencies (especially Border Roads Organisation). Data on number of persons/households engaged in tourism sector was not available with the Department to indicate that tourism had been accepted as a significant livelihood option by the people. Similarly, analysis of financial management disclosed deficiencies such as instances of unnecessary supplementary provision, non-release of State share in full, pending Utilisation Certificates and increase in committed liabilities. While the project preparation process needed further strengthening to avoid time overruns, project management and execution was characterised by delay in completion of projects, idling of assets for want of takers to run and manage the facilities and also poor repair and maintenance, utilisation of tourism infrastructures for non-tourism purposes. The advertisement and publicity activities for attracting more and more tourists, especially high end tourists were not initiated adequately due to paucity of fund. Various types of tourism such as eco-tourism, village-tourism and adventure-tourism though exploited have room for further expansion. The monitoring mechanism needed further strengthening as evident from the fact that number of projects were delayed beyond targeted date and internal audit was not taken up even once in the review period.

(Paragraph 2.3)

COMPLIANCE AUDIT

The Roads and Bridges Department had not realised the revenue of ₹ 0.76 crore by selling valuable standing properties and had also not intimated the Forest, Environment and Wildlife Management Department for disposal of the properties. Physical verification revealed that the properties were not available at the work sites resulting in loss of revenue amounting to ₹ 0.76 crore.

(Paragraph 2.4)

The construction of motorable road by Roads and Bridges Department without any provision for a motorable bridge resulted in an injudicious expenditure of ₹ 1.98 crore.

(Paragraph 2.5)

ECONOMIC SECTOR (PUBLIC SECTOR UNDERTAKING) PERFORMANCE AUDIT

Performance Audit on functioning of State Trading Corporation of Sikkim

The State Trading Corporation of Sikkim (Corporation) functioned as a canalising agency for all procurement of the various Departments of the Government of Sikkim, besides rendering agency services to Indian Oil Corporation Limited for retail distribution of Liquefied Petroleum Gas. The Corporation was required to procure standard/branded material of specified items directly from the manufacturers and maintain sufficient stocks so as to make the stock available to various Departments in minimum delivery time. The Corporation performed direct trading activities as well as commission business wherein goods were procured for and on behalf of the Departments against their respective indents.

Performance Audit on the functioning of the Corporation for the period 2009-10 to 2013-14 showed that the Corporation was not effectively discharging its role as canalising agency as the Corporation largely resorted to commission business wherein procurements were made based on the indents received from the Departments and hence, the benefits of bulk purchases could not be availed. The Corporation did not follow tender procedures in procurement of major items of materials. Due to inadequate follow-up with suppliers, the Corporation failed to minimise the delivery time of materials. It incurred avoidable expenditure on procurements mainly due to failure to avail full supply of material within the validity of supply orders and improper tender evaluation. The Corporation lacked an effective financial policy and dues to the Corporation were not realised timely. It was deficient in complying with the provisions of Acts/Rules which led to short/non collection of VAT, Cess and Service tax, etc. The Human Resource Management was not effective in absence of any efforts for imparting of trainings to the employees for their skill development. The internal control system with regard to holding/accounting of inventory and control over cash collection/remittance was weak causing instances of shortages in stocks as well as unauthorised retention/defalcation of cash by its employees.

(Paragraph 3.2)

COMPLIANCE AUDIT

Analysis of reasons for accumulation of Non-Performing Assets against cash credit/ overdraft loan accounts of SBS revealed deficiencies in obtaining adequate collateral security for CC/OD facilities, verification and evaluation of mortgaged properties, and monitoring of recovery of dues

(Paragraph 3.3)

SBS extended undue favour to contractors to the extent of ₹ 5.97 crore due to short collection of BG commission (₹ 2.08 crore) and margin money (₹ 3.89 crore) in violation of its laid down policy

(Paragraph 3.4)

Infructuous expenditure of ₹ 28.16 lakh incurred towards salary and perquisites.

(Paragraph.3.5)

Procurement of bulldozers without approval of Board of Directors and without market analysis resulted in loss of ₹ 0.77 crore to the Company.

(Paragraph.3.6)

REVENUE SECTOR
COMPLIANCE AUDIT

Despite non-receipt of requisite Excise Verification Certificate from the exporter, the Excise (Abkari) Department had not levied and realised excise duty and fees amounting to ₹ 68.09 lakh on the consignments.

(Paragraph 4.12)

Department failed to realise ₹ 2.43 crore from M/s Mayfair Hotels and Resorts (Sikkim), Ranipool as mandatory gaming fee for casino games.

(Paragraph 4.13)

Disregarding of clause in the agreement relating to applicable percentage rate of Minimum Assured Revenue on pro-rata basis resulted in a loss of ₹ 1.69 crore.

(Paragraph 4.14)

GENERAL SECTOR
PERFORMANCE AUDIT

Water supply projects funded under NLCPR and NEC

The Performance Audit of the Water Supply Projects funded under NLCPR and NEC for the period 2009-14 was carried out during April-July 2014. Results of Performance Audit disclosed that during 2009-14, the State had executed 23 projects (13 NLCPR and 10 NEC), of which 6 were completed and remaining 17 projects were in progress as of March 2014. Analysis revealed that due emphasis was not accorded to appropriate formulation of projects. Perspective plan had not been prepared. The concept papers in most cases were not submitted or were incomplete. Further, many DPRs were prepared without proper survey and investigation and without ensuring the availability of land for the projects leading to revision of estimates and time and cost overrun in some cases.

Analysis of financial management disclosed short release of matching share by the State Government owing to fund constraint in the State plan outlay; non utilisation of funds in time by the implementing departments; unrealistic preparation of budget estimates; unauthorised diversion of funds and excess expenditure. Similarly, analysis of project implementation revealed that in many cases, the Departments (WSPHED and RMDD)

had not initiated the tender procedure on time leading to delay in commencement of work; cost escalations of the projects; avoidable expenditure and extension of undue benefit to the contractors. The Nodal Department had neither attached due importance to quality control nor initiated suitable measures to streamline the monitoring and evaluation system to ensure timely accrual of intended benefits from the projects.

(Paragraph 5.3)

COMPLIANCE AUDIT

Non-adherence to codal provisions by Drawing and Disbursing Officers resulted in non-recovery of forfeited travelling allowance advances of ₹ 1.25 crore.

(Paragraph 5.4)

Social Sector

CHAPTER I
SOCIAL SECTOR

1.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2014 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 2013-14 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	410.67	398.85
2.	Food, Civil Supplies and Consumer Affairs	33.09	30.32
3.	Health Care, Human Services and Family Welfare	271.30	162.89
4.	Labour	54.24	51.80
5.	Social Justice, Empowerment and Welfare	128.54	87.26
6.	Cultural Affairs and Heritage	28.56	24.57
7.	Ecclesiastical Affairs	36.38	34.28
	Total	**962.78**	**789.97**

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. No.	Name of the Department	Name of the Scheme/Programme	Implementing Agency	Funds transferred during the year
1.	Human Resource Development	Rashtriya Madhyamik Shiksha Abhiyan (RMSA)	State Mission Authority, Rashtriya Madhyamik Siksha Abhiyan	862.64
		Sarva Siksha Abhiyan	State Mission Authority (SSA), Gangtok.	4,195.08
		National Medicinal Plants Board	Sikkim University	4
		Research and Development Department of Biotechnology	Sikkim University	14.79
		Top Class Education Scheme for SC	National Institute of Technology Sikkim	4.28
		Adult Education and Skill Development Scheme	Sikkim State Literacy Mission Authority, Sikkim	66.80
		Micro Electronics and Nanotech Development Programme (DIT)	Sikkim Manipal Institute of Technology	43
		Top Class Education System for ST	National Institute of Technology	4.09

2.	Health Care, Human Services and Family Welfare	National Rural Health Mission / National Health Mission Centrally Sponsored	State Health Society	2,552.82
		Assistance to Voluntary Organisation for providing Social Defence	Association for Social Health in India	9.95
		National Programme for Control of Blindness	State Health Society	10
		National AIDS Control Programme STD Control	Sikkim State AIDS Control Society	528.41
3.	Ecclesiastical Affairs	Buddhist and Tibetan Studies	Dechhen Choiling Gumpa Committee	2.5
			Sikkim Namgyal Institute of Tibetology, Gangtok	63.35
			Ngor Chotshog Centre	2.5
			Holistic Medicinal Promotion and Allied Education	1
			Kachoed Pema Woeling Trust	10
4.	Social Justice, Empowerment and Welfare	Support to National State Scheduled Tribes Finance and Development	Sikkim Scheduled Castes, Scheduled Tribes and Other Backward classes Development Corporation Ltd.	250
		Grant-in-aid to NGOs for STs including coaching and allied scheme and award for exemplary service	Mayal Liang Trust (MLT)	28.29
Total				**8,653.5**

Source: Central Plan Scheme Monitoring System of GOI.

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 audited entities for compliance. Some of the important audit observations arising out of the 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 ₹ 1,474.86 crore (including expenditure of ₹ 887.19 crore of previous years) (details of year-wise break-up is given in **Appendix 1.2.1**) of the State Government under Social Sector. This Chapter contains one paragraph on audit of Implementation of Information and Communication Technology in Schools in Sikkim as given below:

HUMAN RESOURCE DEVELOPMENT DEPARTMENT

1.3 Audit of Implementation of Information and Communication Technology in Schools in Sikkim

1.3.1 Background

The 'Information and Communication Technology (ICT) in Schools Scheme' was launched in December 2004 to provide opportunities to secondary stage students to build their capacity on ICT skills and make them learn through computer aided learning process. The Scheme was a comprehensive initiative to open new vistas of learning and to provide a level playing field to school students, whether in rural areas or in the metropolitan cities. One of the main objectives of the Scheme was to provide infrastructure to enable the Schools to have an environment for widespread use of ICT. With this vision, the Centrally Sponsored Scheme ICT in Schools was launched in Sikkim in 105 Secondary and Senior Secondary Schools during 2005-06 on a 90:10 fund sharing basis. Directorate of Technical Education, Human Resource Development Department (HRDD), Government of Sikkim was entrusted with the responsibility of implementing the Scheme.

1.3.2 Introduction

Computer Education Plan (CEP) prepared by the Department for implementing ICT in 103 Schools was approved by Project Monitoring and Evaluation Group (PMEG), Government of India (GOI) in August 2005 and two more Schools were approved during 2007-08. Thus, a total of 105 Schools were to be covered under Phase I. Another CEP for implementation of ICT Scheme in 46 Schools (Phase II) was approved by GOI during October 2010. GOI had accorded sanction for implementation of ICT in 105 Schools. However, without obtaining approval, 29 more Schools were included and the Scheme was implemented in 134 Schools (105+29), the details of implementation of Phase I ICT Scheme are given in **Appendix 1.3.1**. The scheme was implemented through a private agency[1] at a tendered value of ₹ 939.53 lakh for a period of 40 months from September 2008 to December 2011. The three major responsibilities of the firm were as under:

(i) Introduction of computer education in 105 new Schools (13 Senior Secondary and 92 Secondary Schools) by providing computer and its accessories including software;

(ii) Continuation of computer education in 29 Senior Secondary Schools, repair and maintenance of computers and its accessories and to keep them functional throughout the contract period of 40 months; and

[1] *M/s Computel Systems and Services, New Delhi.*

(iii) Appointment of computer instructors and arrange for internet connectivity to both 29 Senior Secondary Schools and 105 new Schools[2].

1.3.3 Audit framework

Audit on 'Implementation of ICT in Schools Scheme' was taken up with an Entry Conference with the Human Resource Development Department, Government of Sikkim in July 2013, to assess the efficiency and effectiveness of the Scheme, and to assess whether economy was observed in its implementation. Out of a population of 134 (105+29) Schools, 34 Schools[3] were selected through Stratified Random Sampling for physical verification. The updation of Audit findings was conducted during June to August 2014 through test check of records maintained at the HRDD headquarters office, Gangtok and Schools in the districts. Performance was benchmarked against the criteria stipulated in NIT, bid agreement documents, Information and Communication Technology (ICT) guidelines and Sikkim Financial Rules. The audit findings were discussed in the Exit Conference held on 31 October 2014.

Audit findings

1.3.4 Planning process

One of the main objectives of the Scheme was to provide infrastructure to enable the Schools to have an environment for widespread use of ICT. Two of the main anticipated outcomes of the Scheme were widespread use of ICT in Schools leading to enrichment of existing pedagogy and enabling the students to acquire necessary skill needed for both higher education and for gainful employment. Planning of the Scheme should have been done keeping in view the said objective and anticipated outcomes with full involvement of School authorities concerned. For effective implementation of the scheme, the Department should have conducted preliminary survey of Schools to ensure availability of suitable room for computer laboratory, possibility of landline connection for internet, separate electrical connection, etc. Further, the Headmasters/Principals of the Schools should have been fully explained or communicated the modus operandi and the objective of the Scheme. However, no such communication and preliminary survey was done.

1.3.5 Fund Management

A total of ₹ 6.08 crore was released by GOI and an amount of ₹ 2.00 crore was released as the State share. The details of Funds under ICT in Schools Scheme (Phase I) are given in the table below:

---

[2] *'**Category I'** Schools with enrolment of 150 plus students were to be provided with two computer instructors (senior and junior) and '**Category II'** Schools with enrolment of below 150 students were to be provided with one computer instructor.*

[3] *26 out of 105 Schools, where computer and its accessories were supplied and 8 out of 29 Schools where computer and its accessories were not supplied.*

Table 1.3.1

(₹ in lakh)

Sl. No.	Year	OB	Receipt			Expenditure	Balance
			GOI	State	Total		
			270.00*	200.00#	470.00	66.52	403.48
1	2008-09	403.48	-	-	-	234.88	168.60
2	2009-10	168.60	-	-	-	19.73	148.87
3	2010-11	148.87	338.01@	-	338.01	135.90	350.98
4	2011-12	350.98	-	-	-	172.94	178.04
5	2012-13	178.04	-	-	-	165.00	13.04
6	2013-14	13.04	-	-	-	-	13.04
Total :			**608.01**	**200.00**	**808.01**	**794.97**	**13.04**

* *₹ 270 lakh was released as first instalment by GOI on October 2005.*
\# *₹ 200 lakh released as State share in March 2008.*
@ *₹ 338.01 lakh for ICT 2005-06 (Phase I).*

Poor Fund Management of the Department is illustrated by the following observations:

➢ Total fund requirement for covering 105 Schools for three years, as per Scheme guidelines, was ₹ 9.85 crore as detailed in the table below:

Table 1.3.2

(₹ in lakh)

Nature of Expenditure for the nth Year	For each School			For 105 Schools		
	GOI Share	State Share	Total	GOI Share	State Share	Total
Non-recurring Expenditure of 1st year	6.03	0.67	6.70	633.15	70.35	703.50
Recurring Expenditure of 2nd year	1.21	0.13	1.34	127.05	13.65	140.70
Recurring Expenditure of 3rd year	1.21	0.13	1.34	127.05	13.65	140.70
Total	**8.45**	**0.93**	**9.38**	**887.25**	**97.65**	**984.90**

Against the fund requirement of ₹ 8.87 crore as GOI share, the total fund released for covering 105 Schools was ₹ 6.08 crore (₹ 2.70 crore released in October 2005 and ₹ 338.01 lakh released in March 2011) indicating short release of ₹ 2.79 crore from GOI.

➢ The non-recurring and recurring expenditure approved by GOI for 105 Schools were as detailed in **Table 1.3.2** above. The total State share requirement for implementation of ICT Scheme for the three years was ₹ 97.65 lakh (₹ 70.35 lakh in the first year and ₹ 13.65 lakh each, in the second year and the third year). However, by including 29 old[4] Schools, the total number of Schools to be covered was 134 (29+105) and the Department worked out (September 2005) State share as ₹ 3.41 crore for three years, and the same was later (April 2006) enhanced to ₹ 5.00 crore[5]. Scrutiny revealed that delay in implementation was due to non-availability of funds under State share by the State Government due to unauthorised inclusion of additional 29 old Schools. The excess projection of State share was corroborated by the fact that during implementation as against the projected requirement of ₹ 5.00 crore, actual State share released was only

[4] *The Schools were covered under CLASS (Computer Literacy and Studies in School) Scheme implemented from 2002-05.*

[5] *The Department decided to change minimum qualification of teachers from one year Diploma to 3 years Diploma and estimated additional funds requirement for the salary of teachers by ₹ 150.00 lakh for three years.*

₹ 2.00 crore. This indicated unrealistic financial planning which did not commensurate with the requirement.

In reply the Department stated (November 2014) that there was no excess projection of the State share, the funding pattern was in the scale of 75:25, as Sikkim was not considered a part of the NEC for project funding during that time. The reply was not acceptable as Sikkim was included for NEC funding in NER from 2003-04, and the funding pattern, as per the minutes of the Programme Monitoring and Evaluation Group (PMEG) meeting held on 11 July 2007 and also as per the sanction letter dated 13 October 2005, was 90:10 and not 75:25.

➢ The terms and conditions of the release order inter alia stated that the funds were to be utilised for the purpose for which it was sanctioned. Scrutiny revealed that till December 2005, a balance amounting to ₹ 26.55 lakh was to be paid to M/s Computel Systems and Services (CSS) as a committed liability for their services under the CLASS (Computer Literacy and Studies in School) Scheme during academic year 2005. However, the Department unauthorisedly diverted and paid (March 2007) to the firm ₹ 66.52 lakh for meeting the committed liability of CLASS Scheme out of the funds of ₹ 2.70 crore released by GOI (October 2005). This resulted in extra payment of ₹ 39.97 lakh (₹ 66.52 lakh - ₹ 26.55 lakh) to the firm. Later, the GOI had categorically stated (July 2007) that the said expenditure of ₹ 66.52 lakh towards CLASS Scheme was irregular and had instructed the Department to re-appropriate the funds to ICT Scheme. But the Department had not re-appropriated the said funds to ICT Scheme as of August 2014.

While accepting the fact the Department stated (November 2014) that the justification for payment of ₹ 66.52 lakh could not be located in the records and efforts would be made to verify the details.

➢ As per terms and condition of the sanction, the funds should be utilised for the purpose for which it was sanctioned. Scrutiny of records revealed that in addition to procurement of computer from the firm, the Department unauthorisedly incurred an expenditure of ₹ 38.61 lakh on purchase of 105 HP make computers for distribution to the 105 Schools (one each). Besides, the Department spent ₹ 3.63 lakh for purchase of computers, projector, laser printer, laptop, etc. for use in the IT Section of the Department from the fund under ICT Scheme, earmarked for computer education in Schools. Since there was already a paucity of fund under the scheme, unauthorised use of fund put a further burden on the scheme.

In reply the Department stated (November 2014) that it was the decision of the Head of the Department to purchase 105 HP branded computer during 2012 to be installed in the computer labs, to supplement the non-functional computers. This was done as there was criticism on implementation of the ICT in 105 Schools. Regarding purchase of computers, projectors, etc. for use in IT Section, the Department stated that efforts are being made to verify the details.

1.3.6 Unjustified re-tendering

The tendering process for implementation of ICT was initiated during December 2007 and lowest bidder was M/s Educomp Solutions Limited (ESL), Gurgaon, Haryana at ₹ 7.28 crore. The firm was rejected on grounds that salary of ₹ 4,800 and ₹ 6,000 per month was not attractive to get qualified instructors which in turn would jeopardise the objective of providing quality education. The bid was re-tendered without any negotiation with the firm. However, rejection of the lowest bidder and re-tendering of bid was not justified on the following grounds:

- The lowest bidder assured that supply of hardware, software, and other equipment, etc. would be made strictly in accordance with the bid requirement and also that teachers hired by them would be adequately paid. The Tender Committee was convinced on the statement of the lowest bidder ESL. But, this was ignored by the Department and without any negotiation with the firm, the work was re-tendered.

- As per agreement, the firm was to appoint Sr. Instructor, Instructor and Junior Instructor as per the category of the Schools, detailed in **Appendix 1.3.2**. Department found that out of 176 instructors appointed by the firm, 154 teachers (85.5 *per cent*) were under-qualified. In complete violation of agreement, all the under qualified teachers were allowed to remain engaged. Hence, compromise on qualification of teachers contradicted the very reason for re-tendering. Further, the agreement did not spell out any penalty clause for recruitment of under qualified teachers.

- As per the agreement, monthly salary to Sr. Instructor: ₹ 8,500, Instructor: ₹ 7,500 and Junior Instructor: ₹ 6,500 were to be paid. It was noticed that the teachers were being paid the monthly salary of ₹ 6,605; ₹ 5,800 and ₹ 5,020 respectively and from May 2009, it was reduced to fixed amount of ₹ 5,000 for all categories of teachers. The matter was represented (February 2010) to the Hon'ble Chief Minister (HCM) by the computer teachers. Scrutiny further revealed that while the firm (employer) was receiving full amount of average salary (₹ 7,500 per teacher) from the Department, it was not paying the same to teachers. It may be mentioned that the employer who engages 20 or more persons in any industry or class of business is required to make a statutory rate of Employees Provident Fund (EPF) contribution of 12 *per cent* and the matching amount is to be deducted from the emoluments of the employees. Even if EPF of 12 *per cent* was deducted from the said three categories of teachers, they were entitled to net pay of ₹ 7,480; ₹ 6,600 and ₹ 5,720. The firm was retaining with itself a part of teachers' salary which was on an average ₹ 1.40 lakh per month for 176 teachers till April 2009 and thereafter ₹ 2.82 lakh per month from May 2009 onwards, as detailed in **Appendix 1.3.3(a)** and **1.3.3(b)**.

Further, audit worked out that Sr. Instructors, Instructors and Junior Instructors after three years of service would be entitled to the accumulated EPF of ₹ 67,964; ₹ 60,545; and ₹ 52,472 respectively. Audit team interviewed five[6] ICT teachers and could know that

[6] *Two belonging to ₹7,500 category and three belonging to ₹6,500 category (one teacher was deployed for 2 years).*

teachers had to send their representatives to Delhi to get their money and with much bargain, the firm agreed to transfer funds to their bank accounts. However, only a meager amount between ₹ 10,300 to ₹ 21,000 was transferred to their respective savings accounts.

➢ During the first tender when ESL quoted rate of ₹ 7.28 crore, CSS had quoted an exorbitant rate of ₹ 12.35 crore. Rejection of lowest tender in the first round gave full scope to CSS to reduce its rate by ₹ 2.95 crore (from ₹ 12.35 crore to ₹ 9.40 crore). The detailed bids of all the firms, though called for, were not produced to audit.

Thus, as a result of injudicious re-tendering, the Department had to commit to an extra liability of ₹ 2.12 crore.

In reply the Department remained silent on the re-tendering issue and added that the matter of salaries of computer teachers came up only after the contract period was over. It was further stated that all the computer teachers have received the Provident Fund amount. At no point have the teachers said that they were underpaid except in unofficial forums.

1.3.7 Result of beneficiary survey and physical verification

To see actual implementation of the Scheme at the ground level, audit selected 34 Schools (26 Schools where computers was supplied and 8 Schools where computers were not supplied) for physical verification and beneficiary survey. The results of these are as follows:

Computer Lab: One of the objectives for procurement of equipment was to build an environment conducive of widespread use of ICT in Schools. Therefore, availability of proper computer lab was a prerequisite for implementation of ICT in Schools Scheme, particularly after the completion of the Scheme. Hence, preliminary survey of Schools ensuring availability of room for computer lab was vital for creation of environment conducive for use of ICT in Schools. The Department had not conducted any such survey. Physical verification by audit in presence of departmental officials revealed that the rooms used as computer labs did not have the requisite ambience and all the equipment (monitors, CPU, dot matrix printer, UPS, etc.) were lying in dilapidated condition as illustrated by photographs of computer labs and equipment taken during physical verification below:

Image 1.3.1



Chujachen Sr. Secondary School (equipment)

Image 1.3.2



Padamchey Sr. Secondary School (computer lab)

In reply the Department stated (November 2014) that a well furnished computer lab was not made as it was not part of the scheme during initial implementation and that the Tender document was silent on this aspect. The reply is not tenable as the main objective of the scheme was creation of environment for widespread use of ICT in Schools for which a proper computer lab is vital. Further the guidelines had provided flexibility in incurring expenditure for items like preparation of labs for computers including civil repairs.

Internet connection: As per the guidelines, connectivity to internet was one of the critical factors to promote the use of ICT in Schools. Though the provision for internet to Schools was stipulated in the agreement, the Department had not conducted any survey prior to implementation of the Scheme to ensure possibility of obtaining landline connection for internet. Physical verification revealed that internet connectivity was not provided to any of the Schools.

In reply the Department stated (November 2014) that internet connectivity in the entire State is not good, Hence, they are forced to procure internet connection through private mobile network operators. Had the Department conducted prior survey, provisioning of internet connection through private mobile network operators could have been foreseen prior to implementation. However, it was contemplated during the end of the scheme. Moreover, the scheme was completed without providing any internet connection.

Syllabus coverage in 29 old Schools: As per the agreement, students of 29 Senior Secondary Schools[7] having already learnt the basics of software packages and elementary programming, the syllabus prescribed for the students of 29 Schools were front end, back end programming and report generation. Survey of selected Schools revealed that the particular batch of students, who were supposed to have been taught front end and back end programming knew nothing about front end and back end programming.

In reply the Department stated (November 2014) that since front end and back end programming was quite advanced, only basics were taught. The reply was not reasonable as the students of 29 Schools had already learnt basics. Hence, repeating the basics was not justified.

Supply of computer equipment: The Department adopted two-bid system for tendering, where each firm was to submit technical bid and financial bid. Financial bid would be considered only if firm was technically qualified. The details of the technical bid inter-alia included the firms' associated hardware suppliers. In the case of CSS, its associated hardware suppliers were Chirag and HCL. Scrutiny of records made available to audit revealed that after award of contract, despite being aware that the firm would provide Esys and Adcom computers (the brand hardly known in the market), which were not consistent with those stipulated in the technical bid, the Department accepted it.

Physical verification of 26 Schools (where computers were supplied) revealed that out of 252 computers supplied, 222 (88.09 *per cent*) computers were lying non-functional as shown in the photographs given below. It was also noticed that 105 computers (41.67 *per*

[7] *East: 14, West: 6, North: 2 and South: 7.*

cent) remained non- functional during implementation of the Scheme for the period ranging from 9 to 24 months.

Image 1.3.3	Image 1.3.4
	
Khamdong Sr. Secondary School	Lingdok Sr. Secondary School

Although penalty clause was stipulated in the agreement @ ₹ 100 per day for each day after the equipment remains out of order for more than five days, no such penalty was imposed for non-functionality of 105 computers during the implementation of the Scheme.

In reply the Department stated (November 2014) that in no part of the tender document the make and model of the computers were mentioned. The firm had supplied computers as per what was thought to be competitive and economical. The reply of the Department is not tenable as the technical bid submitted by the firm stated that its associated hardware suppliers were Chirag and HCL.

1.3.8 Other irregularities in implementation of the Scheme

1.3.8.1 Recruitment of Teachers vis-à-vis actual requirement and coverage of Syllabus: As per the agreement, the contract period was for 40 months (i.e. from 1 September 2008 to 31 December 2011). However, the actual academic period available for students within the period of 40 months was around 33.5 months. To cover the given syllabus, each teacher was supposed to conduct classes for 33.5 months. Test check of attendance register of 35 teachers revealed that against the requirement of 33.5 months to be taught, none of the teachers conducted classes for 33.5 months. The absence of teachers ranged from four months to 26 months. The average absenteeism of teachers was 29.76 *per cent* (i.e. around 10 months). However, no penalty was imposed on the firm @ ₹ 500 per day for each day of absence of teachers beyond 15 days as stipulated in the agreement. This resulted in undue benefit to the firm as well as deprivation of full benefits to the students.

1.3.8.2 Non-deduction of payment from the contract amount for the delayed period: As per agreement, the actual commencement of contract would be reckoned from the date when all the equipment (hardware and software) and teachers were in place. However, the date of termination of contract was already fixed as 31 December 2011. General conditions of contract further stated that the firm was to ensure that all equipment and teachers were in position in all the Schools by 1 September 2008. The rate quoted by the

firm was on per month per school basis for 40 months from 1 September 2008 to 31 December 2011. Scrutiny of records revealed that all the equipment and teachers were in position (in 105 Schools) only from February 2009. Hence, while making payments, the contract period should have been reckoned from February 2009 for 105 Schools. Thus, non-deduction of amount for five months' delay resulted in undue favour to the firm amounting to ₹ 89.15 lakh[8]. The Department had not spelt out any penalty clause in the agreement to prevent delay in supply of equipment and placement of computer teachers.

In reply the Department stated (November 2014) that the computer equipment and teachers were in place in 105 schools from 1 September 2008. However, their actual use was made from February 2009. The payment was made from the date of appointment of teachers and installation of hardware and not from the date of its actual use. The reply of the Department is not tenable as evident from the Challan-cum-Receipt which clearly states that the equipment were received by the Schools only after February 2009 and the teachers were in place from February 2009. Payment to the firm for the period, from September 2008 to January 2009, when no classes were taken was not justified.

1.3.8.3 Unreasonable leniency towards firm's irregularities: After six months of implementation of the Scheme, the Department noticed the firm's irregularities, viz. delay in implementation of the Scheme, recruitment of under qualified teachers, supply of sub-standard equipment, etc. and asked the firm to rectify the same. However, even after 18 months of implementation, it was noticed that those irregularities were not rectified by the firm and in addition, some more irregularities were detected. The Department should have ensured strict compliance with the terms of agreement by the firm. Instead only a soft and ineffective penalty of ₹ 44.19[9] lakh was imposed. The penalty of ₹ 44.19 lakh included penalty for supply of sub-standard computers of ₹ 14.14 lakh @ ₹ 1,500 for 943 computers. Audit analysis revealed that the amount of penalty for computers should have been ₹ 85.82 lakh, as detailed in **Appendix 1.3.4** and **1.3.4(b)**.

In reply the Department stated (November 2014) that the penalty was imposed by the Committee for non-performing computer hardware of 105 Schools and that the Committee had also said that the hardware was as per the specifications. The reply was not tenable as the Committee had stated that the firm had tried to deceive the Department by providing inferior quality hardware and were not as per the specification stipulated in the Bid documents. However, the Department remained silent on the short imposition of penalty.

***1.3.8.4 Implementation of the Scheme twice in 29 schools*:** GOI had approved implementation of the ICT Scheme in 105 Schools. However, without obtaining approval from GOI, the Department unauthorisedly included 29 old Schools for implementing the Scheme. A total of 134 (105+29) Schools were covered under the Scheme, i.e. introduction of computer education in 105 Schools and continuation of computer

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[8] *Rate per month for 105 Schools was ₹ 17.83 lakh (₹ 3,29,680+₹ 6,81,915+₹ 7,71,150) Therefore, for five months (September 2008 to January 2009), it amounts to ₹ 89.14 lakh.*

[9] *Penalty amount ₹ 84,54,200 included amount for software also. In November 2012, an amount of ₹ 40,35,065 was paid for software. Hence, net penalty imposed was ₹ 44.19 lakh.*

education programme in 29 Schools. The Department again submitted (February 2010) Computer Education Plan (CEP) for 2009-10 stating that out of a total 151 Secondary and Senior Secondary Schools, 134 Schools have been covered under the Scheme and 17 Schools were to be covered during 2010-11. The CEP 2009-10 having been submitted late by the Department could not be approved by GOI. Therefore, uncovered Schools were incorporated in CEP 2010-11. However, the Department while submitting CEP 2010-11, inflated the data of uncovered Schools from 17 to 46 (by including the 29 old Schools which were already covered along with 105 Schools). This CEP 2010-11 containing the inflated data of uncovered Schools was approved by GOI during October 2010.

To receive maximum resource, the Department misled GOI by enhancing the uncovered Schools from 17 to 46. The first instalment of ₹ 80.96 lakh for implementing ICT Scheme in 46 Schools (Phase II) had been released by GOI in March 2011. The work of implementing ICT Scheme Phase II was awarded to Sibin Group, Gangtok and the work was initiated from the academic session 2014.

1.3.8.5 Reduction of funds earmarked for purchase of computers: The GOI had accorded approval for 105 Schools during Phase I. The Department without obtaining approval from GOI had included 29 old Schools. As per the guidelines, for meeting the non-recurring (in the first year) and recurring (in the second and third year) expenses, an amount of ₹ 9.38 lakh per School was earmarked for three years, out of which ₹ 4.05 lakh was for procurement of ten computers and its accessories[10]. Accordingly, for 105 Schools, the total amount for procurement of computer and its accessories was ₹ 4.25 crore, under which computer worth ₹ 34,223 (detailed in **Appendix 1.3.5**) could have been provided. By unauthorisedly including the additional 29 old Schools in the Scheme, the total amount of ₹ 4.25 crore (as per scheme guidelines) earmarked for computer and its accessories got reduced to ₹ 3.08 crore (as per tendered amount for 105 Schools) only as detailed in **Appendix 1.3.4 (a)**. Scrutiny of bills claimed by the firm revealed that actual amount spent on computers and its accessories was only ₹ 2.47 crore under which average cost of computers was only ₹ 14,816[11].

In reply the Department stated (November 2014) that there was no reduction of funds for the purchase of computers and during the time of contract the firm was asked to include maintenance of the computers supplied under CLASS scheme from its own resources as a goodwill gesture for winning the contract and also because they were the suppliers of computers under CLASS scheme. The reply of the Department is not tenable as the accepted tendered value of ₹ 939.53 lakh included ₹ 226.43 lakh for maintenance and repair of computers, providing of internet connection and deployment of computer teachers of 29 schools for 40 months. Hence it was not a goodwill gesture.

***1.3.8.6 Unrealistic time frame for coverage of Syllabus*:** The Scheme was implemented in 105 Schools to introduce computer education. The Department had asked (July 2008)

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[10] *Printer, scanner, web cameras and modem but excluding operating, application and educational software.*

[11] *105 server computers @ ₹ 18,100 = ₹ 19,00,500 and 943 client computers @ ₹ 14,450 = ₹ 1,36,26,350. Therefore, average cost = (₹ 19,00,500+₹ 1,36,26,350)/(105+943) = ₹ 14,816.*

the firm to follow CBSE syllabus. The class-wise syllabus for introduction of computer education itself was not logical as the Scheme was only for three years, and the major portion of class XII syllabus was introduction to open source software and programming. Without imparting preliminary knowledge on the basics of computer systems and its uses, imparting of knowledge on open source software and programming appeared impractical. Further, the Department worked out period of 40 months for implementation of the Scheme from 1 September 2008 to 31 December 2011, under which in the first year of implementation of the Scheme, the then class XII would get the benefit of only around 3.5 months[12] classes. Similarly, the then Classes XI and X would have got the benefit of only around 13.5 months and 23.5 months classes respectively. This fact was completely ignored by the Department in the planning stage**.**

In reply the Department stated (November 2014) that the course material was as per the syllabus prescribed and the books supplied by the vendor were good standard. The reply of the Department was not relevant to the observation made by audit. Audit's contention was that during the planning stage the Department had not considered the scheme duration of the then (2008) Class XII, XI and X students before structuring the syllabus.

1.3.9 Monitoring and Impact evaluation

As per the guidelines, the monitoring of the Scheme was to be done through independent agency like IIT, NIT, etc. Scrutiny of records revealed that this was stressed by GOI time and again. Accordingly, evaluation task was entrusted (December 2010) to National Institute of Technology, Ravangla after two years of implementation of the project. The evaluation report submitted by NIT, Ravangla though called for, was not produced to audit. During September 2009, the Department conducted inspection of seven[13] Schools, wherein several irregularities were detected in supply of equipment and the firm was asked to rectify the defects. An Inspection Committee comprising of members from HRDD, FRED, IT Department, NIC, etc. again inspected 26 Schools (February and March 2010) and found that while the irregularities detected earlier were not rectified, additional irregularities also crept in. The Committee also reported that the firm had deceived the Department by providing inferior quality hardware. These irregularities were detected after 18 months of implementation of the Scheme. Had the monitoring system been in place right from the commencement of the project, said irregularities could have been avoided. It may be mentioned that the fund released by GOI included an amount of ₹ 24,000 per School for monitoring, which amounted to a total of ₹ 25.20 lakh for 105 Schools.

The inspection so conducted by the Committee was limited to finding discrepancies in infrastructure procurement only, neglecting its impact on the beneficiaries of the Scheme. The Department had not conducted the much needed evaluation of whether the objective

[12] *Each academic year is around 10 months. Since the Scheme was from 1 September 2008 total academic period was 33.5 months (3.5 months in 2008, 10 months each from 2009 to 2011).*

[13] *Three Schools were from the 105 (new) and four from the 29 (old).*

of the Scheme was achieved, particularly when it was implementing Phase II of the Scheme.

Physical verification and survey of 34 Schools conducted by audit along with departmental officials revealed that the electricity payments were made by the Schools themselves; Licensed software were not supplied; teachers absenteeism was very high (29.76 *per cent*); maintenance and repair was not prompt. In one[14] school, only theory classes were taken throughout the course period as the machines remained non-functional throughout the contract period. The main objective of the ICT Scheme, i.e. the widespread use of ICT in Schools or computer aided learning was completely lacking and the infrastructures procured were mostly non-functional and lying in dilapidated condition. Most of the Schools were of the opinion that the implementation of the Scheme could have been better if the School authorities were fully involved and made aware of the details of the Scheme. 80 *per cent* of the Schools commented that implementation of the Scheme was not satisfactory.

In reply the Department stated (November 2014) that they did not receive any complaint from head of the institute regarding supply and installation of computers and added that Department was not aware of monitoring funds through which scheme could have been properly monitored. The Department further stated that genuine licensed Windows and Office software was provided. This reply is not justified as the inspection Committee had already found various irregularities and the question of whether complaint was received does not arise. Moreover, during physical verification of Schools it was seen that only MS Office was provided but audit could not vouchsafe whether same was licensed as there was no activation key or registration done. Besides without internet connection the software even if it was licensed cannot be updated.

1.3.10 Conclusion

The guidelines stipulate that the Scheme would provide infrastructure for developing environment for widespread use of ICT in Schools. Despite incurring a total expenditure of ₹ 7.95 crore, the intended objective was not fully achieved. The Department could not develop the environment conducive to widespread use of ICT in Schools even after incurring an expenditure of ₹ 3.76[15] crore on infrastructure alone. Most of the equipment purchased were lying non-functional. The implementation of ICT in Schools Scheme were characterised by various irregularities such as lack of survey and planning, delay in tendering the project, unjustified re-tendering, appointment of under qualified computer instructors, supply of sub-standard equipment. In order to implement the Scheme with the objective to create environment for widespread use of ICT, procurement of infrastructure was essential and there was also a need for either dedicated teachers to be in place or to get the in-house teachers fully trained.

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[14] *Chujachen Sr. Secondary School (one of the 29 old Schools).*

[15] *Total expenditure = ₹ 794.97 lakh, out of which ₹ 66.52 lakh was for CLASS scheme, ₹ 42.24 lakh was the unauthorised expenditure, ₹ 0.76 lakh was for tour and ₹ 309.2 lakh for teachers salary. Therefore, the net expenditure on infrastructure: ₹794.97 lakh - ₹418.72 lakh = ₹376.25 lakh.*

While accepting the points raised by Audit, the Department stated (November 2014) that proposals have been made for providing regular computer teacher in every School. Efforts were also there to make the computers functional by way of AMC or system upgradation. It was assured that ICT in Schools scheme in remaining Schools would be implemented well. It was also stated that under ICT Phase II, computer hall with proper site preparation would be made, adequate survey before site selection would be ensured, quality furniture and best of computers would be procured.

1.3.11 Recommendations

The following recommendations are made to enable the students deriving the desired benefit of computer education through implementation of the ICT in Schools Scheme Phase II:

- Planning: The planning of the Scheme should be carried out after preliminary survey to ensure availability of room for computer lab and possibility of internet connectivity, involvement of School authorities and proper structuring of syllabus;
- Implementation: Implementation of the scheme should entail procurement of quality equipment and its proper maintenance and deployment of qualified teachers; and
- Monitoring and Evaluation: Implementation of project should be effectively monitored through independent agency such as NIT, IIT, etc. with prompt corrective action against shortcomings noticed in implementation. Impact assessments also need to be conducted through independent agencies.

Economic Sector

CHAPTER II
ECONOMIC SECTOR

2.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2014 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 2013-14 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	69.57	24.87
2.	Co-operation	14.55	14.23
3.	Animal Husbandry, Livestock, Fisheries and Veterinary Services	48.89	43.18
4.	Forest, Environment and Wildlife Management	188.02	205.67
5.	Commerce and Industries	28.06	24.40
6.	Horticulture and Cash Crops Development	30.91	32.99
7.	Mines, Minerals and Geology	3.87	3.58
8.	Tourism and Civil Aviation	183.40	74.95
9.	Transport	45.87	45.92
10.	Roads and Bridges	303.42	227.26
11.	Buildings and Housing	48.64	41.90
12.	Irrigation and Flood Control	152.00	44.35
13.	Water Security and Public Health Engineering	48.20	33.71
14.	Urban Development and Housing	257.69	106.37
15.	Energy and Power	201.62	185.76
16.	Rural Management and Development	177.73	184.54
	Total	**1,802.44**	**1,293.68**

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)	211.93
		Support to Sate Extension Programme for Extension Reforms	State Agricultural Management and Extension Training Institute	189.8

2.	Animal Husbandry, Livestock, Fisheries and Veterinary Services	National Project for Cattle and Buffalo Breeding	Sikkim Livestock Development Board	149.40
		Scheme for Infrastructure Development FPI	Sikkim Livestock Processing and Development Corporation Ltd.	69.4
		Diary Development Project	North District Milk Producers Co-operative Union Ltd.	497.39
3.	Forest, Environment and Wildlife Management	Afforestation and Forest Management	State Forest Development Agency, Sikkim	676.55
		Scheme for Quality Assurance, Codex Standards Research	Silviculture and Research	147.33
		North East Council	State Forest Development Agency	91
		Environment Information Education and Awareness	State Environment Agency	13.13
		National Medicinal Plants Board	SMPB, Sikkim	5
4.	Commerce and Industries	Design and Technical Upgradation Scheme	Nayuma Women's Cooperative Society	4.1
5.	Horticulture and Cash Crops Development	National Bamboo Mission	Horticulture and Cash Crops Development Department	280.32
		National Mission on Medicinal Plants	Small Farmer's Agribusiness Consortium (SFAC), Sikkim	137.59
		National Research Centre for Orchids	Horticulture Mission for North East and Himalayan States	409.15
		National Mission on Micro Irrigation	State Micro Irrigation Committee, Sikkim	588.57
6.	Tourism and Civil Aviation	Capacity building for service providers	Institute of Hotel Management, Rumtek	15.21
		Capacity building for service providers	Institute of Hotel Management	19.74
		North Eastern Council	Sikkim Tourism Development Corporation Ltd.	4
7.	Energy and Power	Grid Interactive Renewable Power MNRE	Sikkim Power Development Corporation Limited	245.00
		Renewal Energy for Rural Applications for all Villages	Sikkim Renewable Energy Development Agency	88.87
		Information Publicity and Extension	Sikkim Renewal Energy Development	19.67
		OFF GRID DRPS	Sikkim Renewable Energy Development Agency	819.75
8.	Urban Development and Housing	Swarna Jayanti Sahari Rojgar Yojana	Urban Development & Housing Department	26.95
9.	Handicraft and Handloom Directorate	Human Resource Development Handicrafts	Sikkim Handicrafts Development Corporation Ltd.	10.89
		Comprehensive Handloom Development Scheme	Sikkim Handicrafts Development Corporation Ltd.	70.52
		Design and Technical Upgradation Scheme	Sikkim Handicrafts Development Corporation Ltd.	34.91
		Marketing Support and Service and Export Promotion Scheme	Sikkim Handloom and Handicrafts Development Corporation Ltd.	13.29
		Baba Saheb Ambedkar Hasatshipa Vikash Yojana	Handloom and Handicraft Development Corporation Ltd.	2.1
		Human Resource Development Handicrafts	Nayuma Women's Cooperative Society	5.3
		NER-Textile Promotion Scheme	Sikkim Handloom and Handicrafts Development Corporation Ltd.	18.75
10.	Rural Management and Development	DRDA Administration	District Rural Development Agency, East, Gangtok	88.87
		MG-NREGA	Special Secretary, MG-NREGA	10,684.17
		PMGSY	Sikkim Rural Road Development Agency	197
		Integrated Watershed Management Program	District Rural Development Agency, East	53.6

		Integrated Watershed Management Program	District Rural Development Agency, West	29.53
		AAJEEVIKA – Swarna Jayanti Gram Swarojgar Yojana	Sikkim Rural Development Agency	145.01
		Central Rural Sanitation Programme	State Water and Sanitation Mission Sikkim	825.06
		Rural Housing – IAY	SRDA, Sikkim	877.03
		National Rural Drinking Water Programme	SWSM, Sikkim, Gangtok	2,656.22
		Rajiv Gandhi Panchayat Sashiktikaran Abhiyan	SRDA, Sikkim	382.46
11.	Water Security and Public Health Engineering Department	National River conservation Plan	Water Security and Public Health Engineering Department	1,500
Total				**22,304.56**

Source: Central Plan Scheme Monitoring System of the GOI.

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 audited entities 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 ₹ 2,174.87 crore (including expenditure of ₹ 1,477.04 crore of previous years) (details of year-wise break-up is given in **Appendix 2.2.1**) of the State Government under Economic Sector. This Chapter contains a Performance Audit on 'Tourism Development in Sikkim' and two Compliance Audit Paragraphs as given below:

TOURISM AND CIVIL AVIATION DEPARTMENT

2.3 Tourism Development in Sikkim

The State of Sikkim is endowed by nature with a variety of destinations, circuits, flora, fauna, glaciers, lakes, mountains, etc. suitable for development of tourism. The State Government of Sikkim has also initiated measures to make tourism the main livelihood of

the people of Sikkim by encouraging people to preserve old monuments and heritage sites, take up village tourism and religion based tourism. Though, immense natural potential of the State had not been exploited fully for tourism development, the State had earned the distinction of being a sought after tourist destination both within and outside the country.

Performance Audit of tourism development revealed that the Department had taken a number of steps for construction of infrastructure such as provision of way side amenities, yatri niwas and parks to provide better facilities to tourists. As a result, number of tourists visiting Sikkim showed consistent increase except for 2011 due to earthquake. Recognising the effort of the Department and overall tourism development in Sikkim, the Government of India (GOI) and other agencies had conferred a number of awards to the State. The awards included Best Performing State in North East (1998-2006), Best Ecotourism Destination (2005), Emerging Tourist State (2008), Best State in Tourism Related Programmes and Development of Infrastructure (2010 and 2011), Best State for Adventure Tourism (2010), Best Performing State (2010), Best State for campaign Clean India (2012), Best Rural Tourism Project (2012-13). Recently, Sikkim has been named the best region to visit in 2014 by Lonely Planet, a leading global travel guide.

The Department however, needed further strengthening in the areas of policy implementation, project preparation and implementation, advertisement and publicity. While the Master Plan had not been formulated, Sikkim Tourism Policy, formulated in 2010 was not revisited and updated thereafter. Sikkim Tourism Advisory Council (STAC)-highest body to advise on policy implementation and its impacts on tourism was not constituted to strengthen coordination between various departments of the State Government (especially Forest) and other agencies (especially Border Roads Organisation). Data on number of persons/households engaged in tourism sector was not available with the Department to indicate that tourism had been accepted as a significant livelihood option by the people. Similarly, analysis of financial management disclosed deficiencies such as instances of unnecessary supplementary provision, non-release of State share in full, pending Utilisation Certificates and increase in committed liabilities. While the project preparation process needed further strengthening to avoid time overruns, project management and execution was characterised by delay in completion of projects, idling of assets for want of takers to run and manage the facilities and also owing to repair and maintenance, utilisation of tourism infrastructures for non-tourism purposes. The advertisement and publicity activities for attracting more and more tourists, especially high end tourists were not initiated adequately due to paucity of fund. Various types of tourism such as eco-tourism, village-tourism and adventure-tourism though exploited have room for further expansion. The monitoring mechanism needed further strengthening as evident from the fact that number of projects were delayed beyond targeted date and internal audit was not taken up even once in the review period.

Highlights

The Master Plan prepared (June 2011) at a cost of ₹ 65 lakh was not put to any effective use as of March 2014. The Sikkim Tourism Policy was not revisited and updated thereafter to effect necessary changes. Ineffective planning led to non-utilisation of two assets of ₹ 83 lakh.

Paragraph- 2.3.7.2

Inadequacy in project preparation process led to stalling of nine projects despite incurring ₹ 33.70 crore towards land acquisition owing to land dispute, non-availability of stock materials, fund constraint and slow pace of work by the contractors.

Paragraph- 2.3.9.1

Nine assets involving ₹ 6.03 crore were lying idle for seven months to five years for want of takers to run and manage the facilities indicating inadequate feasibility study of the project prior to finalisation.

Paragraph- 2.3.9.2

The Department after availing the Central grant however, utilised four assets constructed at a cost of ₹ 3.35 crore for non-tourist purpose of accommodating various government offices.

Paragraph- 2.3.9.3

Analysis of financial management disclosed instances of supplementary provision of ₹ 55.60 crore which were not utilised, non-release of State share in full amounting to ₹ 8.87 crore, pending Utilisation Certificates of ₹ 5.39 crore and increase in committed liability to ₹ 32.94 crore as of March 2014.

Paragraph- 2.3.10

The advertisement and publicity activities to exploit various types of tourism such as eco-tourism, village-tourism, adventure-tourism, etc. needed further strengthening for attracting more and more tourists especially high end tourists.

Paragraph- 2.3.12 to 15

The monitoring mechanism needed further strengthening as evident from the fact that a number of projects were delayed beyond targeted date and internal audit was not taken up even once during the review period.

Paragraph- 2.3.16

2.3.1 Introduction

Sikkim has a comparative advantage in tourism with its beautiful landscape, diverse flora and fauna, culture and traditions, peaceful environment and warm hospitable people. The location of Sikkim in the country's map (**Map-2.3.1**) as well as major tourist destinations of Sikkim is shown in the map (**Map-2.3.2**).

Map 2.3.1



Map 2.3.2



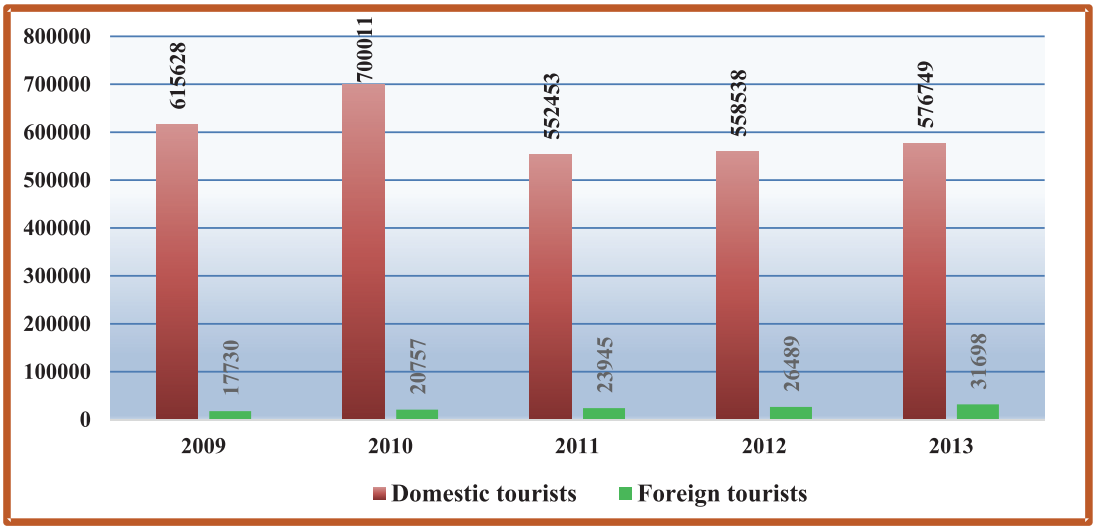
Source: Web portal of Tourism and Civil Aviation Department, Government of Sikkim.

The State Government of Sikkim has initiated measures to make tourism the main livelihood of the people of Sikkim by encouraging people to preserve old monuments and heritage sites, take up village tourism and religion based tourism. Though, immense natural potential of the State had not been exploited fully for tourism development, the State had earned the distinction of being a sought after tourist destination both within and outside the country.

The State had been receiving awards and accolades from Government of India and national and international agencies since 1998-99. The awards included Best Performing State in North East (1998-2006), Best Ecotourism Destination (2005), Emerging Tourist State (2008), Best State in Tourism Related Programmes and Development of Infrastructure (2010 and 2011), Best State for Adventure Tourism (2010), Best Performing State (2010), Best State for campaign Clean India (2012), Best Rural Tourism Project (2012-13).

Recently, Sikkim has been named the best region to visit in 2014 by *Lonely Planet*, a leading global travel guide. Sikkim's Tourism Mission 2015 seeks to make tourism the main livelihood of the people of Sikkim, every household and each individual a skilled force for the tourism industry. The mission accorded importance to domestic tourism focusing on pilgrimage, culture, tradition, heritage, adventure, eco-tourism and wellness. The tourism sector is expected to provide employment to 75,000 people, with a trained manpower of about 17,000. Although no annual target was fixed, mission Statement on Tourism had set an annual target of 10 lakh domestic and 40,000 foreign tourists by 2015. Against this, the State attracted a record 7.20 lakh tourists in 2010, year that was declared as 'the year of tourism' as indicated below:

Chart-2.3.1



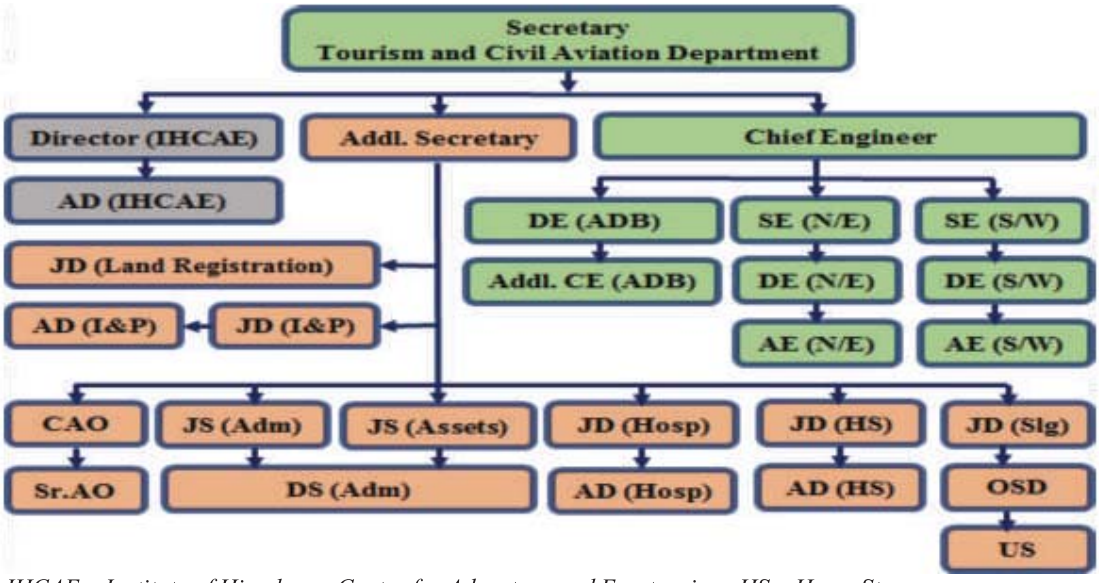
Source: Departmental figure.

The number of tourists decreased during 2011 as compared to previous years owing to earthquake of 18 September 2011 but showed improvement over the years. However, it was behind the targets set in Mission Statement.

2.3.2 Organisational arrangement

The Tourism and Civil Aviation Department (TCAD) is headed by the Secretary, who is assisted by the Chief Engineer, Addl. Chief Engineer, Chief Executive Officer, Sikkim Tourism Development Corporation (STDC), Additional Secretary, Superintendent Engineer (SE), Joint Director (JD), Divisional Engineer (DE), Deputy Director (DD), Chief Accounts Officer (CAO) and Assistant Engineer (AE), Senior Accounts Officer, etc. as shown in the chart below:

Chart-2.3.2



IHCAE – Institute of Himalayan Centre for Adventure and Eco-tourism; HS – Home Stay

2.3.3 Scope of Audit

Performance Audit of Tourism Development in Sikkim, covering a period of five years (2009-14), was conducted during April-June 2014 through test check of records in the Head Office of the Department, all four district offices (North, South, East and West) and six out of twelve Tourist Information Centres (TICs), covering 30 *per cent* of the expenditure (₹ 96.82 crore out of ₹ 322.73 crore) and 40 projects (out of 99). The Public Accounts Committee's recommendations (91st Report presented in March 2011) on the Performance Audit on Comptroller and Auditor General's Audit Report 2007-08 and the action taken thereon by the Department has also been looked into during the course of the Performance Audit.

2.3.4 Audit objectives

The Performance Audit was conducted with the objectives of assessing whether:

- State Tourism Policy was formulated in line with the National Tourism Policy;
- Project preparation process and approval of the Ministry/State Government was adequate and effective;
- Project management and execution of schemes/projects for tourism development in the State was economical, efficient and effective;
- Financial management was adequate and effective;
- Advertisement and publicity activities for various types of tourism, i.e. eco-tourism, village-tourism, adventure-tourism and pilgrimage-tourism, etc. were appropriate and adequate; and
- Monitoring, evaluation and internal control mechanisms were adequate and effective.

2.3.5 Audit criteria

Audit findings were benchmarked against the criteria obtained from the following documents:

- National Tourism Policy 2002 and State Tourism Policy 2010;
- Sikkim Tourism Master Plan;
- Guidelines issued by the Ministry of Tourism, GOI/State Government;
- Sikkim Financial Rules;
- Schedule of Rates, Sikkim Public Works Code and Manual; and
- Prescribed monitoring mechanism.

2.3.6 Audit methodology

The Performance Audit commenced with an entry conference (April 2014) with the

Secretary, TCAD wherein audit objectives, scope, methodology and criteria were explained and their agreement obtained. Projects for audit scrutiny were selected by applying sampling techniques on simple random sampling without replacement with a view to ensure coverage of minimum 40 *per cent* of the projects from various districts.

The Performance Audit covering a period of five years (2009-14) was carried out through test check of records at Head Office, four district offices and six TICs. Impact assessment of various developmental schemes/projects was attempted through joint physical verification of assets along with departmental officers. A beneficiary survey of 65 tourists was also conducted in and around Gangtok to obtain their feedback on the tourist facilities in the State and their overall satisfaction level. The results of Performance Audit were discussed in an Exit Conference (29 September 2014) with the Secretary, TCAD and his officers. The draft report was prepared duly taking into consideration the replies furnished by the TCAD and other implementing agency, i.e. Forest, Environment and Wildlife Management Department.

Audit findings

Audit findings relating to the development of tourism in the State are discussed in the succeeding paragraphs:

2.3.7 Policy and Planning

Audit objective-1
Formulation and implementation of the State Tourism Policy and Plan in line with the National Tourism Policy.

2.3.7.1 Tourism Policy

The Union Ministry of Tourism formulated the National Tourism Policy-2002 with the objective of positioning tourism as a major engine of economic growth in the country. The State of Sikkim formulated the Sikkim Tourism Policy (STP) in 2010 after eight years of formulation of National Tourism Policy. The STP aimed to enhance employment potential, foster economic integration through developing linkages with other sectors.

Scrutiny of STP revealed the following:

- The Sikkim Tourism Policy was neither revisited subsequently nor updated every two years in the light of developments as prescribed in the STP. This was despite tourism being a major economic activity of the State.

  The Department stated (September 2014) that task of updating STP in consultation with various tourism stakeholders had been started. However, as of September 2014, the STP remained to be updated.

- The Department had not constituted Sikkim Tourism Advisory Committee (STAC), highest body to advise the Government on all matters related to tourism for Sikkim as envisaged in STP, to review the Policy implementation and its impacts on annual basis. In absence of STAC, the objectives and goals relating to development of

tourism in Sikkim, extent of policy implementation and its impact remained to be assessed.

The Department stated (September 2014) that in view of existence of numerous committees at regional and State level; necessity of constituting STAC would be debated while forming new policy priorities. The reply is not acceptable as these committees were constituted primarily to address local issues, whereas, STAC was apex level committee to review policy implementation and its impacts at the State level.

- The Department did not possess any data regarding number of persons/households engaged in the tourism sector in the State, despite this being one of the most important objectives of both the STP and the Tourism Mission-2015.

The Department while accepting the non-availability of the precise database stated (September 2014) that it would be one of the priority item in the new policy which was under process.

- The STP envisaged better coordination between various departments of the State Government like Forest, Environment and Wildlife Management Department; Roads and Bridges Department; and other agencies such as Border Roads Organisation. This was with a view to obtain their opinion before finalising Detailed Project Reports (DPRs) for tourist infrastructures to ensure uninterrupted execution and proper use of created assets. TCAD however, had not initiated adequate measures to ensure co-ordination with the above agencies. One such instance is given below:

The way-side amenity-cum-cafeteria constructed (May 2005) at a cost of ₹ 11.22 lakh near Seven Sister Falls, North Sikkim Highway was dismantled (May 2009) by the Department as the site had been proposed for construction of alternative bridge on National Highway. This indicated that before preparing DPR and estimates, the Department had not ensured coordination with BRO resulting in wasteful expenditure of ₹ 11.22 lakh.

Image 2.3.1



WSA-cum-Cafeteria near Seven Sister Falls

The Department stated (September 2014) that the coordination meetings were being held at requisite intervals to address any communication gap and avoid overlapping of the programme. The Department added that clear picture of the likely alignment of road widening programme at Seven Sister Falls at North Sikkim Highway was not communicated to the Department by the BRO till the time of completion of the cafeteria. The reply indicated inadequate coordination between the Department and the BRO. Further the coordination issues could have been addressed adequately if apex body like STAC was constituted as envisaged in STP.

2.3.7.2 Tourism Planning

The Sikkim Tourism Master Plan (STMP) was prepared (June 2011) through a Singapore based firm at a cost of ₹ 65 lakh which highlighted transport and access, tourism marketing, environment leadership, community involvement, development and upgrading, legislation and protection and Hotels and Eateries, Attractions, Retail, Travel Agents/Taxi operators sector as important parameters for tourism development in Sikkim. The STMP was not put to any effective use as of March 2014. The Ministry of Tourism, Government of India (GOI) appointed another agency (M/s Tata Consultancy Service) to prepare Master Plan for North-East States including Sikkim. Considering the fact that the Master Plan prepared by the agency did not cover the issues in its entirety and was not likely to serve intended objective, TCAD proposed for exclusive Master Plan for Sikkim duly engaging local consultants. The same however, had not commenced as of July 2014. Thus, the State was devoid of Tourism Master Plan as of July 2014.

The Department stated (September 2014) that the STMP prepared by Singapore based firm was under study for its effective implementation based on the strategic requirements of the State to the extent of availability of resources. However, as of September 2014, neither the STMP was implemented nor State specific Master Plan was prepared.

Following are the instances of lack of proper planning by the Department leading to ineffective use of created infrastructure.

➢ *Wayside Amenity at Gnathang*

The Department had constructed (February 2014) Wayside Amenity at Gnathang, East Sikkim at a cost of ₹ 65 lakh. However, during physical verification it was seen that the asset was not put to use in the absence of water and electricity connections, as seen in the photograph. The Department stated (September 2014) that left over component of work such as water supply and electricity would be completed during the end of 2014-15. Thus, absence of integrated planning for all components led to non-utilisation of assets as of September 2014.

Image 2.3.2

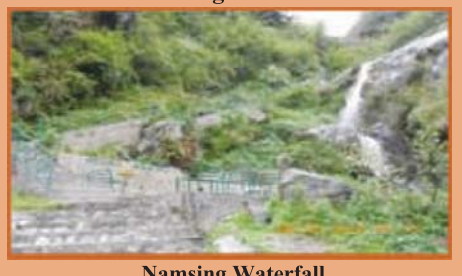


Wayside Amenity at Gnathang

➢ *Namsing Waterfall*

The Department constructed (September 2013) Namsing Waterfall for ₹ 18 lakh on North Sikkim Highway (NH-10). Physical verification (June 2014) disclosed that the asset was not utilised by the tourists in the absence of parking facility indicating lack of foresight in planning.

Image 2.3.3



Namsing Waterfall

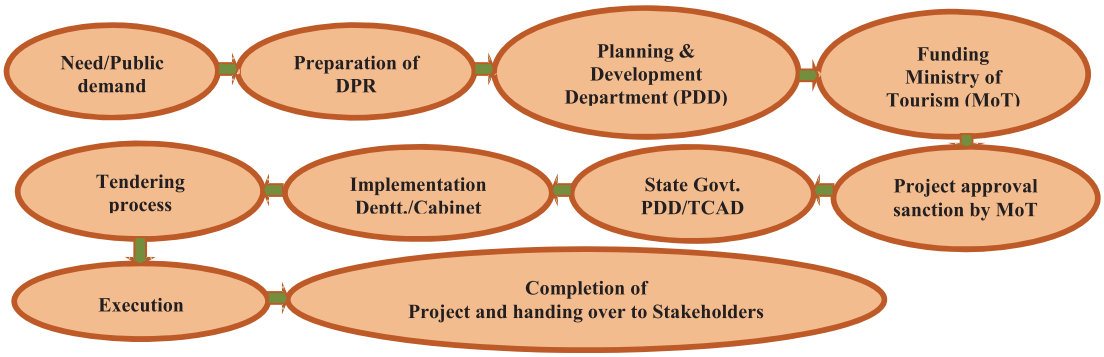
The Department stated (September 2014) that parking at Namsing waterfall could not be developed due to space constraints as well as fund constraint which would be subsequently developed subject to availability of requisite funds.

2.3.8 Project preparation

Audit objective-2
Adequacy and effectiveness of project preparation and approval process by the Ministry/State Government.

The projects for Tourism Development in the State are taken up after adhering to the following process:

Chart 2.3.3



As would be noticed from the chart above, one of the important steps in project formulation was preparation of Detailed Project Report (DPR). Sikkim Public Works (SPW) Code (Section IV of Para 4.3) envisaged that no work should commence unless a properly designed estimate is framed after detailed survey, investigation and technical sanction. The preparation of estimates for projects should be comprehensive, supported by complete details and based on design, drawings and calculations.

Audit noticed that the Department had not complied with this prescription in eight cases (out of 40) leading to stalling of projects owing to land dispute, non-obtaining of forest clearances, soil investigation, etc. as detailed below:

- ***Forest clearance***

Four projects[1] of ₹ 9.02 crore were stalled due to failure to obtain forest clearance and land owners unwillingness to part with the land in respect of the work 'Wayside Amenity-cum-Car Park at Phongla Junction, South Sikkim' (project cost ₹ 0.72 crore) as of July 2014.

The Department while accepting the audit observation stated (September 2014) that the compensation for land would be settled soon to resume the work.

[1] *(i) Tourist Infrastructure at Melli, South Sikkim, (₹ 3.80 crore) (ii) WSA-cum-Car Park at Rolu, South Sikkim (₹ 0.91 crore), (iii) WSA at Rammom, West Sikkim (₹ 0.85 crore) and (iv) WSA at Zoom-Phatak, West Sikkim (₹ 2.74 crore).*

- ***Soil investigation***

In two projects[2] involving estimated cost of ₹ 4.55 crore, the Department approached the Mines and Geology Department for soil investigation during August 2011 and December 2012 respectively, after the award of work (August 2009 and November 2010) to the contractors to ascertain the stability of the proposed sites. Both the works were stipulated for completion within twelve months (July 2010 and October 2011). However, for want of report on soil stability, both the works had to be stopped midway after incurring ₹ 30.93 lakh towards Heliport at Hilley and ₹ 68.48 lakh towards WSA at Tiffindara as of July 2014.

The Department stated (September 2014) that WSA at Tiffindara was earlier kept in abeyance owing to apprehension of the soil stability which has since been received and work resumed. Similarly, Heliport at Hilley had already achieved 50 *per cent* physical progress involving an expenditure of ₹ 30.93 lakh upto 2nd RA bill.

Thus, due to delayed initiation of the soil stability report, the projects were delayed for more than three years beyond the stipulated date of completion resulting in postponement of accrual of intended benefits from the projects.

- ***Title of the land***

In two cases[3], the Department constructed the project without clear title of the land. While in one case (Mayalu Cafeteria at Martam, East Sikkim), the land owner was using the property since completion of the project without remitting any revenue to the Government; in another case (Wayside Amenity, Thanka), the Department was unaware of the date of creation of the asset, its cost and status of land. Joint physical verification alongwith departmental officers disclosed that the asset was lying idle since completion for approximately ten years.

Image 2.3.4



Mayalu Cafeteria at Martam

Image 2.3.5



Wayside Amenity at Thanka

The Department stated (September 2014) that these amenities were created based on the NOC and promissory land donation note obtained from the landholders which have since been misplaced. The Department was pursuing the matter to purchase the land as per norms and take the possession.

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[2] *(i) Construction of Heliport at Hilley, West Sikkim (₹ 0.75 crore) and (ii) Way side amenities at Tiffindara, South Sikkim (₹3.80 crore)*

[3] *(i) Mayalu Cafeteria at Martam, East Sikkim and (ii) Wayside amenity, Thanka, East Sikkim.*

- ***Irregular purchase of land and avoidable liability***

With a view to develop tourist spot at Tingda, North Sikkim, the Department acquired (March 2009) a plot of land of 5.2220 hectare valuing ₹ 1.65 crore. Physical verification by Audit alongwith departmental officers revealed (June 2014) that almost 70 *per cent* of the land was in a slope and thus not suitable for any construction. The acquired land was covered with standing properties mostly trees and was devoid of connectivity and there was also a tract of private land in between the acquired land and the nearest road.

Image 2.3.6



The Department stated (September 2014) that the (i) land was purchased to initiate Rural Tourism and associated activities considering the proximity of the place to an important historic place of Sikkim; (ii) in hilly regions like Sikkim, the actual available area suitable for construction purposes normally ranged between 40 and 50 *per cent*; (iii) purchase of land in advance was a necessity for any tourism related projects; and (iv) purchase of land in advance always yield better results in view of the rapid escalation of cost of land in the State.

The Department however, had not conceived any project for the land so acquired as of September 2014 even after expiry of five years of acquisition of land.

2.3.9 Project implementation

Audit objective-4
Economy, efficiency and effectiveness in implementation of projects/schemes for tourism development in the State.

Proper project management is considered necessary for implementation of the projects economically, efficiently and effectively.

The position of projects sanctioned and executed during 2009-14 is given below:

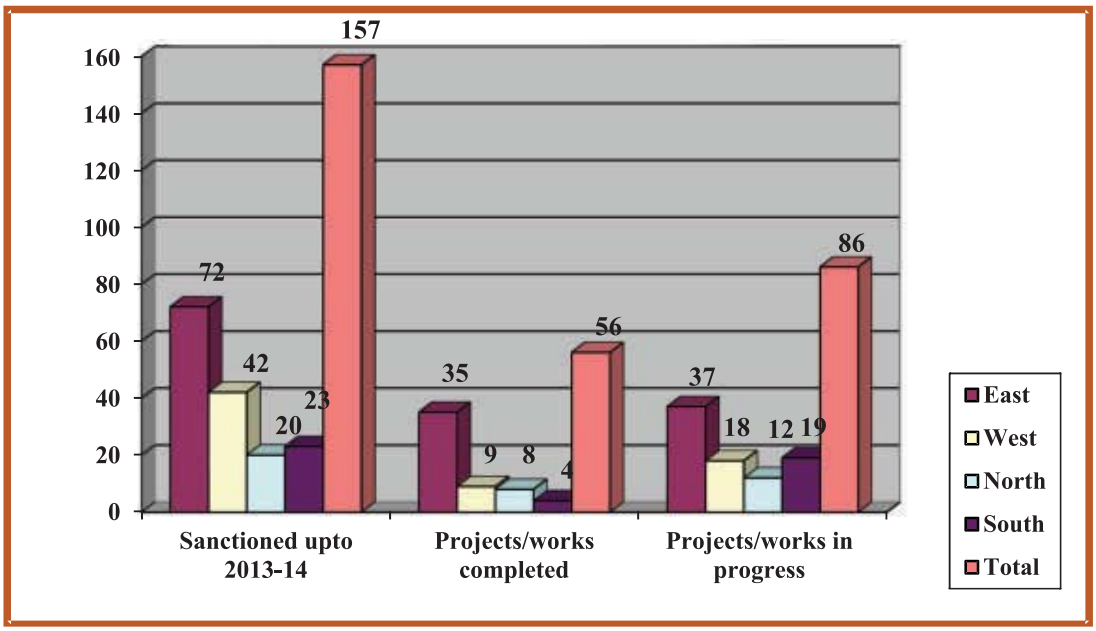
Table 2.3.1

Sl. No.	Details of Projects	Number of Projects					Project cost (₹ *in crore*)				
		East	West	North	South	Total	East	West	North	South	Total
1	Opening Balance (Prior to 2009-10)	04	15	0	14	33	14.99	9.02	00	73.17	97.18
2	Sanctioned during 2009-10 to 2013-14	68	27	20	09	124	82.84	33.82	30.89	59.83	207.38
3	Projects/works completed	35	09	08	04	56	39.25	9.54	2.77	9.95	61.51
4	Projects/works in progress as of March 2014	37	18	12	19	86	71.43	24.29	28.12	119.21	243.05

Source: Monthly Progress Report of Projects.

As would be seen in the **Table 2.3.1** above, 56 projects (out of 157) had been completed and 86 were under implementation as shown in the chart below:

Chart 2.3.4



The physical progress of ongoing projects ranged between zero and 90 *per cent* as of March 2014. 56 projects were completed after recording a delay between four and eight months beyond the stipulated date of completion owing to a variety of reasons such as slow progress of work by the contractor, delay in supply/shortage of stock materials, poor road connectivity, delay in acquisition of land and change in scope of work. Even out of the projects under implementation, 50 projects had exceeded the stipulated date of completion by six to twenty months as of March 2014. The results of audit of implementation of projects are indicated below:

2.3.9.1 Delay in completion of projects

Completion of projects in a timely manner was necessary to provide intended benefits to beneficiaries. It was however, noticed that nine (out of 40 checked) projects remained incomplete as of March 2014 beyond the stipulated date of completion as detailed below:

Image 2.3.7



Name of work:	*Construction of Rural Tourism Facilitation Centre, Assam Lingzey, East Sikkim*
Sanctioned cost:	*₹84.46 lakh*
Name of contractor:	*Educated Unemployed Women's Co-operative Society Ltd, Assam Lingzey GPU*
Date of commencement:	*12.02.2010*
Due date of completion:	*11.08.2012*
Expenditure incurred:	*₹28.58 lakh*
Reasons for delay:	*Slow progress of work by the contractor and fund constraint.*

Image 2.3.8



Name of work :	*Rural Tourism Project at Village Pandam Gadi Budang, East Sikkim*
Sanctioned cost:	*₹47.50 lakh*
Name of contractor:	*M/s Central Pandam Contractors Co-operative Society Ltd.*
Date of commencement:	*10.05.2011*
Due date of completion:	*10.02.2012*
Expenditure incurred:	*₹23 lakh*
Reasons for delay:	*Due to bad road condition, delay in supply of stock materials and lack of water at work site.*

Image 2.3.9



Name of work:	*Way Side Amenity at Tashiding, West Sikkim*
Sanctioned cost:	*₹ 78.15 lakh*
Name of contractor:	*Shri Zigme Bhutia*
Date of commencement:	*07.05.2011*
Due date of completion:	*06.05.2012*
Expenditure incurred:	*₹ 21.73 lakh*
Reasons for delay:	*Poor road connectivity and delay in acquisition of land.*

Image 2.3.10



Name of work:	*Tourist Information Centre at Soreng, West Sikkim*
Sanctioned cost:	*₹ 40.67 lakh*
Name of contractor:	*M/s Soreng Contractors' Co-operative Society Ltd.*
Date of commencement:	*12.10.2010*
Due date of completion:	*31.03.2011*
Expenditure incurred:	*₹ 29.45 lakh*
Reasons for delay:	*Work stopped since August 2013 by the Society due to non-supply of stock materials by State Trading Corporation of Sikkim.*

Image 2.3.11



Name of work:	*Development of tourist infrastructure at Perbing, South Sikkim*
Sanctioned cost:	*₹ 194 lakh*
Name of contractor:	*Shri Mahendra Gurung*
Date of commencement:	*10.08.2009*
Due date of completion:	*09.11.2010*
Expenditure incurred:	*₹ 43.78 lakh*
Reasons for delay:	*Land acquisition problem and Non-availability of stock materials.*

Image 2.3.12



Name of work:	*Construction of Yatri Niwas at Assangthang, South Sikkim*
Sanctioned cost:	*₹652 lakh*
Name of contractor:	*Shri Roshan Agarwal*
Date of commencement:	*10.08.2009*
Due date of completion:	*09.02.2011*
Expenditure incurred:	*₹ 433 lakh*
Reasons for delay:	*Non-availability of stock materials.*

Image 2.3.13



Name of work:	*Construction of boundary fencing for Flower Pavillion Complex, South Sikkim*
Sanctioned cost:	*₹ 49 lakh*
Name of contractor:	*Shri Santa Bahadur Rai*
Date of commencement:	*05.02.2008*
Due date of completion:	*30.09.2010*
Expenditure incurred:	*₹ 20 lakh*
Reasons for delay:	*Stopped since October 2013 by the contractor.*

Image 2.3.14



Name of work:	*Construction of Cafeteria-cum-Trekkers Resting Place at Namchi Helipad*
Sanctioned cost:	*₹90 lakh*
Name of contractor:	*Shri Dilu Thapa*
Date of commencement:	*03.07.2010*
Due date of completion:	*02.07.2011*
Expenditure incurred:	*₹ 28 lakh*
Reasons for delay:	*Stopped since October 2013 by the contractor.*

Image 2.3.15



Name of work:	*The construction monocable detachable gondola system from i) PWD Children Park to Rock Garden and ii) Rock Garden to Samdruptse*
Sanctioned cost:	*₹ 2742 lakh*
Name of contractor:	*M/s Damodar Ropeways Construction Company (Pvt.) Ltd.*
Date of commencement:	*March 2007*
Due date of completion:	*December 2010*
Expenditure incurred:	*₹ 2742 lakh*
Reasons for delay:	*Change in scope of work and delay in land acquisition, revision of DPR.*

The Department had not ensured to complete the projects within the stipulated time frame and had also not initiated any action to recover ₹ 3.98 crore from nine contractors in compliance with contract agreement (Clause 2) for recovery of compensation at the rate of one *per cent* per week subject to a maximum of 10 *per cent* of the tender value of work on failing to maintain the required progress of the work.

The Department while accepting delays in completion of projects attributed (September 2014) the reasons to blockage of arterial road and the district roads owing to landslide/landslip, delayed availability of stock materials from State Trading Corporation of Sikkim and Sikkim Co-operative Marketing Federation Limited, delay in receipt of forest clearance, limited working season and fund constraints. The Department further added (September 2014) that action had been initiated to ensure completion of these projects within the financial year (2014-15) to reap the intended benefits from those projects.

2.3.9.2 Asian Development Bank (ADB) assisted projects

The State Government proposed to avail (November 2009) of financial assistance of ₹ 165 crore from Asian Development Bank which was later revised (September 2013) to ₹ 96.44

crore (ADB share ₹ 74.85 crore and State share ₹ 21.61 crore) towards South Asia Tourism Infrastructural Development Project (STIDP). The project envisaged strengthening and upgradation of roads (3); infrastructural development at IHCAE, Chemchey, South Sikkim; development of village tourism; consultancy and training for commencement and completion during April 2012 to March 2014 and October 2014 to March 2016 respectively. As of March 2014, ₹ 7.87 crore were spent from the funds released by ADB of ₹ 5.86 crore (Grant: ₹ 5.27 crore and Loan: ₹ 0.59 crore) and State funding of ₹ 2.01 crore.

Audit analysis of indicative package-wise annual target set by ADB vis-à-vis physical progress achieved by Department as of 31 October 2014 revealed that in respect of 2 works[4] scheduled for completion on 9 October 2014 and 29 October 2014, the physical progress of only 25 *per cent* and 45 *per cent* was achieved. In other two works, the physical progress ranged between 1 and 2 *per cent*. State Level Steering Committee (SLSC) headed by Chief Secretary was constituted (May 2010) by the State Government to oversee the implementation of the ADB projects. As of March 2014, four meetings were held which *inter alia* discussed (i) selection of projects; (ii) delay in implementation of the projects due to non-release of State share; (iii) lack of availability of land and (iv) forest clearance. Thus, due to lack of preparedness before taking up the ADB assisted STIDP in the State, the infrastructural development in the tourism sector could not be achieved till October 2014.

2.3.9.3 Idling of assets

Proper utilisation of the available asset was a pre-requisite to ensure providing better facilities to the tourists and also for the better upkeep of the assets. The Department after completion of projects either utilises the assets departmentally or leases out to private parties for running and maintenance of assets. It was however, observed that in eight (out of 40 test checked) cases, neither the Department had utilised the assets themselves nor could ensure identification of suitable parties, who could run and manage the assets. This was despite PAC's recommendation to explore possibilities to maintain/run the created infrastructure to ensure utilisation of assets to the fullest possible extent. The details are shown below:

Image 2.3.16



Name of asset:	*Guest House at Tingchim in North Sikkim*
Year of establishment:	*2009*
Expenditure:	*₹ 50 lakh*
Period of idling (As of July 2014):	*5 years*

[4] *(i) Widening and strengthening of road section in West Sikkim Including wayside amenities and (ii) Strengthening and upgrading road from Damthang to IHCAE, Chemchey, South Sikkim.*

Image 2.3.17



Name of asset:	*Guest House at Sang in East Sikkim*
Year of establishment:	*March 2010*
Expenditure:	*₹ 50.46 lakh*
Period of idling (As of July 2014):	*4 years and 4 months*

Image 2.3.18



Name of asset:	*Car Park with Toilet facilities at Seven Sister Falls in North Sikkim*
Year of establishment:	*June 2011*
Expenditure:	*₹ 56.38 lakh*
Period of idling (As of July 2014):	*3 years and 2 months*

Image 2.3.19



Name of asset:	*Car Park with Toilet facilities at Mangan in North Sikkim*
Year of establishment:	*August 2011*
Expenditure:	*₹ 42.75 lakh*
Period of idling (As of July 2014):	*2 years and 11 months*

Image 2.3.20



Name of asset:	*Café-cum-Wash room at Rawtey Rumtek in East Sikkim*
Year of establishment:	*February 2013*
Expenditure:	*₹ 12.75 lakh*
Period of idling (As of July 2014):	*1 year and 6 months*

Image 2.3.21



Name of asset:	*Jurrasic Park at Samdong in East Sikkim*
Year of establishment:	*2009*
Expenditure:	*₹ 487 lakh*
Period of idling (As of July 2014):	*5 years*

Image 2.3.22



Name of asset:	*Lepcha Heritage House at Satam in South Sikkim*
Year of establishment:	*July 2009*
Expenditure:	*₹ 247 lakh*
Period of idling (As of July 2014):	*5 years*

Image 2.3.23



Name of asset:	*Café-cum-View Point at Ratey Chu in East Sikkim*
Year of establishment:	*December 2013*
Expenditure:	*₹ 28.85 lakh*
Period of idling (As of July 2014):	*7 months*

Image 2.3.24



Name of asset:	*TIC at Melli in South Sikkim*
Year of establishment:	*December 2012*
Expenditure:	*₹ 115 lakh*
Period of idling (As of July 2014):	*1 Year 8 months*

The Department while accepting that some of the assets created were lying idle stated (September 2014) that in most cases action had already been initiated to ensure utilisation of assets through leasing. However, as of September 2014, concrete results were not achieved by the Department in leasing out/operationalising the assets indicated above.

2.3.9.4 Tourism infrastructures utilised for non-tourism purposes

Based on the DPRs and proposals submitted by State Government, GOI sanctioned the projects for tourism development in Sikkim to provide various facilities to tourists such as Way Side Amenities, Tourist Facilitation Centres, Tourist Information Centres, etc. The Department after availing the Central grant however, allowed utilisation of five assets constructed at a cost of ₹ 16.43 crore (excluding WSA at Kabi) for accommodating various government offices (as shown below) instead of for tourism purposes, thus depriving the tourists of various benefits provided by such infrastructure.

Image 2.3.25



Name of asset:	*WSA at Kabi, North Sikkim*
Cost of completion:	*Not available*
Date of completion	*Not available*
Utilised by:	*Sub Divisional Office, Kabi*

Image 2.3.26



Name of asset:	*WSA at Lingtam, East Sikkim*
Cost of completion:	*₹ 75 lakh*
Date of completion	*February 2012*
Utilised by:	*Police Department*

Image 2.3.27



Name of asset:	*Tourist Facilitation Centre, 3rd Mile, East Sikkim*
Cost of completion:	₹ 2.18 crore
Date of completion	*October 2012*
Utilised by:	*Police Department*

Image 2.3.28



Name of asset:	*TIC at Yangang, South Sikkim*
Cost of completion:	*₹ 42 lakh*
Date of completion	*October 2013*
Utilised by:	*Sub Divisional Office, Yangang*

Image 2.3.29



Name of asset:	*Development of Tourist Complex at Gangtok*
Cost of completion:	*₹ 13.08 crore*
Date of completion	*December 2013*
Utilised by:	*Tourism and Civil Aviation Department as Secretariat of the Department*

The Department stated (September 2014) that some of the tourism assets were being used for running the government offices as per the decision of the State Government due to acute shortage of alternate space for rendering important functions for the public as well as the tourists visiting the area. The Tourist Facilitation Centre at 3rd Mile was being used by the

Police Department for checking the Tourist Permit vehicles and regulations apart from policing activities. Similarly, the tourism assets at Kabi, Yangang and Lingtam which accommodates SDO's office and Police Check Posts are also imparting services for the tourists besides imparting normal administration.

However, the use of tourist facilities for non-tourism purposes was against the terms of sanction of GOI.

2.3.9.5 Maintenance of assets

The Department is responsible for repair and maintenance of assets created by it. Even the terms of sanction of GOI (MOT) for various projects envisaged upon the State Government to undertake responsibility for maintenance and management of facilities for which the funds were released by GOI. However, it was observed during audit that the Department had not attached due importance to proper upkeep of assets. The Department had neither proposed for maintenance grant nor any allocation was given in the State Plan budget during the period under review. Physical verification by Audit alongwith departmental officers revealed that some of the assets had remained idle owing to repair and maintenance (as shown in photographs). This was despite emphasis by GOI (18 February 2011) to determine pricing and user charges policy to generate adequate funds for maintenance of assets.

- The Tourist cafeteria at Sajong, East Sikkim constructed (March 2002) was leased out on monthly rent of ₹ 450/- per month. During the physical verification it was seen that the asset needs repair.

- The Wayside amenity at 18th Mile, East Sikkim constructed during November 2010 at a cost of ₹ 34.86 lakh remained unutilised since completion. The asset required major renovation due to non-appointment of caretaker and proper maintenance.

- This View tower at Pelling, West Sikkim was constructed at a cost of ₹ 36 lakh during April 2009. Due to non-leasing out to interested party, the asset was in dilapidated condition which needs immediate attention of the Department.

Image 2.3.30



Tourist cafeteria at Sajong

Image 2.3.31



Wayside amenity at 18th Mile

Image 2.3.32



View tower at Pelling

The Department while accepting the requirement of repairs/maintenance of the various tourism assets informed (September 2014) that requisite maintenance could not be carried out in the absence of maintenance funds in the State Plan budget. The Department however, had processed for repair and maintenance grants in the Supplementary Demands for Grants

2014-15 and necessary maintenance would be carried out on availability of funds. Fact remained that effective initiative was not taken for obtaining provision for maintenance of assets created till 2013-14.

2.3.10 Financial management

Audit objective-3
Adequacy and effectiveness of financial management.

The budgetary allocation and expenditure there against of the Department during 2009-14 was as under:

Table 2.3.2

(₹ in crore)

Year	Budget allocation					Expenditure			Net Excess(+)/Savings(-)	
	Capital		Revenue		Total	Capital	Revenue	Total	Capital	Revenue
	O	S	O	S						
2009-10	61.00	11.94	6.17	6.45	85.56	49.04	12.54	61.58	(-) 23.90(33)	(-) 0.08 (0.63)
2010-11	98.11	5.79	9.78	1.50	115.18	49.03	11.26	60.29	(-) 54.87(53)	(-) 0.02 (0.18)
2011-12	161.05	23.15	8.23	0.82	193.25	57.00	8.92	65.92	(-) 127.20(69)	(-) 0.13(01)
2012-13	151.89	4.75	13.06	1.48	171.18	48.50	15.86	64.36	(-) 108.14 (69)	(+) 1.32 (09)
2013-14	161.39	9.97	11.97	0.07	183.40	58.61	11.97	70.58	(-) 112.75 (66)	(-) 0.07 (01)
Total	**633.44**	**55.6**	**49.21**	**10.32**	**748.57**	**262.18**	**60.55**	**322.73**	**(-) 426.86**	

Source: Appropriation Accounts; O= Original and S = Supplementary
Figure in brackets indicate percentage of total excess/savings.

It would be noticed that year wise expenditure was always lower than the allocation leading to savings, especially in capital head, from 33 to 69 *per cent,* primarily owing to non-completion of works in time.

The Department stated (September 2014) that provision were made to disburse all claims in anticipation of work to be done by the third parties. However, the funds could not be utilised in full due to non-completion of works as anticipated.

2.3.10.1 Non-release of State share

The major infrastructural projects were mostly funded under Centrally Sponsored Schemes (CSS) to be shared between GOI (90 *per cent*) and the State Government (10 *per cent*). The State Government had not released ₹ 8.87 crore during 2012-14 towards its share for CSS despite clear stipulation in Scheme Guidelines and sanction orders.

The Department stated (September 2014) that the allocation of funds for State share is prerogative of the State Government and as such beyond control of the Department and added that efforts were on to request the State Government to provide the State Share in the Supplementary Grants.

Non-release of State share was in contravention of the terms of sanction of projects by GOI.

2.3.10.2 Committed liabilities

In terms of Rule 140 of Sikkim Financial Rules, no work should commence or liability incurred until funds to cover the charge during the year were provided. The Department had not complied with this provision and accorded sanction towards various expenditure (land compensation, publicity, helicopter operation and other expenses) aggregating to ₹ 33.17 crore without having funds to cover these expenditure. As a result, these remained unpaid as of March 2014. Audit also noticed that the cumulative committed liabilities[5] increased from ₹ 3.19 crore (2009-10) to ₹ 33.17 crore (2013-14) as shown below. This amounts to executive action bypassing legislative sanction.

Table 2.3.3

(*₹ in lakh*)

Year	Land compensation	Publicity	Adventure tourism	Helicopter operation	Office expenses	State share for CSS	Total
2009-10	200	10	0	100	9	0	319
2010-11	300	8	0	300	15	0	623
2011-12	350	20	10.72	200	15	0	595.72
2012-13	400	20	0	330	20	457.97	1,227.97
2013-14	0	65	6	4	24	429.31	528.31
Total	**1,250**	**123**	**16.72**	**930**	**83**	**887.28**	**3,317.13**

The Department stated (September 2014) that increase in cumulative committed liability was in consonance with general trend of growth in the tourism sector in the State and assured that the Department shall undertake to ensure strict compliance with the Sikkim Financial Rules.

2.3.10.3 Irregular expenditure on land acquisition from CSS fund

Centrally Sponsored Scheme guidelines stipulate that the programme funds should not be used for land acquisition. The Department however, incurred ₹ 28.62 lakh towards land acquisition in one case[6] from CSS in violation of the scheme guidelines. Incurring of above expenditure was irregular as this was not permissible in the scheme guidelines.

2.3.10.4 Utilisation Certificate

According to SFR (Rule 116(i), Utilisation Certificate (UC) should be submitted expeditiously. It was noticed that 15 (out of 38) UCs[7] involving ₹ 5.39 crore were pending as of March 2014 from various NGOs and agencies of Sikkim who were released grants for celebration of various fair and festivals to promote tourism. The UCs were pending from 2009-10 onwards. Similarly, the TCAD was required to submit UCs (22) involving ₹ 4.82 crore to GOI (MOT) which were pending in respect of works sanctioned by GOI during 2009-10 as of March 2014. The details are shown in **Appendix 2.3.1.**

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[5] *Liabilities created without adequate funds which remain undischarged.*

[6] *Development of Assam Lingzey to Khedi Trek Route including other tourist infrastructure in East Sikkim.*

[7] *Total amount of UCs granted : ₹ 26.70 crore.*

The Department stated (September 2014) that all the pending UCs had been submitted during second week of September 2014. The Department however, had not forwarded the copies of UCs in the absence of which audit could not vouch the submission of the UCs.

2.3.10.5 Arrears of revenue

The Department generated revenue on account of leasing out of hotels, cafeteria, sale of tender forms, hotel registration fee, fines, etc. The target for revenue is set by Finance, Revenue and Expenditure Department based on information furnished by the Department. The position of target vis-à-vis actual revenue earned during 2009-14 was as under:

Table 2.3.4

(₹ in crore)

Year	Target	Revised Target	Actual	Percentage of shortfall with reference to revised targets
2009-10	1.30	2.11	1.62	23
2010-11	3.11	3.11	3.00	04
2011-12	5.00	2.14	1.84	14
2012-13	5.00	5.00	2.13	57
2013-14	5.60	5.60	2.65	53

Source: Estimate of Receipts and Finance Accounts.

As seen in the Table 2.3.5 above, there were persistent shortfalls in achieving the targets, reasons for which were not on record. Audit analysis revealed that the major portion of revenue was realised from environmental fee for visiting Nathula (70 *per cent*) followed by lease amount (20 *per cent*) and sale of tender form (10 *per cent*). The revenue realisation dipped down from ₹ 3 crore in 2010-11 to ₹ 1.84 crore in 2011-12 and improved marginally in subsequent years.

Audit observed that the Department had neither realised ₹ 34 lakh from various lessee despite lapse of five years nor initiated concrete steps to lease out the assets (detailed in paragraph 2.3.9.3) to augment the revenue base.

The Department while accepting the observation stated (September 2014) that revenue target (except in 2009-10) could not be met as the basis of estimation of revenue target was rudimentary and the sources of revenue of the Department were variable in nature.

2.3.10.6 Short recovery of interest on mobilisation advance

Examination of the Mobilisation Advance register revealed that ₹ 16.59 lakh had been realised against ₹ 44.06 lakh as interest on mobilisation advances given to the contractors, resulting in short realisation of interest amounting to ₹ 27.48 lakh as detailed in **Appendix 2.3.2.**

The Department stated (September 2014) that the differences in calculation of the interest on mobilisation advances were due to multiplicity of instructions on rate of interest and method of charging interest (simple or compound) and added that the instructions of the Government was complied with. The reply is not acceptable as the calculation of Audit was also based on Government notifications issued from time to time which stipulated charging simple interest.

2.3.11 Advertisement and publicity

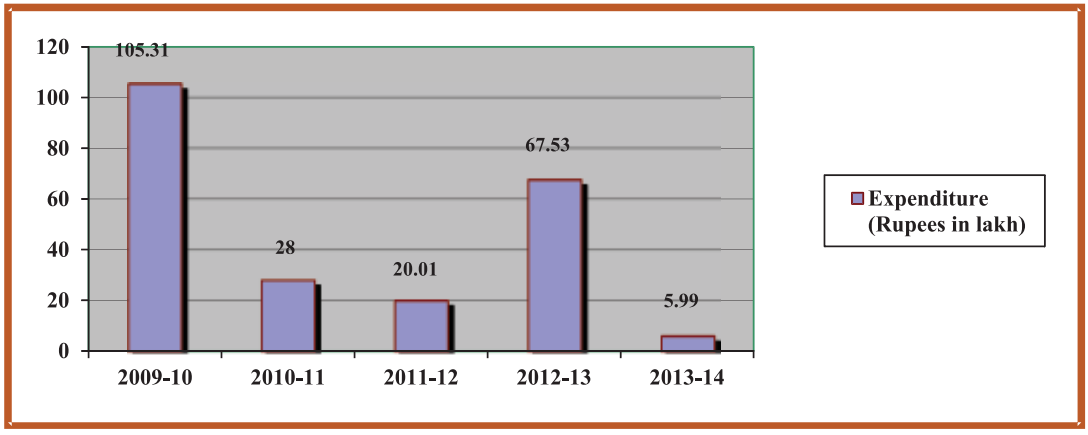
Audit objective-5
Adequacy and effectiveness of advertisement and publicity.

Sikkim Tourist Policy envisaged promotion, publicity and marketing of tourism products in a well planned manner at national and international level. Further, adequate advertisement and publicity is required to attract more number of tourists to meet target of 10 lakh (domestic) and 40,000 (foreign) tourists by 2015 set in Mission Statement on tourism in which Department is behind as shown in **Chart 2.3.1.**

The Department had initiated advertisement and publicity of Sikkim Tourism through official web portal of the Department. The web portal carried details of important places to visit in the State, pilgrimage tourism, heritage tourism, village tourism, trekking and wild life sanctuaries. Useful information such as entry formalities, foreigner registration, TICs was also available on web portal. Online hotel booking facility was also provided by STDC through web portal of the Department.

The Department however, had not initiated adequate steps to promote tourism to attract more and more tourists as disclosed by meagre expenditure of ₹ 2.27 crore towards advertisement and publicity during 2009-14 as given below:

Chart-2.3.5



Audit observed that there was no consistency in advertisement and publicity as displayed by the pattern of expenditure. The expenditure kept on reducing from ₹ 1.05 crore to ₹ 0.06 crore except in 2012-13 (₹ 0.68 crore) indicating low priority. Out of ₹ 2.57 crore, ₹ 1 crore was incurred towards preparation of a film *'And Once Again'* based on Sikkim by Shri Amol Palekar and ₹ 1.57 crore towards printing of brochures, etc. While no assessment was ever carried out to assess the impact of the film, brochures/pamphlets lacked detailed information like mileage, timing and facilities available in between the tourist spots.

The Department stated (September 2014) that more details as suggested by Audit would be incorporated while making new brochures and pamphlet.

Besides following were also observed:

2.3.11.1 Tourist information Centre

TIC played an important role in publicity and providing information to prospective tourists. Six (out of 12) TICs were ill equipped in terms of infrastructure such as proper sitting arrangement for tourists (4 TICs), kiosks (6 TICs), and telephone connections (2 TICs) for facilitating information on Sikkim tourism. Two TICs (Deorali and Vajra) were not opened for tourists since establishment (2012) as seen in the photographs.

Image 2.3.33



Image 2.3.34



The Department informed (September 2014) that all the TICs would be upgraded with latest information technology system including telephone, furniture/fixtures, etc. once the proposal for strengthening of the TICs submitted for funding under NEC was sanctioned. Regarding TICs at Deorali and Vajra, the Department stated (September 2014) that these TICs were initially opened after completion. However, due to inadequate manpower, these TICs were temporarily closed.

2.3.11.2 Inadequate advertisement and publicity for four new assets

Four assets[8] constructed at a cost of ₹ 13.08 crore between 2009 and 2012 were idle and not yielding any value for money. Audit scrutiny revealed that the Department did not have any plans about how they propose to attract tourists to these newly created tourist spots. In the absence of the same, there was no way of popularising new facilities.

The Department while accepting shortfall in advertisement stated (September 2014) that publicity for tourism marketing on national media (print media or TV) could not be aggressively initiated owing to fund constraints. The Department added that despite limited availability of funds, there had been consistent efforts to market Sikkim Tourism by free distribution of brochures/ pamphlets at various TICs located within and outside the State, participation in various tourism marts, fair and festivals, international flori-show in 2008 and 2013 to showcase the tourism image of Sikkim at national and international forum.

[8] *(i) Chochenpheri lake (₹ 142 lakh), (ii) Sribadam lake (₹ 161 lakh); (iii) Jurrasic Park (₹ 487 lakh) and (iv) Tourist Reception Centre (₹ 518 lakh)*

2.3.12 Types of tourism

Audit objective-6
Harnessing of various types of tourism potential, i.e. eco-tourism, village-tourism, adventure-tourism and pilgrimage-tourism.

The Tourism Mission-2015 accorded importance to domestic tourism focusing on pilgrimage, culture, tradition, heritage, adventure, ecotourism and wellness with a view to provide employment to maximum number of people.

The State had been receiving awards and accolades from Government of India and national and international agencies in various types of tourism such as Best Performing State in North East (1998 -2006), Best Ecotourism Destination (2005), Best State for Adventure Tourism (2010), Best Rural Tourism Project (2012-13), etc. Various types of tourism such as eco-tourism, village-tourism and adventure-tourism though harnessed in Sikkim have room for further expansion as seen from the following facts:

2.3.12.1 Development of village tourism under DoNER

The Ministry of Development of North Eastern Region (DONER), GOI approved (July 2007) a project 'Development of Village Tourism at (i) Chirbirey, South Sikkim (₹ 3.90 crore – picnic spot), (ii) Majhigaon, South Sikkim (₹ 7.13 crore - picnic spot) 90:10 ratio basis. The State Cabinet had also sanctioned and approved (July 2007) the projects for implementation. The works were awarded (December 2007) to the contractor with the scheduled date of completion within 12 months. Scrutiny of records revealed that even after lapse of more than 4 years the works were not completed as of March 2014. The projects were revised to ₹ 19.69 crore and reasons for delay in completion of works were as detailed in the **Table 2.3.5**:

Table-2.3.5

Sl.No.	Name of work	Reasons for delay
1.	Development of Village Tourism at Chirbiray, South Sikkim	Due to change in scope of work.
2.	Development of Village Tourism at Majhigaon, South Sikkim	Non-identification of land.
3.	Development of Village Tourism at Zoom, West Sikkim	Non-payment of land compensation to the land owners.

Thus, the above works scheduled to be completed by August 2009 remained incomplete and resulted in deprival of intended objectives of promoting village tourism in the State to generate revenue and employment to local people.

2.3.12.2 Rural tourism at Darap, West Sikkim

The construction of Rural Tourism Project at Darap, West Sikkim was sanctioned (May 2010) at a cost of ₹ 48.81 lakh by the GOI, envisaging construction of eight Home Stays (HS) at Darap village. The work was awarded (March 2011) to M/s Darap Nambu Educated Unemployed Women's Co-operative Society Ltd, West Sikkim with the scheduled date of completion by March 2012. Physical verification disclosed that construction of two HS had

not been started, physical progress of another two were only 10 *per cent* and remaining four were 70 *per cent* complete. The Co-operative Society had stopped the work for last one year. Apart from issuing notices and reminders, the Department had not initiated any action on the Society as envisaged in the contract agreement.

Image 2.3.35



The Department while accepting that the work of Rural tourism at Darap was inordinately delayed stated (September 2014) that this was due to negligence of the contractor. The Department added that the work had since been resumed and 5 (out of 8) HSs were completed while the remaining three were under progress.

However, in the absence of adequate supervision and action on the part of the Department, implementation of HSs was delayed for more than two years.

2.3.12.3 Home Stay

Considering the success of Home Stays (HS) in Mayalyang in North Sikkim and Darap in West Sikkim and other places in the State, the Department initiated establishment of HS for further improving the tourism prospects in Sikkim. According to notification (2010) issued by the Department, the HS should have the following:

(i) enable the tourist to experience the local family touch;

(ii) to conform to traditional and ethnic architecture preferably using local materials like wood, bamboo and stone;

(iii) to provide reasonably furnished accommodation (100-150 sft.) with attached toilet, standard size double/single bed, mattress of sufficient thickness and comfort, clean soft pillows, clean blankets/quilts, clean bed sheets and towels, etc.

(iv) to ensure adequate provision for storage of guest luggage, hanging clothes and sitting arrangements with reading/writing facility;

(v) at least one member of the family should be able to communicate in English and or Hindi;

(vi) every home stay establishment was required to be registered with the Department.

(vii) The monitoring and evaluation committee will grade the home stays in terms of quality of services and also on the basis of feedback received from guests and suggest ways for improvement.

The Department identified 718 beneficiaries for establishment of HS at ₹ 9 lakh per beneficiary aggregating to ₹ 65 crore from the Thirteenth Finance Commission grant. The status of construction of HS is shown in the table below:

Table 2.3.6

District	No. of home stay sanctioned	Date of commencement between	No. of home stay not started	No. of home stay completed	Under Progress		Reasons for delay
					10-50 *per cent*	50-90 *per cent*	
East	178	07.09.12-14.02.14	28	02	43	113	*Non availability of stock materials from STCS*
West	220	16.07.12 – 31.08.13	17	12	99	92	*-do-*
North	100	03.07.12 – 20.09.13	0	03	21	68	*-do-*
South	220	05.02.13 – 30.01.14	01	02	92	125	*-do-*
Total	**718**		**46**	**19**			

As of May 2014, only 19 (out of 718) HSs were completed. Rest 699 HS remained incomplete primarily owing to shortage of stock materials and non-availability of site. An amount of ₹ 36.40 lakh[9] was incurred towards training on operating HS and exposure tour to the beneficiaries. Besides in 12 cases (out of 46), construction had not commenced despite release of mobilisation advance (₹ 10.82 lakh) to the Agency (Co-operative Society) in the absence of clearance from Forest Department. Inspite of availability of TFC funds (since 2011-12), delayed initiation (2013-14) of projects displayed a laid back approach of the Department.

The Department while accepting that initial delay in implementation of HSs was due to non-supply of stock material by the State agency informed (September 2014) that overall physical progress of 65 *per cent* had been achieved as of September 2014 and all HSs (except cases requiring forest clearance) would be completed within the financial year (2014-15).

2.3.13 Adventure tourism

The State being a hill station, has vast potential for adventure-tourism, viz. river rafting, boating, angling, mountain biking and Paragliding, etc. The Department had created (December 2009) Indian Himalayan Centre of Adventure and Eco-Tourism (IHCAE) - a separate wing headed by Director in the Department to look after adventure tourism. Beside the Director, there are four other staff in the Institute. The annual expenditure is met out of grant of ₹ 40 lakh released by TCAD towards running and maintenance of the Institute. The Institute was created to provide high standard Adventure and Ecotourism related training with special emphasis on instilling the concept of adventure tourism without causing environmental degradation. The Institute has conducted courses on adventure and high altitude trekking (11) involving 416 trainees, special adventure camp for school children (1), basic mountaineering course (1) with 33 trainees.

[9] *₹29.48 lakh for training on operation of home stay to 378 beneficiaries and ₹6.92 lakh for exposure tour to 352 beneficiaries.*

The adventure sports of late has become one of the most happening activities in the State on regular basis and the Department is further promoting various adventure related infrastructure as per suitability of the place. Ranka near Gangtok has been identified as one of the most feasible places for promotion of adventure activities and accordingly requisite infrastructure were being developed at this spot (known as Thami-dara) by the Department.

However, following instances showed lack of adequate efforts on the part of the Department towards the promotion of adventure tourism in the State.

➢ The Ministry of Tourism, GOI sanctioned (August 2009) construction of 6 km. long summer biking trek at Singhik to Kaley at a cost of ₹ 41.68 lakh at North Sikkim. The work was started in two Phases and completed during June 2011 and August 2011 respectively by using stone soling only. Physical verification by Audit along with departmental officers revealed (June 2014) that site was 4-5 hours away from the main road and was devoid of approach road. Not a single event was organised even after more than three years of construction of the biking trek. This vitiated the harnessing of adventure tourism potential of the State.

Image 2.3.36



The Department stated (September 2014) that the trek was completed in July 2011 and few events of mountain biking was organised on this trek by Mangan Tourism Development Committee. They further added that normally mountain biking is done in the rugged hills preferably away from the human habitation and the traffic.

➢ Similarly, another trekking trail from Assam Lingzey to Khedi Trek route including Base Camp completed (2012) at a cost of ₹ 1.98 crore and ₹ 9.98 lakh incurred towards furnishing and furniture was not utilised as no trekking event was organised leading to idling of assets.

The Department stated (September 2014) that the asset would be handed over to Khedi Ecotourism and Eco-development Programme society on nominal lease as a promotional venture. However as of September 2014, the asset was lying idle.

Image 2.3.37



2.3.14 Ecotourism

In terms of Sikkim Ecotourism Policy, the State Government was supposed to constitute Sikkim Ecotourism Council having an executing arm which was the Ecotourism

Directorate (ED) working under the Forest, Environment and Wildlife Management Department (FEWMD). The Council would have a local village level operational system. However, the Nodal Department, i.e. Department of Forest, Environment and Wildlife Management Department (FEWMD) responsible for executing Ecotourism in the State had not constituted Sikkim Ecotourism Council. The FEWMD had identified 11 ecotourism zones[10]. However, no micro-plan for the zones was prepared as of March 2014. The ecotourism project taken (November 2010) at Namli, East District at a cost of ₹ 4.44 crore had not taken off till March 2012 in the absence of forest clearance for the site. Revised Technical Sanction was accorded in March 2014 and 30 *per cent* physical progress was achieved as of September 2014.

2.3.15 Wellness tourism

Sikkim Himalayas have excellent scope for value added wellness tourism. To make Sikkim a mega destination of Wellness Tourism, the State Government decided to construct Yoga centre at Aho, East Sikkim and ₹ 48.01 lakh was sanctioned (2010-11) by the GOI for construction of Yoga centre and fencing. As per the sanction order, the State Government would contribute land for the project free of cost. However, the project was not initiated as of June 2014 due to non-availability of suitable land for the project. Thus, initiation of the project was delayed for more than three years.

The Department while accepting the audit observation stated (September 2014) that Yoga Centre at Aho could not be established at Aho as the land owners who had earlier issued NOC refused to part with the land. The Department added that Yoga Centre within the Namli tourism complex, 1.5 km from the originally earmarked site was being considered for development.

2.3.16 Monitoring and evaluation

Audit objective-7
Adequacy and effectiveness of monitoring and evaluation mechanism.

2.3.16.1 Compliance with Sikkim Registration of Tourist Trade Rules 2008

The Sikkim Registration of Tourist Trade Rules 2008 envisaged identification, registration, cancellation and inspection of dealers, viz., hotels, restaurants, travel agents and tour operators, collection of registration fees based on the category.

Audit scrutiny revealed that there was a vast discrepancy in number of dealers provided by Department vis-à-vis figures of the Municipal Corporation and Nagar Panchayat as detailed in **Table 2.3.7**:

[10] *1) Nampong Lingdok 2) Pandam-Karthok 3) Kecheopalri 4) Uttarey 5) Hee-Bermoik, 6) Okhray 7) Dzongu 8) Lachung 9) Lachen 10) Lingee and 11) Kitam.*

Table 2.3.7

Category	East		West		North		South	
	Depart-mental figure	Municipal Corporation	Depart-mental figure	Municipal Corporation	Depart-mental figure	Municipal Corporation	Depart-mental figure	Municipal Corporation
Hotel	222	497	61	69	8	24	34	31
Restaurant/ Cafeteria	27	334	01	50	1	37	34	124
Travel Agent/Tour Operator	510	228	39	0	2	0	28	0
Outdoor Photographer	14	0	22	0	0	0	28	0

This showed that the Department was neither having full database regarding exact number of hotels, restaurants/cafeteria, travel agents and photographers nor had reconciled the figure with the Urban Local Bodies. In absence of this basic data, ensuring compliance with provision of Sikkim Registration of Tourist Trade Rules 2008 was not feasible. This was further corroborated by the fact that no inspection was ever made by the Department to check the overcharging of hotel rents from the tourists. This had also led to loss of revenue of ₹ 10.74 lakh on account of registration fee from the dealers.

The Department while appreciating audit observation stated (September 2014) that the discrepancy of data would be cross checked with Municipal Corporation by deputing a team for the purpose. On overcharging by the hotels, the Department informed that severe action was taken whenever complaints were received and amount refunded to the tourists.

2.3.16.2 Quality control

SPW Manual 2009 incorporated (September 2009) broad guidelines for quality control checks and quality assurance in works execution. Audit scrutiny revealed that these prescriptions were not adhered to by the Department as indicated below:

- Detailed procedures to ensure quality control for observance by the construction team had not been laid down by the Department as enshrined in PWD Code. No central quality testing laboratory existed in the Department.

  The Department stated (September 2014) that it was not possible to open laboratory everywhere or anywhere. Based on the project volume and technical complexity, the sample specimens are sent to the lab for tests within or outside the State as and when needed.

- No notification had been issued for constitution of the quality assessment (QA) team. Details of quality tests carried out at the worksites by QA team were not available. No portable equipment had been purchased for quality checks to be carried out in the worksites by the QA team.

  The Department stated (September 2014) that the engineers entrusted with the project implementation and construction work were themselves responsible for

quality control in all practical sense and hence, there was no requirement of separate quality control team. The reply is not acceptable as independent QA team was necessary for ensuring quality control in works execution as per PWD Code.

2.3.16.3 Internal Audit

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

2.3.16.4 Public grievances redressal mechanism

TCAD was required to deal with public for various purposes relating to tourism development. For effective Public Grievances Redressal, mechanism for registration of complaints, acknowledgement as a token of receipt of complaints, diarising of complaints, disposal of complaints on first-come-first served basis, and periodic monitoring of disposals of complaints by a superior authority had not been introduced in the Department.

The Department informed (September 2014) that as of date (September 2014) grievances and complaints were handled directly by the concerned officers. A separate Grievance Cell had been established recently and the single window system would also be made operational soon.

2.3.16.5 Geographic Information System

A geographic information system (GIS) is a computer system for capturing, storing, checking and displaying data relating to earth's surface position. GIS shows different types of data on one map and enables people to see, analyse and understand patterns and relationships.

TCAD incurred ₹ 73 lakh (100 *per cent* CSS) for GIS mapping during 2002-03 and submitted the UC to GOI. It was however, seen that GIS system did not exist in the Department resulting in non-fulfilment of intended objectives of providing tourist information through GIS mapping.

2.3.17 Beneficiary survey

A beneficiary survey of tourists visiting Sikkim was carried out during the peak season (November 2014) by office of the Accountant General (Audit), Sikkim, Gangtok to ascertain the response of tourists about (i) how they came to know about tourist destinations in Sikkim; (ii) were they satisfied with the conduct and behaviour of drivers, travel agents; (iii) were they charged appropriate tariff in hotels; (iv) were they satisfied with the information and assistance provided by Tourism and Civil Aviation Department, etc.

Out of 65 tourists interviewed, the overall ranking of Sikkim tourism as per their perception was excellent (11 *per cent*); outstanding (29 *per cent*); very good (28 *per cent*); good (28 *per cent*) and not satisfactory (4 *per cent*). 94 and 77 *per cent* were satisfied with conduct and behaviour of drivers and tour operators respectively. 83 and 87 *per cent* were satisfied with the taxi fare and hotel tariff charged from the tourists. 69 *per cent* and 68 *per cent* were satisfied with information and assistance provided by the Department and

infrastructure relating to way side amenities respectively. While 39 *per cent* did not face any problem relating to landslide and thus did not require any assistance; 43 *per cent* were satisfied with the assistance provided by the Department during the time of need.

The survey conducted in November 2014 has to be viewed in the light that it was conducted during a period congenial to the tourists. It is to be mentioned that the tourists surveyed had visited all the four districts (East, West, North and South) of the State.

2.3.18 Conclusion

Tourism is one of the important industries for Sikkim. The State had earned a number of awards and accolades in tourism from GOI and other national and international bodies. The Lonely planet had also declared Sikkim as a sought after destination. Performance Audit however, disclosed that the State had to strengthen its project preparation process, execution, financial management, monitoring, etc. in order to fully harness the tourism potential of the State.

The projects were prepared defectively without ensuring land availability, forest clearance and soil testing. There was lack of effective coordination with other departments. Financial management disclosed lack of capacity of the Department to use allocated fund, consequent surrender of funds, partial release of state share, diversion of funds and short recovery of interest on mobilisation advances. Projects were delayed, many completed infrastructure were lying idle and some were used for non-tourist purpose. Due to inadequate advertisement and marketing activities and slow pace of execution of projects relating to various types of tourism such as eco-tourism, village-tourism, adventure-tourism, etc., tourism potential had not been exploited fully. The monitoring mechanism needed further strengthening to avoid delayed completion of projects and ensure implementation of quality control mechanism.

2.3.19 Recommendation

- Project preparation process should be strengthened by carrying out survey and investigation, suitability of land, etc. before embarking on projects.
- Financial management may be strengthened to ensure utilisation of allocated funds, utilisation of funds for the specified purpose and special efforts may be taken to spend TFC grant for Home Stay.
- Promotional activities should be strengthened to attract more tourists, especially high end tourists and to further exploit tourism to its fullest potential in various forms of tourism such as eco-tourism and village-tourism.

ROADS AND BRIDGES DEPARTMENT

2.4 Loss of Government revenue

The Department had not realised the revenue of ₹ 0.76 crore by selling valuable standing properties and had also not intimated the Forest, Environment and Wildlife Management Department for disposal of the properties. Physical verification revealed that the properties were not available in the work sites resulting in loss of revenue amounting to ₹ 0.76 crore.

For acquisition of land required by Government departments and other organisations/bodies, etc., compensation for land alongwith the cost of standing properties is assessed by the concerned District Collectors functioning under the administrative control of the Land Revenue and Disaster Management Department, on the basis of prevailing market rate of land surrounding the area to be acquired.

The Roads and Bridges Department (RBD) acquires land along with the standing properties (trees[11], bamboos, broom grass bush [amliso], cowshed, fodder, etc.) for construction of new roads on payment of land compensation and compensation for the standing properties to the land owners. On payment, land alongwith the standing properties becomes the property of the Government and the sale proceeds on account of sale of the standing properties are to be deposited into the Government account.

Examination of the land acquisition records for construction of nine new roads by the RBD during September 2008 to March 2012 revealed that in addition to land compensation, ₹ 2.51 crore was paid towards the cost of standing properties to the land owners. However, it was observed that no sale proceeds against the disposal of the standing properties was realised by the Department. Even excluding the properties having meagre or no sale value like broom grass bush (amliso), fodder, etc., the other properties having value such as trees and bamboos, acquired along with the land acquisition valued at ₹ 0.76 crore had not been disposed off and their sale proceeds realised.

In response to the audit observation, the Department stated (May 2014) that the removal, sales and realisation of revenue in respect of standing properties rested with the Forest, Environment and Wildlife Management Department (FEWMD) and that they had forwarded (May 2014) a letter regarding the audit observation to the FEWMD for detailed information to enable it to furnish reply to the audit observation. On further pursuance of the matter (July 2014) by Audit, the FEWMD stated (July 2014) that their utilisation division had not received any correspondence from the RBD for removal, sale and realisation of revenue in respect of standing properties relating to any of the nine works test checked in Audit. The FEWMD stated that it would take action to extract the standing

[11] *Chap, tooni, katues, etc.*

properties and realise the sale proceeds only after the receipt of information from the land acquiring department.

Physical verification (April 2014 and October 2014) of four[12] out of the nine works, in the presence of departmental officers revealed that there was no standing property left for extraction in the work sites. A photograph depicting one of the sites is given below:

Image 2.4.1



Road from Farresay via Timberay gaon South Sikkim

Further, all the nine road construction works having already been taken up for execution, the possibility of existence of standing properties at any of the work sites for realisation of sale proceeds by the FEWMD was remote. Thus, inadequate action taken by the Department to safeguard the financial interest of Government resulted in a loss of ₹ 0.76 crore.

2.5 Injudicious expenditure

The construction of motorable road without any provision for a motorable bridge resulted in an injudicious expenditure of ₹ 1.98 crore.

The State Government proposed (June 2004) to construct a motorable road from Bey to Pentong (Km 1st to 4th) at a cost of ₹ 1.87 crore (23 *per cent* above SOR 2002 plus contingencies, quality control, etc.), out of which, Government of India sanctioned (December 2004) ₹ 1.50 crore under Rashtriya Sam Vikas Yojana (RSVY) and the balance of ₹ 37.45 lakh was to be met from State Plan Budget. The estimated cost was revised (June 2008) to ₹ 2.57 crore which included an additional provision of ₹ 69.86 lakh for land compensation to be met from the Tribal Sub Plan (TSP).

The Department awarded the work (September 2005) to the lowest bidder, Shri Bernard Lepcha at ₹ 1.79 crore (including 23 *per cent* above the civil estimated cost of ₹ 1.46 crore based on SOR 2002) for the completion of the entire work by September 2006. However, owing to belated payment in land compensation to the land owners and delay in obtaining forest clearance coupled with delay in execution by the contractor, the work could not be

[12] *i) Construction of roads from Farresay via Timberay Gaon, South Sikkim, ii) Mamlay to Nangdang Village, South Sikkim, iii) Deythang to Samruk, South Sikkim and iv) Sonamati Sr. Secondary School to Kokolay, East Sikkim.*

completed (February 2011) even after a lapse of 5 years from the scheduled date of completion.

Audit analysis (March 2014) revealed that the clearance from the Ministry of Environment and Forest was accorded only in August 2007 and the possession of the land could be obtained during September 2008. Thus, it was observed that the Department had issued the work order to the contractor even before obtaining forest clearance and ensuring availability of land. Later on, the contractor after executing work valuing ₹ 1.20 crore, surrendered (February 2011) the remaining work valuing ₹ 0.59 crore citing health problems and the work was taken over departmentally (March 2011) for completion.

A joint physical verification with the departmental officers conducted (April 2014) at the work site revealed that the construction of the road was completed (March 2014) without making motorable bridge over the Tholungchu River. In the absence of any motorable bridge, the very purpose of the construction of motorable road to establish the road connectivity from either side got defeated. The existing suspension foot bridge did not serve the purpose of motorable connectivity as would be evident from the following photographs:

Image 2.5.1



Image 2.5.2



Road connected with the suspension foot bridge

Analysis of technical sanctioned estimate for the work revealed that the initial estimate as well as the revised estimate was prepared without any provision for motorable bridge. As of July 2014, the Department had not finalised any proposal for construction of a motorable bridge over the Tholungchu river even though more than nine years had elapsed since the sanction of the work (December 2004). It was further noticed that no alternative motorable road existed for public transportation.

Thus, due to inadequate planning in constructing a road without a connecting motorable bridge resulted not only in deprival of the intended benefits of establishing connectivity for transportation of people and goods, but also led to an injudicious expenditure of ₹ 1.98 crore[13].

The Matter was reported to the Department/Government; their reply had not been received (October 2014).

[13] *₹ 1.20 crore to the contractor, ₹ 8 lakh towards contingency/work charge establishment and ₹ 70 lakh towards land compensation.*

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 ₹ 147.55 crore as per their latest finalised accounts as of September 2014.

This turnover of SPSUs was equal to 1.19 *per cent* of State Gross Domestic Product (SGDP) for 2013-14[1]. Major activities of Sikkim SPSUs are concentrated in infrastructure and power sectors. The working SPSUs incurred an overall loss of ₹ 12.99 crore[2] in the aggregate for 2013-14 as per their latest finalised accounts as on 30 September 2014. The SPSUs had employed total 645 employees (including 12 employees of non-working SPSUs) as on 31 March 2014. 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 Organisations are incorporated in other chapters of this Report along with the findings relating to the Government Departments.

3.1.2 As on 31 March 2014, 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 as well as the new Companies Act, 2013 which was recently notified (September 2013) by the Government of India and applicable in rest of the Country have not been extended to the State of Sikkim. The Government Companies in

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1 *The State GDP for 2013-14 is ₹ 12,376.69 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.*

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 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 2014, the investment (capital and long-term loans) in 15SPSUs was ₹ 399.13 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	63.99	273.88	337.87	2.19	-	2.19	340.06
Non-working SPSUs	46.56	0.01	46.57	12.50	-	12.50	59.07
Total	**110.55**	**273.89**	**384.44**	**14.69**	**-**	**14.69**	**399.13**

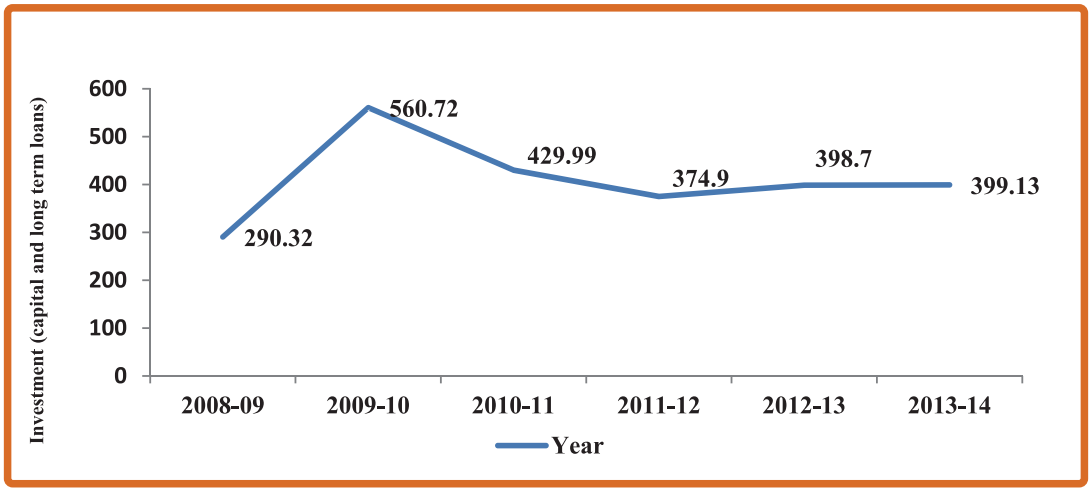
Source: Data collected from SPSUs.

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

3.1.6 As on 31 March 2014, 85.20 *per cent* of the total investment in SPSUs, was in working SPSUs and the remaining 14.80 *per cent* in non-working SPSUs. This total investment consisted of 31.38 *per cent* towards capital and 68.62 *per cent* in long-term loans. The investment had grown by 93.14 *per cent* from ₹ 290.32 crore in 2008-09 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 by 6.46 *per cent* to ₹ 399.13 crore (2013-14)mainly due to increase (₹ 5.61 crore) in the paid up capital of two SPSU (namely, Sikkim Schedule Castes, Scheduled Tribes and other Backward Classes Development Corporation Ltd and Sikkim Poultry Development Corporation) during the year 2013-14 as shown in the graph below:

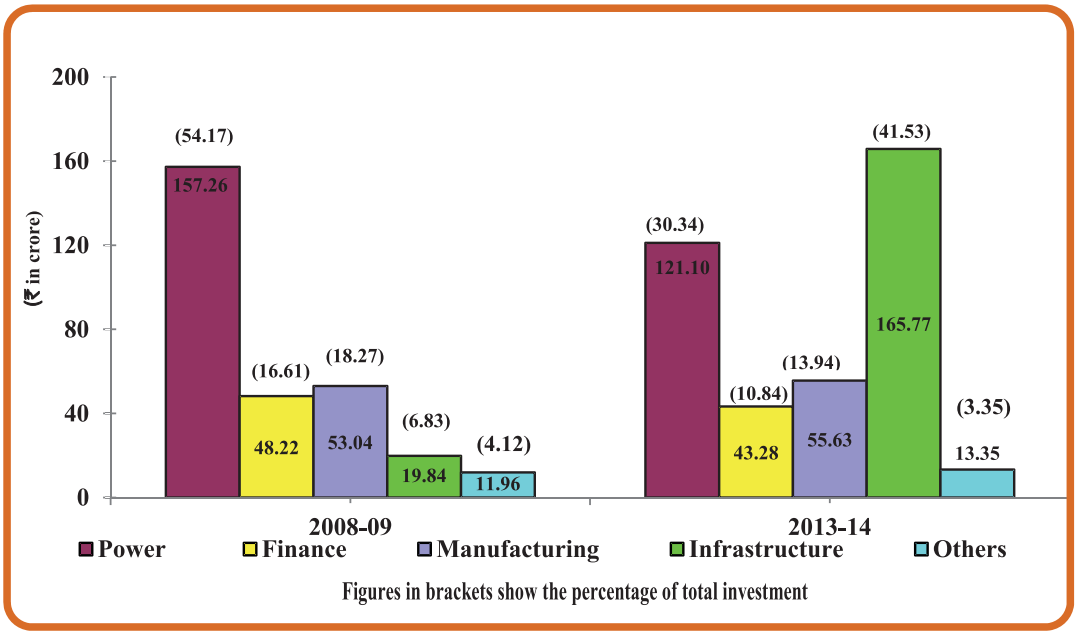
[6] *A non-working Corporation as on 30 September 2014.*

Chart 3.1.1



3.1.7 The total investments in various sectors and percentage thereof at the end of 31 March 2009 and 31 March 2014 are indicated below in the bar chart.

Chart 3.1.2



3.1.8 The investment made in SPSUs during 2008-09 to 2013-14 was mainly concentrated in power and infrastructure sectors. The investment in infrastructure sector had grown by 735.53 *per cent* from ₹ 19.84 crore in 2008-09 to ₹ 165.77 crore in 2013-14. The increase of investment under infrastructure sector was mainly due to availing of long term borrowings of ₹ 128 crore by Sikkim Industrial Development and Investment Corporation Limited (SIDICO) during 2012-13. On the other hand, there was significant reduction during five years period in the investments under power sector mainly on the account of decrease of ₹ 53.06 crore in the long term borrowings of Sikkim Power

Development Corporation Limited from ₹ 153.86 crore (2009-10) to ₹ 100.80 crore (2013-14)

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 2014.

Table 3.1.3

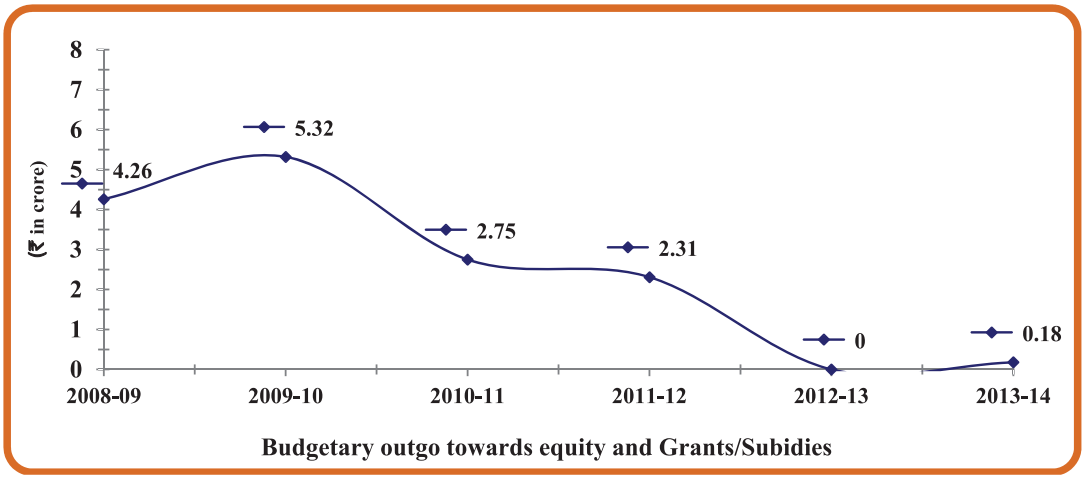
(₹ in crore)

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount
1.	Equity Capital outgo from budget	-	-	-	-	-	-
2.	Grants/Subsidy received	1	2.31	-	-	1	**0.18**
3.	**Total Outgo (1+2)**	**1**	**2.31**	**-**	**-**	**1**	0.18
4.	Loans written off	-	-	1	0.84		-
5.	Interest/Penal interest waived	1	0.43	2	0.38	-	-
6.	**Total Waiver (4+5)**	**1**	**0.43**	**2**[7]	**1.22**	**-**	-
7.	Guarantees issued	1	4.08	1	1.07	2	**131.76**
8.	**Guarantee Commitment**	**2**	**163.72**	**2**	**162.84**	**2**	**120.96**

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



3.1.11 It may be observed that during the period of six years from 2008-09 to 2013-14, the budgetary outgo was at the highest (₹ 5.32 crore) in 2009-10 and had shown decreasing trend thereafter upto 2012-13, when there was no budgetary outgo to any of the SPSUs. During 2013-14, however, there was a total budgetary outgo of ₹ 0.18 crore by way of grants to one SPSU, namely, Sikkim Poultry Development Corporation Limited. The

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

guarantee commitment has shown a decreasing trend during three years and same has decreased from ₹ 163.72 crore (2011-12) to ₹ 120.96 crore (2013-14). As on 31 March 2014, guarantee commitments of ₹ 120.96 crore were outstanding against two SPSUs, namely, Sikkim Industrial Development and Investment Corporation Limited and Sikkim Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited.

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 2013-14 SABCCO had availed loans of ₹ 24.39 crore against Government guarantee. Though a guarantee commission of ₹ 0.24 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 Government. In case the figures do not agree, the concerned SPSUs and the Finance Department of the State Government should carry out reconciliation of differences. The position in this regard as at 31 March 2014 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	91.97	**11.28**
Loans*	37.03	2.03	**35.00**
Guarantees*	**121.57**	**120.96**	**0.61**

* *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 12 PSUs 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 ₹ 2.75 crore during current year from ₹ 8.53 crore (2012-13) to ₹ 11.28 crore (2013-14). 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 2014are 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 2008-09 to 2013-14.

Table 3.1.5

(₹ in crore)

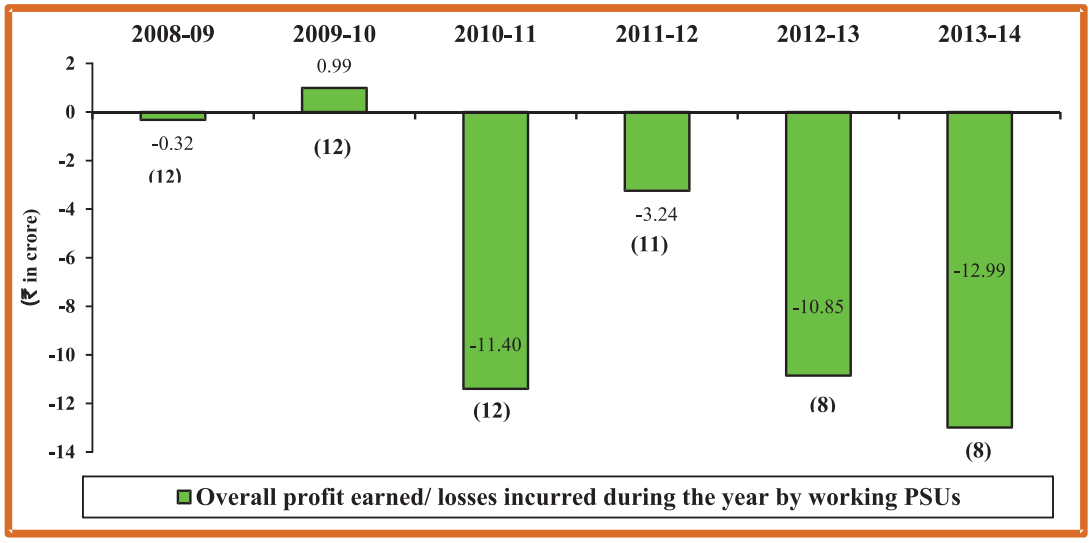
Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Turnover[8]	31.34	41.98	42.81	86.43	143.91	**147.55**
State GDP	3,229.08	6,132.76	7,411.57	8,906.64	10,472.60[9]	**12,376.69**[10]
Percentage of Turnover to State GDP	**0.97**	**0.68**	**0.58**	**0.97**	**1.37**	**1.19**

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

The State GDP as well as the SPSUs turnover showed continuous growth during the years from 2008-09 to 2013-14. It may be noticed that during 2008-14, the State GDP had grown by 283 *per cent* while the increase in turnover of SPSUs during the corresponding period was to the extent of 371 *per cent.* Thus, there was appreciable growth in SPSUs turnover during the period of six years from 2008-09 to 2013-14 as compared to the growth in the State GDP during the corresponding period. As a result, the percentage of SPSUs turnover to State GDP has increased from 0.97 (2008-09) to 1.19 (2013-14) in six years period.

3.1.15 Profit earned/Losses[11] incurred by the working SPSUs during 2008-09 to 2013-14 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 8 working SPSUs as on 30 September 2014, 5 SPSUs[12] incurred an aggregate loss of ₹ 16.68 crore whereas remaining 3 PSUs[13] earned a profit of ₹ 3.69 crore. The major losses was reported by State Bank of Sikkim (₹ 7.05 crore) and State Power Development Corporation Limited (₹ 6.05 crore) while Sikkim Industrial Development and Investment Corporation Limited earned the highest profits (₹ 2.80 crore).

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8 *Turnover of working SPSUs 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 B-8 of* ***Appendix 3.1.2****.*

It may be observed that the working SPSUs incurred overall losses during the preceding six years ending 2013-14 excepting 2009-10 when the working SPSUs earned overall profits of ₹ 0.99 crore. During three out of six years (viz. 2010-11, 2012-13 and 2013-14), the losses of working SPSUs were highest ranging between ₹ 10.85 crore and ₹ 12.99 crore. During 2011-12, however, the losses of the working SPSUs reduced considerably to ₹ 3.24 crore mainly due to profits (₹ 11.84 crore) earned by one working SPSU (State Bank of Sikkim) and transfer of three loss making working Governments companies to 'non-working' category.

3.1.16 A review of latest Audit Reports of CAG shows that the working SPSUs incurred losses to the tune of ₹ 11.56 crore, which were controllable with better management. Year wise details from Audit Reports are stated below:

Table 3.1.6

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	Total
Net profit/(loss)	(3.24)	(10.85)	(12.99)	**(27.08)**
Controllable losses as per CAG's Audit Report	**-**	**0.51**	**11.05**	**11.56**

Source: Data collected from SPSUs and CAG Audit Reports.

The losses of SPSUs are mainly attributable to deficiencies in planning, implementation of projects, 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	2009-10	2010-11	2011-12	2012-13	2013-14
Return on Capital Employed (*per cent*)	3.38	2.00	5.24	4.30	**4.36**
Debt	462.76	395.91	260.93	279.07	**273.89**
Turnover[14]	41.98	42.81	86.43	143.91	**147.55**
Debt/Turnover Ratio	11.02:1	9.25:1	3.02:1	1.94:1	**1.86:1**
Interest Payments	7.33	24.56	64.90	87.49	**90.15**
Accumulated losses	**68.62**	**69.82**	**83.57**	**90.29**	**97.92**

(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 1.86:1 (2013-14) due to constant growth in the turnover figures and reduction of ₹ 188.87 crore in the debts of SPSUs from ₹ 462.76 crore (2009-10) to ₹ 273.89 crore (2012-13). The decrease in the debts was mainly due to

[14] *Turnover of working SPSUs as per the latest finalised accounts as on 30 September of respective year.*

repayment of loans (₹ 182.21 crore) by three SPSUs[15] during 2010-11 to 2012-13. The percentage of return on capital employed had increased from 3.38 *per cent* (2009-10) to 5.24 *per cent* (2011-12) but decreased to 4.30 *per cent* in 2012-13 due to significant losses (₹ 7.05 crore) incurred by State Bank of Sikkim. It, however, remained around the same (4.36 *per cent*) during the year 2013-14.

3.1.20 The State Government had not formulated (September 2014) any dividend policy regarding payment of minimum dividend by SPSUs. As per their latest finalised accounts as on 30 September 2014, three[16] SPSUs earned an aggregate profit of ₹ 3.69 crore but only one SPSU[17] declared dividend of ₹ 0.51 crore.

Arrears in finalisation of accounts

3.1.21 The Companies Act 1956/Companies Act, 2013 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 2014.

Table 3.1.8

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
1.	Number of Working SPSUs	11	11	8	8	**8**
2.	Number of accounts finalised during the year	10	8	7	10	**5**
3.	Number of accounts in arrears	19	22[18]	20	18	**21**
4.	Average arrears per SPSU (3/1)	1.73	2.00	2.50	2.25	**2.63**
5.	Number of Working SPSUs with arrears in accounts	11	9	8	7	**8**
6.	**Extent of arrears (in years)**	**1 to 4**	**1 to 5**	**1 to 4**	**1 to 4**	**1 to 5**

3.1.22 The table above indicates that the SPSUs were able to finalise only five accounts during 2013-14. During the period from October 2013 to September 2014, out of eight working SPSUs, one SPSUs[19] finalised total three accounts, two SPSUs[20] finalised only one year account each and remaining five SPSUs[21] did not finalise any of the accounts.

It may be observed that as of September 2014, out of total 21 arrear accounts relating to 8 SPSUs, 10 arrear accounts pertain to 2 SPSUs (namely, Sikkim Poultry Development Corporation Limited and Sikkim Hatcheries Limited) functioning under Animal Husbandry

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15 *Sikkim Industrial Development and Investment Corporation Limited, Sikkim Power Development Corporation Ltd. and Sikkim Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Ltd.)*

16 *Sl. No.A-4, A-6 and B-8 of* ***Appendix 3.1.2.***

17 *SIDICO for the year 2012-13.*

18 *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****).*

19 *Sikkim Tourism Development Corporation Ltd.*

20 *Sikkim Power Development Corporation .Sikkim Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Ltd.*

21 *Sikkim Poultry Development Corporation Limited and Sikkim Hatcheries Limited, Sikkim Industrial Development and Investment Corporation, State Bank of Sikkim, State Trading Corporation of Sikkim.*

and Veterinary Services Department each having arrears of five 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 The State Government had invested ₹ 0.18 crore[22] (Grants) in one working SPSU[23] during the year for which their accounts had not been finalised. Delay in finalisation of accounts might result in risk of fraud and leakage of public money.

3.1.24 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 upto date.

Winding up of non-working SPSUs

3.1.25 There were seven non-working SPSUs (six Government Companies and one Statutory Corporation) as on 31 March 2014. 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	2009-10	2010-11	2011-12	2012-13	2013-14
No. of non-working Companies	3	3	6	6	**6**
No. of non-working Corporations	1	1	1	1	**1**
Total	4	4	7	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**[24]	**1**[25]	**6**

No Company/Corporation was, however, wound up during 2013-14. The Government may consider either winding up or revival of these seven non-working SPSUs.

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22 *Sikkim Poultry Development Corporation Limited.*
23 *Sikkim Poultry Development Corporation Limited.*
24 *Sikkim Jewels Limited, Sikkim Time Corporation Limited and Sikkim Precision Industries Limited, Sikkim Flour Mills Limited. And Chandmari Workshop and Automobiles Limited.*
25 *Sikkim Mining Corporation.*

Accounts Comments and Internal Audit

3.1.26 Three working Companies[26] forwarded their five audited accounts relating to earlier years to the Principal Accountant General during the year 2013-14[27]. Out of these, four accounts were selected for supplementary audit and in respect of one year's accounts of SABCCO, non-review certificates had been issued. The audit reports of statutory auditors and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

Table 3.1.11

(₹ in crore)

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Increase in loss	2	0.51	3	6.99	3	**1.45**
2.	Increase in profit	-	-	3	0.04	1	**0.02**
3.	Decrease in loss	1	0..11	-	-	-	**-**
4.	Decrease in profit	4	11.05	3	5.39	-	**-**
5.	Non-disclosure of material facts	-	-	1	36.25	1	**1.34**
6.	Errors of classification	4	4.04	2	9.37	1	**0.84**
		-	**15.71**	**-**	**58.04**	**-**	**3.65**

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

3.1.28 Some of the important comments in respect of accounts of the SPSUs audited during 2013-14 are stated below.

Sikkim Power Development Corporation Limited (2012-13)

- The Company has shown assets held for disposal at its book value instead of at realisable value. Due to this value of assets was overstated by ₹ 0.06 crore with corresponding understatement of Net Loss for the year.
- Due to inclusion of the value of land under Capital Work in Progress, Land account was understated by ₹ 0.52 crore and Capital Work-in-progress was overstated to the same extent.
- The company has not made provision towards unrecovered mobilisation advance of ₹ 1.21 crore due since the year 2008 from a contractor who failed to execute the work. Due to non-provision for doubtful debts, Advances Account was overstated and Net loss for the year was understated to the extent of ₹ 1.21 crore each.

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[26] *Sikkim Tourism and Development Corporation Limited, Sikkim Power Development Corporation Limited and Sikkim Industrial Development and Investment Corporation Limited (SIDICO).*

[27] *During the period October 2013 to September 2014.*

Sikkim Tourism Development Corporation Limited (2012-13)

- Non provision for doubtful loans and advances has resulted in overstatement of current assets, loans and advances with corresponding overstatement of profit for the year by ₹ 0.04 crore.
- The consolidated accounts for the year 2012-13 did not include the accounts of Heli-service, which had incurred loss of ₹ 0.33 crore during the financial year and had accumulated loss of ₹ 1.34 crore. The account of Heli-service has been maintained separately and audited by the same auditor. The above facts have also not been mentioned in the notes on accounts of the consolidated accounts.

Recoveries at the instance of audit

3.1.29 During the course of audit in 2013-14, recoveries of ₹ 14.15 crore were pointed out to the Management of various PSUs. As against this, however, no recovery was made by the PSUs during 2013-14.

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 Bank of Sikkim	2007-08	2008-09 to 2010-11	December 2013	Concerned administrative department delayed forwarding of SARs for placement in Legislature.
2.	State Trading Corporation of Sikkim	2007-08	2008-09 to 2010-11	May 2014	

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 2013-14, Government of Sikkim had not disinvested its equity shareholding in any of the SPSUs.

STATE TRADING CORPORATION OF SIKKIM

3.2 Performance Audit on functioning of State Trading Corporation of Sikkim

The State Trading Corporation of Sikkim (Corporation) functioned as a canalising agency for all procurement of the various Departments of the Government of Sikkim, besides rendering agency services to Indian Oil Corporation Limited for retail distribution of Liquefied Petroleum Gas. The Corporation was exclusively authorised to procure standard/branded material of certain specified items directly from the manufacturers and maintain sufficient stocks so as to make the stock available to various Departments in minimum delivery time. The Corporation, however, largely resorted to the commission business wherein goods were procured based on the indents of the Departments and involved direct delivery of goods by supplier to the Departments concerned. Performance Audit on the functioning of the Corporation for the period 2009-10 to 2013-14 showed that the Corporation was not efficiently discharging its role as canalising agency. The following are the main highlights of the Audit:

Highlights

The Corporation largely resorted to commission business wherein procurements were made based on the indents received from the Departments and hence, the benefits of bulk purchases could not be availed.

(Paragraph 3.2.7.1)

The Corporation failed to minimise the delivery time in absence of effective follow-up for timely supply of material and non-imposition of penalty on the suppliers for delayed supplies.

(Paragraph 3.2.7.4.1)

The Corporation did not follow tender procedures in procurement of major items of materials in violation of the provisions of Sikkim Financial Rules. It incurred avoidable expenditure (₹ 2.51 crore) on procurements due to reasons like, failure to avail full supply of material within the validity of supply order, improper tender evaluation for fixation of annual supply rate, non-availing of the benefits of Excise Duty exemption and failure to restrict the price against delayed supplies to the lower of the contracted price and prevailing market prices.

(Paragraphs 3.2.7.2; 3.2.7.2.1; 3.2.7.2.2; 3.2.7.3.1 and 3.2.7.3.3)

The Corporation did not prepare annual budgets of the projections on the estimated receipts and expenditure in absence of which, the Management could not effectively monitor the actual financial performance of the Corporation. There was also no effective system for timely realisation of dues.

(Paragraphs 3.2.7.5.1 to 3.2.7.5.3)

The Corporation failed in complying with the provisions of Acts/Rules which led to short/non collection of VAT, Cess and Service tax (₹ 2.04 crore) and avoidable payment of income tax (₹ 0.30 crore).

(Paragraphs 3.2.7.6.1 to 3.2.7.6.3)

The Human Resource Management of the Corporation was not effective as no efforts were made to impart trainings to the employees for their skill development.

(Paragraph 3.2.7.7.2)

The internal control system of the Corporation with regard to holding/accounting of inventory and control over cash collection/remittance was weak causing instances of shortages (₹ 2.49 crore) in stocks as well as unauthorised retention/defalcation of cash by its employees.

(Paragraph 3.2.7.8.3)

Introduction

3.2.1 The State Trading Corporation of Sikkim (Corporation) was established (1972) under the Proclamation[28] of the erstwhile Chogyal of Sikkim with the main objective of promoting external and internal trade in Sikkim. To attain the objectives, the Corporation was to carry out various activities including purchasing, holding, stocking, sale, export, import and transportation of any kind of materials within the State. Subsequently, the Government of Sikkim (GoS) had exclusively authorised (February 2010) the Corporation to deal with certain specified items of materials (viz. Iron & Steel materials, Cement, Office Furniture, G.I. Pipes, GCI Sheets, Vehicles, Tyres, Battery, GI/ Barbed wires, Medical and office equipment, etc.) required from time-to-time by various Departments of GoS. The Corporation was accordingly required to procure the standard/branded material of specified items directly from the manufacturers and maintain sufficient stocks so as to make the stock available to various Departments in minimum delivery time.

The Corporation was functioning under the administrative control of the Commerce and Industries Department of GoS. The Corporation is managed by a Board of Directors consisting of the Chairman, one Managing Director (MD) and five directors nominated by GoS. As on 31 March 2014, all the five directors, MD and the Chairman were in position. Apart from the above, an Advisor had also been appointed by the GoS since 1996. The MD has been delegated with full administrative powers and is assisted by four Senior General Managers in carrying out day to day affairs of the Corporation. The organisational structure of the Corporation is given in **Appendix 3.2.1**.

Activities of the Corporation

3.2.2 At present the main activities of the Corporation are to act as a canalising agency for all purchases made by various Departments of the State Government besides rendering agency services to Indian Oil Corporation Limited (IOC) for retail distribution of Liquefied

[28] *State Trading Corporation of Sikkim Proclamation of 1972.*

Petroleum Gas (LPG). The Corporation performed trading activities involving direct purchase and sales of goods (direct trading) as well as commission sales (indirect trading) wherein goods were procured for and on behalf of the Departments against their respective indents. The trading activities are performed mainly by the Head Office at Gangtok. Corporation's main source of operational revenue is income generated from direct trading activities as well as the commission earned against indirect[29] trading business. The Corporation has two unit offices respectively at Jorethang and Kolkata. While Jorethang unit was engaged in trading activities (including LPG distribution), Kolkata unit looked after liaison work, protocol and welfare activities on behalf of the GoS. Details of the procurement of major items made at these units during the five years from 2009-10 to 2013-14 have been summarised in **Appendix 3.2.2**.

Scope of Audit

3.2.3 The performance of the Corporation was last reviewed and included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2006. The PAC discussed the audit findings and made two recommendations. The details of PAC's recommendations and compliance of the Corporation there against have been brought out under **paragraph 3.2.8**.

The present Performance Audit (PA) covered the activities of the Corporation for the period from 2009-10 to 2013-14. For the purpose of PA, the detailed examination of records of the two units as well as Head office of the Corporation was carried out. A sample size of 30 *per cent* of the total value of six[30] major items under both direct and commission business activities were selected for detailed examination based on the value of procurement orders by using random sampling[31].

Audit objectives

3.2.4 The audit objectives of the PA were to assess whether:

- the Corporation regulated the trading activities in an efficient and effective manner by drawing advantage of bulk purchase and minimising delivery time;
- fund management was efficient and effective;
- the Corporation complied with provisions of applicable Laws/Rules/Regulations;
- human resource management was efficient and effective; and
- monitoring, evaluation and internal control mechanism including internal audit were effective.

[29] *Commission business.*
[30] *Iron & Steel, Cement, Bitumen, Vehicles, Office Equipment & Furniture and LPG and accessories.*
[31] *Application of Random numbers.*

Audit criteria

3.2.5 The audit criteria used for assessing the performance of the Corporation against the above audit objectives were derived from the following:

- Sikkim Financial Rules (SFR)
- Government orders authorising the Corporation to deal in specific items
- Established practices of Fund management
- Provisions of Proclamation of erstwhile Chogyal of Sikkim, Income Tax Act, Service tax, Sikkim Value Added Tax Act and other applicable Laws/Rules/Regulations
- Sikkim Government Services Rules
- Established practices and procedures for monitoring, evaluation and internal control mechanism

Audit methodology

3.2.6 The methodology adopted for attaining the audit objective consisted of explaining audit objectives to top management in the Entry Conference (01 March 2014), analysis of data/records with reference to audit criteria, examination of annual accounts, etc., of the Corporation as well as Agenda/Minutes of the BoD, interaction with the Corporation officials, raising of audit queries, issuing (August 2014) of draft audit report to the Management/GoS for comments. The draft audit report was also discussed (16 October 2014) with the representatives of the Corporation/GoS in the Exit conference. The formal replies of the Corporation to the draft report as well as the views expressed by the representatives of the Corporation/GoS in the Exit conference have been taken into consideration while finalising the Report. Formal replies of GoS, however, had not been received (October 2014).

Audit findings

3.2.7 The Audit findings relating to the PA are discussed in the succeeding paragraphs.

Audit objective-1
Regulation of the trading activities for efficient and economic functioning.

3.2.7.1 The Corporation was the canalising agency for all procurements of materials on behalf of various Departments of the GoS. For discharging the role of canalising agency, the Corporation was required to maintain sufficient stock of standard/ branded materials procured directly from manufacturers. Government Departments while submitting their indents were required to make advance payments for enabling the Corporation to initiate the procurement process. During the scrutiny of records audit observed that the Corporation largely resorted to commission business, wherein procurements were made based on the indents of the Departments and involved direct delivery of goods by the suppliers to the

Departments concerned and hence, the benefits of bulk purchases could not be availed. Under commission business, the turnover of four items[32] test checked in Audit constituted 53.55 to 89.34 *per cent* of the total turnover of the Corporation recorded during the period 2009-10 to 2013-14.

Procurement based on quotations/rate enquiry

3.2.7.2 As per SFR, all purchases valuing more than ₹ 10 lakh are to be made through tendering after giving wide publicity in leading newspapers. The Government departments and public sector undertakings also adopt the contract rates prescribed by the Director General (Supply & Disposal) (DGS&D) from time to time as parameters for procurement of goods and material. It was, however, observed that the Corporation did not follow the tendering procedure prescribed under SFR in any of the test checked 56 Supply Orders (SOs) (valued at ₹ 80.74 crore) each valuing above ₹ 10 lakh placed during the PA period. On the contrary, the Corporation procured Cement, GCI sheets, TMT bars, etc., based on quotations/rate enquiry instead of competitive bidding. Further, during the period under review, the Corporation had not made any procurement under DGS&D route. Examination of records revealed instances of incurring avoidable/additional expenditure on procurements which were mainly due to failure to take price advantage, delay in placing SOs, etc. as discussed below.

Avoidable extra burden in procurement of cement

3.2.7.2.1 (i) The Corporation placed (September 2010) a SO for procurement of 5,000 MT cement valuing ₹ 2.70 crore on ACC Cements Ltd (ACC) at their offered rates[33] with validity up to 31 December 2010. The Corporation was to make advance payment to ACC before the expiry of validity of the offer for availing supply at the agreed rate. It was observed that, despite having a fund of ₹ 3.49 crore advanced by the indenting Departments, the Corporation could procure 500 MT only within the validity of the offer. The remaining quantity of cement (4,500 MT) was procured by the Corporation at higher price after the validity (December 2010) of the offer leading to additional expenditure of ₹ 22.32 lakh in procurement of cement.

(ii) In other two instances[34], the Corporation incurred avoidable additional expenditure of ₹ 10.16 lakh in procurement of cement due to placing of SOs at higher rate by ignoring the lowest rate obtained in the rate enquiry. The reason for ignoring the lowest rate was, however, not on record.

Further, it was noticed that, in 22 out of 50 cases test checked by Audit, the Corporation had allowed upward revision in cement prices to local suppliers on account of hike in excise duty/ transportation charges. Audit, however, observed that the actual supplies in all 22 cases were delayed by the suppliers by 16 to 279 days of the scheduled dates of delivery. As the upward revision in duty/transportation had occurred after the scheduled period of delivery, the suppliers were not entitled to claim price hike on this account. The

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[32] *Cement, Iron and Steel, vehicles and office equipment & furniture.*

[33] *₹ 265, ₹ 255 and ₹ 258 respectively for Gangtok, Jorethang and Chisopani.*

[34] *SO (dated 26.02.2011) for 44,000 bags placed with Birla Cement and SO dated 20.02.2011 for 50,000 bags of Lafarge Cements.*

Corporation, however, allowed price revision of ₹ 9.85 lakh in respect of SOs issued during the period August 2009 to March 2010.

The Management in reply stated that even though bulk order was placed, lifting of cement was restricted to then requirement and storage space available with the Department.

The plea of storage constraints is not acceptable in view of the fact that the Corporation had been simultaneously placing (August 2009 to January 2010) SOs with different suppliers to ensure the flow and timely supply of cement to the Departments. In the instant case, however, huge indent quantities remained pending for supply.

Additional burden in procurement of TMT steel

3.2.7.2.2 (i) The Corporation, against the indents of Human Resource Development Department (HRDD), placed (05 May 2010) four SOs[35] on M/s Dinesh Enterprises (DE) for procurement of 871.67 MT of TMT bars at average rate of ₹ 44,003/MT to be delivered at various destinations[36] within 60 days (4 July 2014) of placing the SOs. The supplier however, failed to commence the supply within the stipulated delivery period and consequently the delivery period was extended till December 2010. The firm supplied a total quantity of 678.67 MT during the period from August 2010 to February 2011 and balance quantity of 193 MT remained undelivered despite persuasion by the Corporation.

During extension of delivery time allowed to the supplier, the Corporation placed (22 and 23 August 2010) three SOs[37] for procurement of the similar items of materials with other firms at ₹ 37,048/MT which was much lower than the rate paid to DE during extended period of SOs. Since identical material items were available with other suppliers at lower rates, the Corporation should have either cancelled the SOs with DE and included the quantity in the newly placed SOs or revised the original SO price to the lower price while allowing extension of delivery time to DE. Thus, failure of the Corporation to exercise either of the prudent options resulted in extending of unjustified benefit to the supplier causing avoidable burden on the exchequer to the extent of ₹ 22.59 lakh[38] for the supply of 357.894 MT[39] made during the period August-November 2010.

The Management replied (October 2014) that there may be rare case when market rate was lower but most of the time the market rate was higher than the approved rate.

The reply is not acceptable in view of the fact that the Management should have taken note of the lower market prices prevailing at the time of allowing extension of delivery period and acted appropriately to protect the interest of the Corporation.

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35 *453.18 MT TMT bars @ ₹ 44,486 per MT; 318.49 MT @ ₹ 43,361; 60MT @ ₹ 44,313 and 40MT @ ₹ 43,188.*

36 *Gangtok Jorethang and Chisopani.*

37 *With M/s Adhunik Industries, M/s Anmol Enterprises and United Traders for 330 MT, 336.10 MT and 309.9MT of TMT bars @ ₹ 37,221; ₹ 37,221 and ₹ 37,048 respectively.*

38 *The excess amount paid over and above the then prevailing price for 357.894 MT worked out to 357.894MT*₹ 6,313.*

39 *The money value of para restricted for 357.894 MT of material procured during August - November 2010 as the SOs placed after November 2010 were at higher price than that paid to DE.*

Procurement of GCI sheets at higher price

3.2.7.2.3 The Corporation placed (19 June 2013) SO for procurement of 192000 pieces of GCI Sheets at the rate of ₹ 754.62 per piece with M/s Vinod Enterprises (VE), Gangtok. It was observed that at the time of placement of SO on VE, the Corporation had a valid offered rate of ₹ 734 per piece obtained against an already initiated (April 2013) tender enquiry which was lower than the rate allowed to VE. The Corporation, however, did not place any fresh SO against the tender enquiry.

After commencement of supply, the Corporation asked the supplier to revise the price to ₹ 734 per piece. But, the supplier refused the request of the Corporation and on completion of supply claimed the price as per the SO rate.

After being pointed out by Audit, however, the Management had restricted (May 2014) the payment to the supplier based on the lower rate (₹ 734 per piece). Hence, at the instance of Audit, additional burden to the extent of ₹ 39.59 lakh on the indenting Departments could be avoided in the purchase transaction.

Additional financial burden to Department due to levy of handling charges

3.2.7.2.4 The Corporation, apart from its profit margin of three *per cent,* included ₹ 3 per bag in selling price of cement towards charges for unloading and loading (handling) operations carried out in its godowns. It was, however, observed that the Corporation had irregularly claimed handling charges in respect of cements directly delivered by the suppliers to the site/stock point of the indenting Departments even though the delivery did not involve any handling operations. Thus, collecting additional charges in respect of sales made during the period 2010-12, without doing any handling operations resulted in undue gain to the Corporation with resultant additional financial burden to the indenting Departments to the tune of ₹ 10.12 lakh.

Management while accepting the facts stated (October 2014) that the practice of charging handling charges on direct delivery to Departments by suppliers has been discontinued.

Procurement by fixing annual rates

3.2.7.3 The Corporation was to follow purchase procedures prescribed in the SFR for procurement of goods. According to Rules 127 and 130 of the SFR, all purchases above ₹ 10 lakh are to be made through tendering only after giving wide publicity in leading newspapers. With a view to establish annual contract rates for procurement of DI and GI pipes, steel bridge materials, etc., for further supply to various Departments, the Corporation periodically invites open tenders from suppliers/manufacturers. Lowest rates obtained in such tenders were approved as the procurement price which remained valid for procurement to be made from all the participated tenderers for a period of one/two year/s, as the case may be. During examination of records Audit observed instances of non-compliance with SFR as well as deficiencies in tender evaluation/approval of prices, etc., as discussed below.

Avoidable loss due to improper scrutiny of tender documents

3.2.7.3.1 The Corporation invited (March 2011) open tenders for supply of DI pressure pipes of various diameters. In response, 23 bids were received. It was observed that all the bidders had quoted their prices inclusive of Central Sales Tax (CST) component at 2 *per cent* excepting one bidder [M/s Jindal Saw Limited (JSL)] who had quoted their prices inclusive of CST at the rate of 5 *per cent*. Thus, it was necessary to bring down the CST component included in the bid of JSL to 2 *per cent* so as to make the offers of all bidders comparable. It was, however, observed that while evaluating the bids, the Corporation did not adjust the bids of JSL for the higher CST component. As a result, the L1 rates as approved by the Corporation for many items were higher than the rates offered by JST if considered at CST of 2 *per cent*. Thus, due to improper evaluation of tender documents, the Corporation lost the opportunity of getting a better rate for procurement of the above items and resulted in avoidable extra expenditure of ₹ 67.72 lakh.

The Management stated (October 2014) that even after computation of CST at two *per cent*, the rates of JSL were on higher side for all items excepting one.

The reply is not acceptable as the rates of JSL as worked out after making adjustments for higher CST were lower than L1 rates approved by the Corporation.

Fixation of low price of tender form

3.2.7.3.2 As per Rule 127 of SFR, price of tender forms was to be fixed based on the estimated value of supply order with reference to the slab rates prescribed thereunder. The Corporation, however, had not been fixing the price of tender forms as per the aforesaid rules. In many cases, price of tender forms was fixed and collected at lower rates than the prescribed. Due to this, there was short collection of an aggregate amount of ₹ 32.90 lakh[40] against price of tender forms.

The Management stated (October 2014) that the tenders invited were for establishment of procurement prices on annual basis and not specifically against any indent quantity. As the annual procurement value could not be estimated in advance, price of tender forms was tentatively fixed.

The reply is not acceptable as the Corporation should have made an analysis of the past trends to arrive at the probable value of procurement and fixed the price of tender form accordingly.

Failure to avail of eligible excise duty exemption

3.2.7.3.3 The Government of India (GoI) had extended excise duty exemption[41] to pipes and pipe fittings[42] needed in water projects for delivery of water from its source to the plant and from the plant to the first storage point. For claiming the exemption, a certificate from the district authorities to the effect that such goods are cleared for the intended use of the

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40 *Worked out based on the value of purchases made during the corresponding previous period with applicable slab rates of cost of tender.*

41 *Vide Sr. No.7 of the notification No. 6/2006 - C.E dated 1.3.2006; as amended from time to time.*

42 *Pipes of outer diameter 20 cm and above from 01 March 2007 and to pipes of outer diameter 10cm and above from 04 December 2009.*

concerned project was to be produced to the Central Excise Department. During 2009-12, the Corporation had procured DI and GI pipes valuing ₹ 19.33 crore for implementation of various water supply projects of GoS, which were eligible for excise duty exemption by GoI. It was, however, observed that the Corporation could not avail the benefits of duty exemption amounting to ₹ 1.18 crore on the said procurements due to non-submission of required documents to the Central Excise Department.

The Management stated (October 2014) that materials procured in respect of all drinking water projects were under exempted category.

The reply was not to the point and it does not address the issue of Corporation's failure in availing the benefits of duty exemption in respect of these cases.

Monitoring/Procedural lapses

3.2.7.4 As the canalising agency for all procurements of the Departments, the Corporation was to arrange the supply at the economic rates by fully meeting the indent specifications, quantity, time, etc. For procuring items other than those for which annual approved rates were available, the Corporation placed SOs with suppliers after making rate enquiries. Since in most of the cases materials were directly despatched by the suppliers to the consignee Departments, the Corporation was required to ensure that the suppliers delivered the materials within delivery schedule and as per indented quality/specification, etc. Audit, however, noticed deficiencies/lapses on the part of the Management in monitoring of supply and following of the prescribed procedures as discussed in succeeding paragraphs.

Delay in supply of materials

3.2.7.4.1 **T**he Corporation was to supply the materials indented by the Government Departments within the stipulated time frame. The terms of the SOs provide for levy of penalty on suppliers for delayed delivery of material, as deemed fit by the Corporation. Thus, the SOs did not contain any specific/definite penalty to be imposed on suppliers for delayed delivery. In the test check of procurement transactions Audit noticed delays ranging between 122 days and 910 days in executing indents/SOs by the Corporation/ suppliers in 7 items under 21 SOs. This delays in supply of materials in turn resulted in delay in execution of respective projects of the indenting Departments. The delays in supply, as observed, were mainly due to inadequate follow up on part of the Corporation for prompt execution of orders by the suppliers. The Management never invoked the penalty clause as per the agreed terms of SOs for non-supply or delayed supply of materials by the suppliers.

The Management accepted the audit observation and stated (October 2014) that on few occasions, the delivery of material is deferred based on the request of the indenting Departments.

The reply is not acceptable as the Corporation needs to take appropriate penal action against the suppliers wherever the delays in supplies were on their part. Failure of the Corporation in imposing penalty for delayed supplies in any of the 21 test checked cases raised doubts on the action of the Corporation.

Procurement of materials disregarding Rules/Government order

3.2.7.4.2 As authorised by the GoS, all procurements required for the Departments were to be made through the Corporation. In the case of procurement and installation of CCTV and Sensor Embedded Door System in its Assembly Complex, however, the Sikkim Legislative Assembly Secretariat (SLAS) overlooked the mandate of the Corporation. The SLAS, through its own arrangement for quotations, finalised rate as well as Supplier by itself and finally entrusted (September 2010) the Corporation for effecting the physical transaction. The Corporation carried out the procurement accordingly without ascertaining the reasonableness of the rate and genuineness of the selection of the supplier. The Committee of SLAS which scrutinised quotations also did not have a nominee member from the Corporation which was against Rule 127 of SFR.

By relying and placing SO at the rate and with the supplier as fixed by SLSA, the Corporation could not ensure the reasonableness of the rate and genuineness of the supplier. Being the authorised and specialised agency for Government procurements, the selection of supplier and finalisation of rate should have been done by the Corporation.

Audit objective-2
To assess efficiency and effectiveness of Corporation's financial management.

3.2.7.5 Prudent financial management requires that all funds due for receipt are expeditiously realised, available funds are effectively deployed for day-to-day operations and the surplus funds, if any, are invested judiciously to earn maximum interest income. Examination of records of the Corporation revealed that the Management had neither devised any policy for efficient fund management nor ensured expeditious realisation of dues or investment of short term surplus funds in a prudent manner. The deficiencies noticed in the financial management of the Corporation have been discussed in succeeding paragraphs.

Budget not prepared

3.2.7.5.1 Preparing a budget is an essential component of responsible fund management. It serves as a tool for financial management control. Further, as per clause 16 of the Proclamation, the Board of Directors of the Corporation was required to prepare budget on annual basis for the next financial year showing the projections made on estimated receipts and expenditure of that year. The Corporation however, did not prepare any budget outlining annual activities for any of the years covered in Audit (2009-14). Hence, in absence of proper budgeting system, it was difficult for the Management to effectively monitor the actual financial performance of the Corporation with reference to the targets fixed**.**

The Management assured (October 2014) to initiate process for preparation of budgets to establish a good financial management system in the Corporation.

Non-realisation of outstanding dues from various Departments

3.2.7.5.2 As per the generally agreed payment terms indenting Departments were required to pay 90 *per cent* of the value of the goods indented as advance to the Corporation and balance 10 *per cent* immediately on receipt of full quantity of the indented goods. It was however, observed that the indenting Departments were depositing the advances to the extent of 50 *per cent* or less of the value of goods indented contrary to the agreed terms of payment and balance amounts were also being paid belatedly.

Examination of records of the Corporation revealed that, as on 31st March 2014, an amount of ₹ 33.00 crore were recoverable from various departments/parties against supply/ procurement orders already executed by the Corporation. Of this, ₹ 31.55 crore constituting 95.61 *per cent* of the total receivable amount was receivable from 15 departments. The Management, however, did not conduct any age-wise analysis of the long outstanding dues and hence the period of pendency of the amount was not available for analysis.

During examination of records of the Corporation, it was further noticed that there were unconfirmed receivable and payable balances to the extent of ₹ 1.66 crore[43] and ₹ 2.65 crore respectively in the books of Kolkata unit in respect of transactions carried out prior to 1999-2000. Although, these balances remained in the books for the last 15 years, the Management did not take any action to realise/settle the accounts. The failure of the Management in closing/settling the long pending account balances has resulted in depiction of unrealistic financial position of the Corporation to that extent.

The statutory auditors in their reports for previous two years ending 2010-11 had, *inter alia*, reported that sundry debtors' balances are subject to confirmation/reconciliation. For the past five years the Management did not confirm/reconcile yearly closing book balances of the debtors.

The Management replied (October 2014) that allout efforts are being taken to recover the dues and carry out age wise analysis of dues with the help of statutory auditors.

Unrecovered dues against employees/former officials

3.2.7.5.3 As on 31 March 2014, an amount of ₹ 16.96 lakh was pending for recovery from employees (₹ 12.19 lakh) and former Chairpersons/officials (₹ 4.77 lakh) of the Corporation. These dues include advances of ₹ 9.25 lakh pending for recovery for more than five years. Audit observed that the Management did not effectively follow-up the issue with the concerned officials/former Chairpersons and had also not initiated any legal action for recovery of long pending advances.

The Management stated (October 2014) that, as there is no chance of recovery of due from former Chairpersons/officials, the amount would be written off after approval of the BoD. It further stated that action has been initiated for recovery of the balance amount.

The reply is not acceptable in view of the fact that the Management did not act to avail the opportunity of recovering the dues (₹ 4.77 lakh) pertaining to outgoing Chairpersons/ officials at the time of final settlement of their claims.

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[43] *From more than 20 parties.*

Inefficient fund management

3.2.7.5.4 The funds received from indenting Departments and not immediately required for payment were being parked in short term fixed deposits so as to derive some interest income for the Corporation. The Management however, failed to exercise desirable vigil to make fruitful investment of said funds throughout the period. Examination of the records of the Corporation revealed that fund ranging between ₹ 0.20 crore and ₹ 1.05 crore remained idle in the current accounts of Jorethang branch for periods ranging from 14 to 370 days causing a potential interest loss of ₹ 3.86 lakh. Similarly, test check of balances of three months (April to June) during each of the five year period (2009 to 2014) relating to six bank accounts maintained by Head Office (HO) revealed idling of balances ranging between ₹ 0.21 crore and ₹ 1.66 crore for 17 to 69 days which caused potential interest loss of ₹ 4.59 lakh.

Test check of bank remittance details further revealed delays of 3 to 59 days on part of the banks in crediting/collection of cheques/drafts deposited by the Corporation causing interest loss on this account amounting to ₹ 3.27 lakh. The delays in realisation of cheques/drafts were mainly due to failure on the part of Management in following up the issue with banks. The Management also failed in claiming of interest from banks for the delayed periods in any of the cases.

Thus, due to inefficient fund Management and lack of effective follow up with the banks for prompt realisation of cheques there was interest loss to the tune of ₹ 11.72 lakh.

The Management while accepting the audit observations in respect of Jorethang branch stated (October 2014) that delay in collection of cheques was due to non-availability of core-banking facility with Corporation's banker (State Bank of Sikkim).

The reply is not acceptable as Corporation needs to monitor and pursue the issue with the bank for avoiding delays in realisation of cheques and also claim for interest loss on this account wherever necessary.

Audit objective-3
Compliance with provisions of applicable Laws/Rules/Regulations.

3.2.7.6 The Corporation, being a State Public Sector Undertaking is required to comply with the provisions of various State acts and rules [including Sikkim Value Added Tax Act, 2005 (SVAT), Sikkim Ecology Fund and Environment Cess Act 2008 (SEFE Cess Act), State Trading Corporation of Sikkim Employees Provident Fund Rules (Rules), etc.] in the normal course of its operations. The applicability of the Income Tax Act, 1961 (IT Act) was also extended to the State of Sikkim with effect from 1 April 2008 and hence, the Corporation was required to abide with the provisions of the IT Act from the said date. Audit noticed instances of non-compliance with the provisions of various laws, rules and regulation by the Corporation causing significant financial losses as discussed in the following paragraphs.

Short levy of VAT and Cess due to adoption of incorrect sales value

3.2.7.6.1 The Corporation performed its activities under direct trading and commission business. The Corporation levied Value Added Tax (VAT) and Cess against commission sales as per the applicable rates prescribed under SVAT. As per definition of sale given in SVAT 2005 and SEFE Cess Act, sales value for the purpose of levying VAT and Cess included the excise duty and CST components as well as value addition on the purchase price. As such when the Corporation effected commission sales to the indenting Departments it had to levy VAT and Cess on the total value of sales, including the excise duty/CST and Corporation's margin.

Test check of 80 sales transactions, however, revealed that the Corporation levied (February 2011 to December 2013) VAT and Cess on the base purchase price alone (excluding excise duty, CST and its margin) due to which there was short levy of VAT and Cess amounting to ₹ 57.14 lakh and ₹ 14.07 lakh respectively in respect of sale of goods procured from three suppliers[44] alone.

The Management stated (October 2014) that VAT/Cess is applicable on the landing cost (basic amount plus excise duty plus CST).

The reply was, however, silent on the short levy of VAT and Cess by the Corporation against the commission sales as pointed out by Audit.

Avoidable payment of income tax due to non-setting off of business loss

3.2.7.6.2 As per the provisions (section 72) of the Income Tax Act, 1961, an assessee is entitled to carry forward business loss to the following assessment year(s) and set off the same against the income of that assessment year(s) provided the assessee had filed the loss return within the prescribed date. The Corporation filed (within due dates) loss returns for the assessment years 2009-10 and 2010-11 showing business loss of ₹ 91.17 lakh and ₹ 0.60 lakh respectively. For the assessment year 2011-12 the Corporation earned taxable profit of ₹ 1.28 crore and paid (14 January 2013) a tax of ₹ 42.52 lakh.

It was noticed that the Corporation did not claim for setting off of the business loss of ₹ 91.77 lakh incurred in earlier assessment years against the taxable profit of ₹ 1.28 crore in the assessment year 2011-12. As a result, the Corporation could not avail the benefits/savings of ₹ 30.49 lakh against the total tax liability of ₹ 42.52 lakh (income tax, surcharge, etc.) for the assessment year 2011-12.

The Management while accepting the facts stated (October 2014) that the business loss would be set off and refund claimed.

The reply is not acceptable as the Corporation could have reduced the actual cash outflow by ₹ 30.49 lakh by availing benefits of setting off of previous losses and utilised the said amount for meeting its working capital requirements.

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[44] *M/s Dhariwal steel (P) Ltd, Kolkata, Indus Tubes Limited and Vishal Pipes.*

Non-collection/payment of service tax on business auxiliary services

3.2.7.6.3 The Corporation was mainly engaged in agency business of purchase and sale of various materials on behalf of Government Departments. This service is covered under the definition of 'business auxiliary services' as given under section 65(105)(zzb) of the Finance Act, 1994 and the commission earned by the Corporation against such services was subject to service tax as per the applicable rates. It was, however, observed that the Corporation did not collect and remit any service tax on commission income earned against said services during the period covered in the PA. During the period 2009-10 to 2013-14[45], the Corporation had provided services valuing ₹ 11.97 crore on which the Corporation was required to collect and remit the service tax of ₹ 1.33 crore. Non-collection of service tax by the Corporation on the commission earned during 2009-14 has resulted in loss of ₹ 1.33 crore to the public exchequer.

The Management did not offer any comments on the observation.

Non-compliance with Corporation's Contributory Provident Fund Rules

3.2.7.6.4 As per Rule 7(2) of the State Trading Corporation of Sikkim Employees Provident Fund Rules (Rules), the Corporation was required to deduct employees' contribution to the Contributory Provident Fund (CPF) from their salary and remit the same along with Corporation's matching contribution to the respective bank accounts of the employees maintained and operated by the Corporation for the purpose. During examination of records, it was noticed that the Corporation was not regular in remitting the amount of CPF deductions along with its matching contribution to the respective bank accounts. The delays ranging from 1 to 15 months were noticed on part of the Corporation in depositing the CPF contribution in specified bank accounts during the period covered in PA. As per clause 8(4) of the Rules, all the subscriptions to the fund entailed the interest earning with effect from the first day of the month of transaction. Thus, non-deposit of CPF contribution in time by the Corporation resulted in the employees being deprived of interest amounting to ₹ 2.80 lakh.

The Management, while accepting the lapses, replied (October 2014) that the delay in remittance was due to the financial crunch and was not deliberate.

Reply confirms that the Corporation needs to prioritise the payments towards CPF dues as it is a statutory obligation.

Non-deduction of income tax from salary of officials

3.2.7.6.5 As per section 192 of the Income Tax Act, 1961, the Corporation was liable to deduct income tax (TDS) from salary of its employees and remit the same to Income Tax Authorities. The Central Government, however, had exempted the Sikkimese individuals, from payment of income tax vide section 10 (26AAA) of the Act. It was observed that even though none of the employees at the Kolkata Unit was covered under the scope of the above provisions of the Act, the unit office failed to deduct income tax from the salary of its employees for the years from 2011-12 to 2013-14. In the absence of complete details, however, the amount of TDS on this account could not be quantified.

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[45] *Transactions for the year 2013-14 were not complete in the accounts.*

Management accepted the observation and stated (October 2014) that action has been initiated for deduction and remittance of income tax.

Audit objective-4
To assess the efficiency and effectiveness of Human Resource Management.

3.2.7.7 Effective Human Resource Management (HRM) enables the employees to contribute effectively and productively towards achieving of the overall organisational objectives and goals. An efficient HRM also emphasises on effective utilisation of available manpower through proper orientation/training of employees and efficient management of their salaries/wages. During examination of records Audit observed instances of short payment of employee benefits and absence of imparting training to the employees as discussed below.

Short payment of retirement gratuity

3.2.7.7.1 As per the provision of Sikkim Government Services (Revised Pension) Rules 2010[46], emolument for the purpose of gratuity included dearness allowance also. The Corporation, however, calculated retirement gratuity taking into account Basic Pay and Grade Pay only. Due to this, there was short payment of gratuity in nine cases amounting to ₹ 13.46 lakh.

Management accepted the observation and stated (October 2014) that the differential amount would be paid to the concerned employees.

Need for imparting training to employees

3.2.7.7.2 Training to employees is essential for overall success of any organisation as it helps to address the problems relating to lack of skill and experience of staff as well as up-dation of their knowledge so as to keep the staff abreast of the technological advancement. Further, as the eligibility of employee for promotion in the Corporation is purely counted on seniority basis, effective training is necessary to enable them to wield higher responsibility.

The Corporation, however, did not have any system/programme in place for the continuous development of skill and morale of its employees. The Management had not imparted any training to its employees during the period under review or in the past. A general review of the working of the personnel, especially of the lower strata, suggested the need to train them. Many deficiencies, lapses, etc., noticed in Audit were the outcome of lack of proper knowledge/awareness of procedures, rules, etc., on the part of employees in the subordinate posts.

The Management accepted the facts and had assured (October 2014) to initiate necessary steps to train the employees.

[46] *Which was made effective from 1 January2006.*

Audit objective-5
To assess the effectiveness of the Monitoring, evaluation and internal control mechanism.

3.2.7.8 Internal control provides the managements with reasonable assurance that the Management objectives are being achieved in an efficient, effective and orderly manner. A good system of internal control includes proper allocation of functional responsibilities and existence of proper operating and accounting procedures so as to ensure timely recording of accurate and reliable accounting data, safeguarding of assets, internal check in the flow of transactions, internal audit, supervision and monitoring by the Management, etc., Audit observed instances of grave lapses and weakness in internal control system as well as lack of proper monitoring by the Management, etc., in performance of day-to-day operations of the Corporation which are discussed in the followings paragraphs.

Delay in finalisation of annual accounts

3.2.7.8.1 For ensuring good corporate governance and accountability of the Management, timely preparation of the annual financial statements and their certification is essential. As per clause 18 of the Proclamation, the Corporation should furnish its annual audited financial statements to the GoS within six months of closure of the respective financial year. It was, however, observed that the Corporation had finalised (May 2013) its annual financial statements for the years 2008-09, 2009-10 and 2010-11 after a delay of 44 months, 32 months and 20 months respectively from the due dates. The annual accounts for the years 2011-12 and 2012-13 are yet (September 2014) to be finalised even though the same were due for 24 months and 12 months respectively. Due to delay in finalisation of annual accounts, authenticity and correctness of opening balances brought forward in the books of accounts for the years 2012-13 and 2013-14 was not ascertainable.

The Management accepted the audit observation and had assured (October 2014) for taking all efforts to make the accounts up to date.

Failure in follow-up for renewing Bank Guarantees (BG)

3.2.7.8.2 As a part of implementation of Accelerated Power Development and Reform Programme in the State, the Energy and Power Department (EPD), GoS, awarded (September 2004) work order[47] for drawing of electric lines and allied works to M/s Sanjay Kumar Agarwal (SKA), Singtam and another work order[48] to M/s Kaushalya Infrastructure Development Corporation Limited Kolkata (KIDC) at their lowest quoted amount of ₹ 4.55 crore and ₹ 2.15 crore respectively. The terms and conditions of the work orders stipulated for supply of materials for the works[49] to be routed through the Corporation.

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47 *For drawing 66 KV SC line from Khamdong to Phodong and extension of additional 66 KV bay at Khamdong and drawing of 11 KV 3 phase heavy duty line on ACSR Dog Conductor at 66/11 KV Substation at Khamdong.*

48 *For construction of 11 kV Heavy Duty line on DOG conductor from Rothak to Chakung and 11 kV lines associated with new 66/11 KV Sub-station.*

49 *Supply, Transportation and delivery of materials required for the execution of the project.*

As per clause 2 of the agreements entered into with the contractors for supply of electrical items worth ₹ 2.57 crore, the Corporation released (June and November 2004) ₹ 1.14 crore received from EPD to the contractors as Mobilisation Advance (MA)[50] against the BGs furnished by the contractors to EPD.

During examination of records of the Corporation it was observed that none of the contractors has supplied any material to EPD till date (September 2014) even after a lapse of almost ten years from the release of MA. It was, however, observed that the agreement entered into with the contractors did not stipulate delivery period and penalty to be imposed in case of delay or non-supply of materials. The Corporation also failed to make necessary follow-up with the EPD for timely renewal of BGs by the contractors. As a result, the BGs furnished by contractors against MA were not renewed by them before their expiry (June 2005 and November 2005). The Corporation, however, failed to initiate any legal action against the contractors for non-supply of materials and recovery of MA till date (September 2014). Thus, ₹ 1.14 crore remained blocked up with potential loss of interest of ₹ 1.01 crore[51].

In the exit conference (16 October 2014), the Management stated that the matter has been taken up with the EPD. It also stated that the work was already completed and only adjustment of bill was pending.

The Management, however, had not provided any documentary evidence in support of the reply.

3.2.7.8.3 The internal control system of the Corporation with regard to holding and accounting of inventory, control over cash collection/remittance by staff, internal monitoring, etc., was very weak as evident from the following cases.

Table 3.2.1

Sl. No.	Issues	Cases/Instances noticed	Remarks/observation
1	Shortage of LPG refill cylinders at HO and Jorethang godowns	The Audit witnessed physical stock taking conducted by the Management on 31 March 2014 at HO and Tadong godowns. Audit observed stock shortages of LPG cylinders. After adjusting[52] the shortages pointed out in 2005-06, stock shortages occurring thereafter works out to 18,439 Nos. of domestic (14.2 Kg) and 1,829 Nos. of commercial cylinders (19 Kg) at HO Gas Section and 7,259 Nos. of domestic and 613 Nos. of commercial cylinders at Jorethang[53].	Shortages of LPG stocks occurred despite reporting the matter in earlier Report and recommendation of PAC for strengthening of internal control system with regard to inventories. The value of the stock shortages works out to ₹ 1.52 crore. The shortage in LPG cylinder stock is primarily linked with circulation of LPG cylinders against unauthorised/illegal connections. The Management had not furnished details of recovery, if any, made against the shortages noticed.
	Management replied (October 2014) that the shortage reflected is the carried forward backlog. The reply is not correct as the shortage of LPG pointed out in the paragraph was arrived after deducting the shortage reported earlier.		

[50] *₹64.24 lakh to KIDC and ₹49.67 lakh to SKA.*
[51] *@ 9 per cent simple interest up to September 2014.*
[52] *Shortages detected in 2005-06 so far was not removed from Stock Registers.*
[53] *Audit did not witness physical stock verification at Jorethang.*

2	Shortage of materials (other than LPG)	The management did not cross verify the book stock and physical stock at the time of year end physical verification of stock. Audit observed shortage of materials to the value of ₹ 97.39 lakh (**Appendix 3.2.3**) in Tadong and HO godowns	Book stock was not ascertained at the time of physical verification in absence of updated stock register. Due to this stock shortages were not brought in to light during physical verification.
3	Delayed recovery/non-recovery of value of stock shortages and persistent deficiency in the internal control system	Wherever shortages of materials were occurred, the Management was to fix responsibility on the erring officials and recover the value of shortages from them. Audit, however, observed instances of inordinate delay on the part of the Management in fixing of responsibility for the shortages/ discrepancies of stock noticed. Even after fixation of responsibility, there was further delay, ranging from two to more than five years, in recovery of the value of shortages from the employees responsible.	In one instance audit noticed that the discrepancy/shortage of materials that occurred during the tenure of an employee was brought into notice after a lapse of more than one and a half year from his retirement. Two employees[54] incurred expenditure (₹ 4.85 lakh) for LPG distribution, out of LPG sales proceeds without any authorisation. Despite the discrepancy being noticed in the year 2011-12, the Management failed to fix responsibility on the official till now (May 2014) and hence, an amount (₹ 2.03 lakh) remained unrecovered and also the expenditure claimed to have been incurred by the official remained unaccounted in the books.
4	Non-maintenance of up-to-date stock register and Delay in accounting of purchase transactions	During audit (May 2014) it was noticed that manual stock register for Cement at Tadong was updated up to January 2012 and Stock Register at Jorethang branch was up-dated till 2012-13. Stock register maintained in Tally was also not properly maintained. Many Purchase transactions that had taken place at the first or second quarter of the years were accounted late or at the fag end of the year.	Audit observed negative stock balances in Cement, TMT bars and LPG accessories stock accounts due to failure in timely accounting of purchase transactions. Further, account balances of suppliers did not reflect correct position during the period and negative stock balances also appeared in Tally accounts.
	The Management while accepting the audit observation, stated (October 2014) that the delay were due to delay in receipt of bills from the suppliers. The reply is not acceptable in view of the fact that there were cases of abnormal delay of more than six months in accounting the purchases. If such delay was due to non-receipt of bills, the same indicates that there was no effective follow up with suppliers for obtaining the bills.		
5	Delay in remittances of sales proceeds of LPG distribution at Jorethang Unit	Audit observed unauthorised retention of sales proceeds by LPG distribution staff ranging between ₹ 0.11 lakh to ₹ 1.27 lakh for 4 to 30 days.	Sales proceeds were not remitted promptly after the distribution vehicle reported back to the Unit. Supervising officers failed to insist the remittance before issue of fresh load of LPGs.
6	Defalcation of Corporation's money by officials	Cash (₹ 6.8 lakh) defalcated by officials, prior to the year 2007 shown as cash balance in the books of Gas Section HO.	The amount was not recovered even after lapse of eight years.
	The Management stated (October 2014) that the case is with the State Vigilance Department.		
7	Retention of Corporation's money by officials	Differential LPG security amount ₹ 1.54 lakh collected (during January 2013 to June 2013) from consumers was unauthorisedly retained by official for more than six months.	Despite noticing the case in August 2013, the amount was recouped from the official in December 2013
8	Issue of pre-signed cheques	Management issued pre-signed cheques to Jorethang Branch to effect timely payment to Indian Oil Corporation Ltd (IOCL) towards supply of LPG. Some of the cheques were not crossed.	The Corporation should have adopted other appropriate method for making payment to IOCL instead of this risky practice.

[54] *At Jorethang Branch.*

9	Avoidable extra payments due to failure in monitoring of subsidised LPG	The Government of India notified (September 2012) the number of subsidised LPG cylinders to domestic consumers as six per year (which was later revised to 12). Since the fixing of the subsidy cap was notified in September 2012, the number of subsidised cylinders to be issued in the remaining period of the year 2012-13 should be restricted accordingly.	Due to delay in KYC data entry, the Corporation failed to monitor the issue as above. As a result, Corporation issued excess subsidised cylinders to consumers. IOCL recovered an amount of ₹ 15.12 lakh[55] from the Corporation towards the differential cost of excess subsidised cylinders issued during the period from October 2012 to December 2012.
	The Management stated (October 2014) that there was shortcoming on the part of the Corporation/IOC in educating the Indane consumers to comply with the KYC norms which resulted in payment of the penalty. The reply is not acceptable as it is the responsibility of the Corporation to obtain KYC details from all consumers and keep monitoring of subsidised cylinders issued to consumers to avoid payment of penalty of penalty on this account.		

Non-holding of Board of Directors Meeting at prescribed time intervals

3.2.7.8.4 In terms of the Proclamation of the erstwhile Chogyal of Sikkim, the Corporation was required to convene at least four meetings of BoD a year so as to ensure effective monitoring of Corporation's day to day operations and timely corrective actions on deficiencies noticed by the Management. It was however, observed that during the five year period from April 2009 to March 2014, the BoD of the Corporation met only once (in May 2013) against the requirement of holding minimum 20 meetings. Further, on three occasions (27 July 2009, 27 September 2010 and 07 May 2012) the BoD took decision on specific matters through resolution by circulation. The BoD's last meeting was held (May 2013) after a time gap of more than four years of holding of the previous meeting (March 2009). Due to non-holding of BoD meetings at prescribed time intervals, the BoD could not effectively monitor the day to day affairs of the Corporation.

While accepting the observation, the Management stated (October 2014) that the matter would be placed before the forthcoming BoD meeting.

Absence/necessity of internal audit system

3.2.7.8.5 Most of the deficiencies discussed above were attributable to lack of appropriate internal checks in the flow of transactions and absence of proper supervision and monitoring of the affairs of the Corporation. The internal control system prevailing in respect of stock transactions was very weak and was indicative of its ineffectiveness in controlling physical stock especially in the case of LPG refill cylinders stocks. An effective internal audit system in the Corporation would be an aid to detect omissions/mistakes and probable fraudulent acts on the part of employees and thus enabling the Management to take prompt corrective and preventive actions on such incidences.

The statutory auditors in their report on the accounts for the year 2010-11[56] had also commented upon absence of an internal audit system in the Corporation commensurate with its size and nature of activities. Considering the above, in conjunction with volume of business and recurring irregularities being noticed in stock transactions, the Management

[55] *Jorethang - ₹ 5,79,264 and Head Office -₹ 9,32,983.*

[56] *Latest audited accounts.*

needs to put in place a suitable internal audit system to safeguard the assets and financial interest of the Corporation.

While accepting the audit observation, the Management stated (October 2014) that proposal would be moved for the engagement of competent personnel in the relevant task.

Absence of effective Management Information System

3.2.7.8.6 The role of Management Information System (MIS) in an organisation is vital as it provides support for decision making in the organisation. The system ensures appropriate data collection from various sources and processing/providing of valuable information to the Management. It plays a vital role in the management, administration and operations of an organisation. On a general review of the affairs of the Corporation it was observed that the Corporation did not have an effective MIS in place.

Periodical Performance/progress report showing the item wise/Department wise position of indents received, SOs placed/sales made against such indents, targets and achievement of execution of orders, indent/SO pending execution/supply, etc., were not prepared and submitted to the top management for their appraisal.

Absence of a system for providing timely, correct and meaningful information had adverse impact on the monitoring processes and decision making ability of the Management causing adverse impact on the performance of the Corporation.

The Corporation had made an attempt to bring out an indent control management system through installation of computer software. Even though the software was developed and installed in (2009-10) with the assistance of a local software firm at a cost of ₹ 2.24 lakh, the same was not implemented so far. Thus, the information needs of the Management were not duly taken care of.

The Management accepted (October 2014) the facts.

Follow up actions on PAC recommendations

3.2.8 The PAC made three recommendations[57] in respect of observations made on the Corporation in the Audit Reports for the year 2001-02 and 2005-06. The recommendations were with regard to closure of Kolkata Unit, appointment of Advisor and Inventory management. The Corporation, however, failed to comply with the recommendations made by PAC as discussed below.

[57] *Including two recommendations on the PA appeared in State Audit Report, 2005-06 and one recommendation relating to State Audit Report 2001-02.*

Table 3.2.2

Audit observation and Recommendation of PAC	Further observation/remarks
1. Loss due to delay in closure of Kolkata unit The Kolkata unit of the Corporation mainly looked after liaison work, protocol and welfare activities on behalf of the State Government. No regular business of the Corporation was carried out in the Unit since the year 2000. The loss to the Corporation due to continued operation of the Kolkata unit was brought out in the CAG's Audit Report for the year 2001-02. The PAC while accepting Department's replies for closure of the unit had recommended for handing over of the unit to the Home Department.	Despite this assurance, the Corporation continued to operate the Kolkata unit which resulted in: • Incurring idle expenditure on salary of six[58] employees amounting to ₹ 1.46 crore for the period from 2009-10 to 2013-14 despite having no regular business transactions • Unit office incurred recurring expenditure on office maintenance, stationeries, electricity charges, etc. • Management had not taken any measures for productive utilisation of the above idle manpower • Unit office housed in 1258 sq.ft space owned by the Corporation in an apartment building while it owned another building (guest house) consisting six rooms[59], at Kolkata. Since the Unit required space only to house the staff as there were no business activities, the office could have been shifted to one of the rooms of the Guest House so that the office space could be leased out to earn some income besides a sizeable curtailment in recurring expenditure.
In reply, the Management stated (October 2014) that the loss owing to payment of salary to the employees at the Unit is unavoidable till such time employees proceed on retirement. The reply is not acceptable as the idle workforce in Kolkata unit could have been better utilised in Gangtok or Jorethang unit where the operation is at a large scale. Hence, the unit in Kolkata should have been closed as per the recommendation of the PAC.	
2. Expenditure on engaging of Advisor A reference is invited to Paragraph 7.12.8.1 of the Audit Report for the year 2005-06, with regard to the appointment of Advisor to the Corporation by GoS without any enabling provision in the Proclamation for it. The PAC recommended that regular advice rendered by the Advisor to the Corporation on specific matters should be recorded and well maintained for future guidance.	• The Corporation failed to comply with the PAC recommendation as it did not maintain any records for services rendered by the Advisor. During the period 2009-14, the expenditure incurred on account of 'Advisor's Expenses' towards discretionary grant, HRA, vehicle charges, etc., amounted to ₹ 31.65 lakh. • In absence of records of Advisor's service, it could not be established whether the services of the Advisor were meaningfully utilised by the Corporation.
Management stated (October 2014) that the advices of the Advisor would be maintained in future.	
3. Shortages of materials A reference is invited to Paragraph 7.12.6.3 of the Audit Report for the year 2005-06, which pointed out shortage of LPG stock[60] valued at ₹ 1.64 crore detected in Physical verification. PAC had recommended to gear up an efficient and effective internal control mechanism and to complete the reconciliation of LPG and other related accounts for fixing accountability on the errant officials.	• Audit observed that no accountability had been fixed or recovery made against LPG shortage even after lapse of eight years, since the reporting of the shortage. • The Management failed to strengthen the internal control system with regard to inventories, due to which stock shortages were occurred in the current review period also, as mentioned in paragraph 3.2.7.8.3 ibid.
The Management stated (October 2014) that the matter is under vigilance enquiry and outcome is awaited.	

[58] *Seven till October 2013.*

[59] *Measuring around 300 sq.ft each.*

[60] *39,540 Nos. of filled up LPG cylinders (14.2 kg 38,086 Nos. and 19kg 1454 Nos.) valued at ₹ 99.67 lakh at Gas Section at Head Office and 29,210 Nos. of cylinders (14.2 kg 28,829 Nos. and 19kg 381 Nos) valued at ₹ 64.21 lakh at Jorethang branch.*

Acknowledgement

We acknowledge the co-operation and assistance extended by the officers and staff of the Corporation at various stages of conducting the performance audit.

Conclusion

The Corporation was to act as a canalising agency for various Departments of the State Government to meet their material requirements. The Corporation failed to discharge its obligations effectively as it largely resorted to commission business wherein procurements were made based on the indents received from the Departments and hence, the benefits of bulk purchases could not be availed. The Corporation also failed to minimise the delivery time in absence of effective follow-up for timely supply of material and non-imposition of penalty on the suppliers for delayed supplies.

The Corporation did not follow tender procedures in procurement of major items of materials (viz. cement, GCI sheet, HDPE pipes, etc.) in violation of the provisions of Sikkim Financial Rules. There were instances of incurring avoidable expenditure (₹ 2.51 crore) on procurements due to reasons like, failure to avail full supply of material within the validity of supply order, improper tender evaluation for fixation of annual supply rate, non-availing of the benefits of Excise Duty exemption and failure to restrict the price against delayed supplies to the lower of the contracted price and prevailing market prices, etc.

There was no budgeting system prevailing in the Corporation in absence of which the Management could not effectively monitor the actual financial performance of the Corporation. The Corporation did not lay down any financial policy for efficient management of funds. As a result, the fund management of the Corporation was ineffective leading to idling of surplus funds.

The Corporation was deficient in complying with the provisions of the State and Union laws/rules. There were instances of violations of the provisions of Sikkim Value Added Tax Act 2005, Sikkim Ecology Fund and Environment Cess Act 2008, Finance Act, 1994 and Income Tax Act, 1961 by the Corporation leading to short/non collection of VAT/Cess and service tax (₹ 2.04 crore) and avoidable payment of income tax (₹ 0.30 crore).

The Human Resource Management of the Corporation was not effective as no efforts were made to impart trainings to the employees for their skill development.

The internal control system of the Corporation with regard to holding/accounting of inventory and control over cash collection/remittance was weak causing instances of shortages (₹ 2.49 crore) in stocks as well as unauthorised retention/defalcation of cash by its employees.

Recommendations

- The Corporation needs to optimise the bulk procurements to avail the price benefits in purchase of material. The Corporation should develop an appropriate system for regular follow up of supply orders and appropriate action should be taken against defaulting suppliers as per contract terms.
- Procurement procedures prescribed in SFR may invariably be followed in all cases of purchases to safeguard the financial interest of the Corporation. The Corporation may consider introducing a proper budgeting system and formulation of appropriate financial policy for improving its financial management.
- Internal control system with regard to inventory and cash transactions may be reviewed thoroughly for its strengthening by introducing the internal audit system in the Corporation.

STATE BANK OF SIKKIM

3.3 Management of Cash Credit/Overdraft Accounts

Analysis of reasons for accumulation of Non-Performing Assets against cash credit/overdraft loan accounts of SBS revealed deficiencies in obtaining adequate collateral security for CC/OD facilities, verification and evaluation of mortgaged properties, and monitoring of recovery of dues.

State Bank of Sikkim (SBS) was established under a Proclamation of the erstwhile Chogyal (King) of Sikkim with the main objective to act as a banker to the Government of Sikkim (GoS) as well as to carry on the business of banking in the State. SBS, besides acting as the banker of the GoS also provides various kinds of loans like construction loan, smart loan, cash credit (CC), overdraft (OD) facilities, etc.

CC and OD facilities are extended to customers (loanees) for short term periods of up to one year against the work orders awarded by various Government Departments for execution by the applicant loanees.CC/ODs are sanctioned after obtaining undertaking from the concerned Department for release of payments against works executed by the contractor/loanees routing through their CC account maintained in SBS. SBS also obtains mortgage of landed properties valuing twice the CC limit from the loanees against providing of the CC facility.

As of March 2013, SBS disbursed CC/OD aggregating ₹ 168.64 crore to 448 loanees. Out of the above, 372 cases (*83 per cent*) of CC loan involving an amount of ₹ 128.09 crore had become Non-Performing Assets (NPAs) as of March 2014.

Reasons for huge accumulation of NPA in the CC/OD segment of SBS were analysed by Audit by taking a sample of 25 out of 372 NPA cases involving CC/OD loans amounting to ₹ 38.01 crore (30 *per cent*) against the total NPA of ₹ 128.09 crore. Results of Audit have been brought out in the following paragraphs:

3.3.1 Inadequate collateral security against OD facility

OD facilities are extended to the customers against departmental work Orders after obtaining collateral security of landed properties valued at double the OD limit. The OD limits sanctioned are enhanced subsequently subject to commensurate enhancement in the value of the collateral securities so obtained. During the examination of records, it was revealed that, in respect of the following five NPA cases, OD limits were enhanced irregularly without proportionate increase in collateral security:

Table 3.3.1

(*₹ in crore*)

Sl. No.	Name	Month & Year of sanction	OD limit after enhancement	Security value required	Value of Security held	Shortage of securities
1	Chandra Khaling	March 04	1.50	3.00	1.55	1.45
2	Kishan Kr. Agarwal	April 2004	1.50	3.00	1.83	1.17
3	C.B. Subba	June 2005	1.40	2.80	2.42	0.38
4	Sailesh Shreshtha	December 2008	2.50	5.00	2.88	2.12
5	Balaji Water and Power Pvt. Ltd.	December 2008	3.30	6.60	4.15	2.45
	Total		**10.20**	**20.4**	**12.83**	**7.57**

From the table above, it may be observed that there were deficiencies in obtaining of collateral securities to the extent of ₹ 7.57 crore against the OD limits (₹ 10.20 crore) extended by SBS in contravention of the norms consistently followed by SBS. Examination of records further revealed that as of June 2014, total outstanding receivable against above five OD accounts stood at ₹ 14.21 crore and the securities available with SBS were deficient to cover these outstanding dues by ₹ 1.38 crore (*9.71 per cent).*

Management stated (July 2014) that there was no guidelines/policy to obtain securities valuing double the amount of CC/OD. Mortgages obtained for CC/OD are additional security and the hypothecation of bills receivable of the contractors are the primary security.

The reply is not acceptable in view of the fact that the SBS has been consistently following the norms of collection of securities equivalent to double the CC limit. Further, recovery of CC/OD dues out of contractors' unpaid bills is also subjective depending upon timely and successful execution of works by the contractors. The case study of loanee at serial number 4 above as discussed under ***paragraph 3.3.8*** infra also established this fact. In the instant case, the SBS had failed to recover its dues as the work order of the loanee stood cancelled by Government due to poor progress of the work.

3.3.2 Deficiencies in the mechanism of obtaining collateral securities

SBS did not have a mechanism for pre and post inspection of the property mortgaged in its

favour against CC/OD facility provided. As a result there were instances of cross-mortgage, mortgage of non-existent property, etc. by the loanees causing inadequacy of the collateral security to cover the CC/OD dues recoverable from these loanees. These cases have been discussed in the following paragraphs.

3.3.3 Defective Collateral Securities

The Roads and Bridges Department (Department) of GoS awarded (February 2005) work orders in favour of Shri. C.B. Subba (loanee) at an estimated value of 4.34 crore. An OD of ₹ 1.40 crore was sanctioned (June 2005) by SBS in favour of the loanee against mortgage of a nine storied building (valued at ₹ 1.20 crore) and lands (valued at ₹ 1.22 crore). Examination of records revealed that the Blue Print (BP) Plan of the building obtained by SBS as mortgage was not approved by the competent authority (UDHD[61]) since the building was constructed beyond the permissible limit. Accordingly, SBS had advised (July 2006) the loanee to get the BP plan of the building revised from the UDHD. This had not been complied with by the loanee (May 2014). In the meantime, it was observed that the loanee could not execute the work order awarded by the Department within the scheduled date. Therefore, the loanee was allowed time extension of upto December 2008 by the Department for completing the work. SBS, despite failure of the loanee to comply with the scheduled targets for completion of work, did not monitor the actual progress of the work executed by the loanee and the schedule of payments to be released by the Department with reference to milestones prescribed in the Work Order. On the contrary, the SBS had allowed (2009) the loanee to draw an additional amount of ₹ 25.63 lakh after the lapse of scheduled completion period. Thus, the OD provided by the SBS proved to be unsecured in absence of proper verification of BP Plan of the building mortgaged by loanee and also effective monitoring of work progress of the loanee.

Management stated (July 2014) that part of the building (5 and ½ floors out of constructed 9 floors) had the approval of the competent authority and the value of 5 and ½ storey building itself would be huge. Further, additional 4 landed property had also been mortgaged.

Reply is not acceptable in view of the fact that the building involving unauthorised construction in parts should be considered as illegal and recovery of dues through disposal of such building remains in doubts. Further, the value of other securities (₹ 1.22 crore) held by SBS covers less than 50 *per cent* of the outstanding dues (₹ 2.49 crore) of the loanee exposing the SBS against the risk of non-recovery of the balance dues.

3.3.4 Cross-mortgage of property

As per the policy of SBS, the CC/OD facility is provided to the customers only against the work orders awarded by different Government departments. The recoveries of dues against such CC/OD are thus, secured through payments to be released by the concerned Government Departments enrouting through the CC/OD accounts of the loanee. In the instant case, however, SBS sanctioned (July 2009) an OD limit of ₹ 50 lakh in favour of Shri Bijay Kr. Rai (loanee) without any work order having issued by any Government

[61] *Urban Development and Housing Department.*

Department to the loanee. The OD limit was sanctioned against the mortgage of two landed properties having aggregate value of ₹ 1.67 crore. After four years of sanction of OD, the SBS realised (March 2009) that the loanee had already mortgaged (July 2005) one of the properties (value of ₹ 0.44 crore) against a housing loan availed from United Bank of India (UBI). Since the loanee had defaulted in repayment of the said housing loan, UBI had published advertisement in the local daily for disposal of the above property for recovery of their dues. As of June 2014, the loanee had an outstanding balance of ₹ 82.75 lakh and loanee had not repaid any amount towards said dues outstanding against the OD loan availed from SBS.

Management stated (July 2014) that a suit had already been filed under Sikkim Public Demands Recovery Act, 1988 (SPDR, Act) for recovery of dues of SBS.

The fact, however, remained that releasing of OD limit by SBS without integrating with a valid work order from a Government Department coupled with negligence in verification of genuineness of mortgaged property resulted in blocking up of funds besides the uncertainty involved in recovery of dues.

3.3.5 Loan against non-existing Security

An OD amount of ₹ 1 crore was sanctioned (May 2007) by SBS in favour of Shri Ram Gopal Rai, a Government contractor (loanee) against mortgage of properties belonging to four individuals (aggregate value ₹ 2 crore). The properties mortgaged against the OD included one four storied building (valued at ₹ 0.49 crore) belonging to one Shri Ongchu Lepcha. There were however, no documents on record to establish the fact that SBS had conducted any inspection of the mortgaged properties before or after sanction of OD facility so as to verify physical existence of these assets. On default in repayment of dues by the loanee, SBS conducted (March 2008) for verification of the property. On verification of the property SBS noticed that the property belonging to Shri Ongchu Lepcha was not traceable and instead of four storied RCC building, a wooden structure was existing on the said site. The loanee had an outstanding balance of ₹ 2.10 crore as of June 2014.

Management stated (July 2014) that legal action under SPDR Act would soon be initiated for recovery of dues.

Fact however, remains that due to failure of SBS in proper verification of the mortgaged properties prior to release of OD facility, dues of ₹ 2.10 crore became doubtful of recovery.

3.3.6 Non-safeguarding of interest of Bank

SBS sanctioned (December 2008) CC facility of ₹ 3.30 crore to a loanee[62] against a work order valuing ₹ 11.50 crore from Public Health Engineering Department (Department). The loan was secured, *inter alia*, against mortgage of Land and Building (value ₹ 4.15 crore) situated outside the State. The properties were duly supported by equitable[63] mortgage.

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62 *M/s Shree Balaji Water and Power Engineer Pvt. Ltd.*

63 *Depositing of property documents by the loanee with SBS.*

The time period for repayment of CC was up to 31st December 2011. The CC loan, however, became NPA as repayments were irregular. As on June 2014, the overdue CC amount along with interest stood at ₹ 4.74 crore.

Examination of records revealed that the mortgaged properties were not registered in favour of SBS. It was further noticed that as the properties were situated outside the State, recovery proceedings under SPDR Act could also not be initiated.

The SBS had neither registered the Equity Deed nor incorporated any terms & conditions for insurance of mortgaged properties against risks of damages by natural calamities. Thus, due to negligence in ensuring proper securities at the time of sanction of OD facilities, the financial interest of the Bank could not be safeguarded causing recovery of entire dues of ₹ 4.74 crore doubtful.

Management stated (July 2014) that since the properties are situated outside Sikkim and mortgaged under equitable mortgage, recovery suit has been filed in Debt Recovery Tribunal, Guwahati for recovery of outstanding dues.

The fact, however, remained that SBS had deviated from its normal practice of accepting registered mortgage and consequently, exposed the CC loan against risk of its becoming doubtful/bad debts.

3.3.7 OD against private works

As per the policy of SBS, CC/OD facilities are to be extended against departmental work orders only. As per the sanction order, as and when the payment from the Government Department are routed through the OD account, the sanctioned OD limit should be operated at reducing balance system. Contrary to this, SBS had sanctioned (September 2010) OD loan to Shri Urgen Bhutia (₹ 2.50 crore) and Shri Man Bahadur Thapa (₹ 0.60 crore) respectively against the work orders issued by a private company for setting up of a petrol pump. Since the works were not in the nature of departmental works, routing of release of payments against these private works through OD account of loanees operated in SBS could not be ensured. As a result, these two ODs had become NPA with outstanding dues of ₹ 3.67 crore and ₹ 1.31 crore respectively as on June 2014.

Management replied (July 2014) that in the case of Shri M.B. Thapa, recovery suit under SPDR Act had already been filed and in the case of Shri Urgen Bhutia it was under process.

The reply is not acceptable as the SBS could not ensure timely recovery of OD dues due to extension of OD facility against private work order and its failure to insist upon release of payments to loanees enrouting their OD accounts maintained in SBS.

3.3.8 Non regulation of OD limits linking with progress of work

As per the policy of SBS for grant of CC/OD limit, the payment against departmental work order was to be routed through the CC/OD account. Thus, proper monitoring of actual progress of work and linking of the release of payment with the actual work executed by the loanee was essential to minimise the NPAs of the SBS. Following cases of lapses on the part of SBS were, however, noticed in monitoring of work progress and release of payments to loanees which contributed towards accumulation of NPAs:

3.3.8.1 Shri Sailesh Shreshtha (loanee) was sanctioned OD (₹ 2.50 crore) based on three work orders valuing ₹ 8.97 crore issued by two Government Departments. One of the work orders (valuing ₹ 6.19 crore) related to centrally sponsored scheme [Pradhan Mantri Gram Sadak Yojana (PMGSY)] and the payments against this work order were to be routed through a Nationalised Bank. As a result, SBS could not adjust/recover unpaid dues of loanee in CC account out of the payments release against said work order. The Bank had not taken up the matter with the loanee/Nationalised Bank/Department for channelising the payments through SBS. It was further observed that one of the work orders valuing ₹ 1.29 crore issued to Shri Sailesh Shreshtha was cancelled (February 2013) by the Department due to slow progress of work and the contractor was also blacklisted. As against the OD limit of ₹ 2.50 crore, the loanee had an outstanding balance of ₹ 3.61 crore as of June 2014.

3.3.8.2 The Bank had sanctioned OD limits in favour of three loanees[64] against the work orders issued during the year 2004-05. Even after lapse of more than nine years, SBS neither ascertained the status of the work progress against three work order nor has pursued with the concerned Department to find out whether the work have been completed/abandoned by the contractors.

Management stated (July 2014) that in case of one loanee (Shri C B Subba), withdrawals from OD accounts till 2009 were allowed to enable him to complete the work and the Department had also confirmed that payments against outstanding bill of the loanee were pending. It was also stated that recovery suits has already been file against this loanee while the same would be filed against other two loanees.

The fact, however, remained that lapses on the part of Management in monitoring the progress of work led to blocking up of funds coupled with uncertainty in recovery of the entire outstanding dues.

3.3.9 Delay in initiation of recovery proceedings

As per the SPDR Act, an application was to be filed by SBS before the Certificate Officer for recovery of its dues. SBS had not, however, filed application before the Certificate Officer for recovery of its dues in any of the 25 cases test-checked in Audit.

Management stated (July 2014) that SBS was making all-out effort for recovery and notices in the local media were also being issued to urge the defaulters to pay up their dues.

The reply is not acceptable as the SBS failed to adopt the legal course of action against any of the defaulters under SPDR Act and for disposing of the mortgaged property to recover its dues.

Thus, deficiencies in the system of appraisal of securities, lapses in monitoring the works and non-initiation of legal course of action of recovery of dues, etc. led to accumulation of NPAs against CC/OD loans.

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[64] *Shri Chandra Khaling, Shri K K Agrawal and Shri C B Subba.*

Management appreciated (July 2014) the Audit observations for highlighting the weak area management of CC/OD accounts and stated that these observations would help the SBS in taking future course of corrective action.

The matter was reported (July 2014) to the Government; their reply had not been received (September 2014).

3.4 Undue favour

SBS extended undue favour to contractors to the extent of ₹ 5.97 crore due to short collection of BG commission (₹ 2.08 crore) and margin money (₹ 3.89 crore) in violation of its laid down policy.

State Bank of Sikkim (SBS) was established (June 1968) under a Proclamation by the erstwhile Chogyal (King) of Sikkim for providing banking facilities, mobilising capital for economic development and to stimulate trade and industry in the State. As part of its prime banking activities, SBS extends Bank Guarantee [65](BG) to various contractors against performance and quality of equipment. As per extant policy of SBS, BGs issued should be backed by margin money (deposit) of 30 *per cent* and the balance amount should be secured through registered mortgage. Commission at the rate of three *per cent* per annum plus service tax is also payable by the customer on the BG amount.

Audit conducted an analysis of the performance of SBS with regard to the issuance and management of BGs. The findings of the Audit have been discussed below.

Loss of revenue due to short levy of commission

SBS was extending BG facilities to contractors at the prescribed rate of three *per cent* commission plus service tax. SBS issued (February 2013 to December 2013) BGs to 29 individuals/enterprises. It was, however, observed that in respect of 26 out of 29 BGs issued to contractors, the SBS levied commission at lower rates ranging from 0.53 *per cent* to 2.10 *per cent* as against the prescribed rate of 3 *per cent.* Charging of lower commission by SBS than applicable has resulted in extension of undue favour to the contractors to the extent of ₹ 2.08 crore.

Short realisation of margin money

Against the policy of SBS for collection of 30 *per cent* margin money for issue of BGs, in four BGs issued to RSK Construction margin money collected was only 15 *per cent* of the value of BGs issued. SBS could have utilised the short collected margin money on high interest earning activities (viz. overdraft/cash credit) and earned additional potential revenue of ₹ 0.46 crore as detailed below:

[65] *Bank Guarantee (BG) is an instrument issued by banks in which they agree to stand guarantee against non-performance of a party. As per the stipulated conditions of the BGs, the issuing bank shall compensate the beneficiary to the extent of the guaranteed amount of BGs upon its invocation.*

Table 3.4.1

Sl. No.	Name of the contractor	Period (Year)	Amount of BG	Margin money to be collected	Margin money collected (15 *per cent*)	Margin money short collected	Loss of potential interest[66]
			₹ in crore				
1	M/s RSK Construction						
	Performance Security	6	8.65	2.59	1.30	1.29	0.23[67]
	Mobilisation Advance	3	17.28	5.18	2.59	2.59	0.23[68]
	Total		**25.93**	**7.77**	**3.89**	**3.88**	**0.46**

Thus, undue favour was extended to RSK Construction through collection of margin money at a lower rate (15 *per cent*) than the prescribed rate. The action of the Management of the Bank was irregular as the same had no approval of the BoD.

Thus, SBS extended undue favour to contractors to the extent of ₹ 5.97 crore due to short collection of BG commission and margin money in violation of its laid down policy.

The Management stated (March 2014) that the SBS had formulated a new guideline for issue of BGs at reduced rates which were made effective for BGs issued after 1st February 2013. The reply is not acceptable as the new guidelines referred to by the Management were required to be approved by the BoD of SBS before implementation as per the provisions of the Proclamation. The said new guidelines have been approved (25 September 2014) by the BoD after furnishing of reply by the Management and as per BoD's approval, the new guidelines shall be effective only from the date of approval (viz. 25 September 2014).

The matter was reported (July 2014) to the Government; their reply had not been received (September 2014).

SIKKIM POULTRY DEVELOPMENT CORPORATION LIMITED

3.5 Infructuous expenditure

Infructuous expenditure of ₹ 28.16 lakh incurred towards salary and perquisites.

Under the Sikkim State Public Services Act 2006, the State Government shall employ Members of Legislative Assembly (MLA)/Non-MLA to render advisory services in connection with the affairs of the State/Public Sector Undertakings. Non-MLAs so

[66] *Difference between interest payable to the contractors and potential interest income that could be earned on Overdraft/Cash credit activities.*

[67] *₹129.49 lakh X 3 per cent (12 per cent - 9 per cent) X 6 yrs.= ₹23.30 lakh.*

[68] *₹259.20 lakh X 3 per cent (12 per cent - 9 per cent) X 3 yrs.= ₹23.33 lakh.*

appointed shall be eligible for house rent allowance, telephone allowance and travelling allowance. They shall further be eligible to have three staff on co-terminus basis.

Sikkim Poultry Development Corporation Limited (Company) was incorporated (December 1991) under the Registration of Sikkim Companies Act 1961 with the main objective to promote and establish the business of poultry and poultry products in the State. Government of Sikkim (GoS) appointed (May 2009) a non-MLA as Chairman of the Company. As per Articles of Association of the Company, the Chairman shall preside over meetings of the Board of Directors (BoD) which shall mandatorily meet at least once every quarter for supervision and management of day-to-day business operations of the Company and also for approval of its annual accounts.

Examination of records revealed that the Company had not been carrying out any business operations since 2008-09. The only source of income for the Company was grants received from GoS. During the last four years ended 2012-13, the Company received ₹ 36.25 lakh as Government grants. The Company incurred an expenditure of ₹ 28.16 lakh towards the salary and other perks of the Chairman during 2009-10 to 2012-13.

It was further observed that no meeting of BoD of the Company was held during 2009-10 to 2012-13[69] as per the Articles of Association (AoA) of the Company although the BoD was required to hold minimum 16 such meetings mandatorily during the said period. Thus, the Chairman and the BoD of the defunct Company, which was surviving on Government grants, failed to fulfill their statutory obligation of holding minimum number of meetings as prescribed under the AoA of the Company. Due to non-holding of any of the meeting of the BoD in preceding four years, the audited annual accounts of the Company for the period 2009-10 to 2012-13 were pending for approval by the BoD (September 2014).

The Management while accepting the facts stated (July 2014) that the suggestions of Chairman were taken from time to time and the Chairman was provided perquisites according to his eligibility as per the notification of GoS. The reply, however, did not provide the details and nature of advice given by the Chairman particularly when the Company was non-operational since 2008-09.

Thus, due to not holding of any meeting of BoD of the Company during 2009-13, the Chairman failed to discharge his obligations and the expenditure of ₹ 28.16 lakh incurred towards salary and perquisites of Chairman proved to be infructuous.

Keeping in view the above facts, it is recommended that the Government may explore possibilities to either revive the Company through appropriate revival package or consider closure of the Company to avoid similar wasteful expenditure in future.

The matter was reported to the Government (July 2014); their reply had not been received (September 2014).

[69] *One meeting of BoD was held (June 2013) during 2013-14.*

SIKKIM POWER DEVELOPMENT CORPORATION LIMITED

3.6 Avoidable loss

Procurement of bulldozers without approval of Board of Directors and without market analysis resulted in loss of ₹ 0.77 crore to the Company

The Sikkim Power Development Corporation Limited (Company) is mainly engaged in the business of generation, transmission, distribution and sale of power in Sikkim. The Company purchased (March 2008) four bulldozers at a total price of ₹ 2.34 crore[70] from Bharat Earth Movers Limited (BEML). These bulldozers were procured with the intention to lease them out to Independent Power Producers and Private Contractors engaged in construction of roads, etc. so as to generate additional revenue for the Company. The bulldozers had an expected life of six years. The total projected revenue per month from these bulldozers was ₹ 5.36 lakh with a payback period of four years.

The Company made a down payment of ₹ 0.47 crore to M/s BEML and made (July 2008 - September 2009) subsequent payments to the tune of ₹ 1.37 crore sourcing mainly from the revenue realised through operations of the bulldozers. Balance amount of ₹ 0.50 crore, however, remained unpaid (May 2014).

Examination of records of the Company revealed that the demand for bulldozers was very poor and Company could sparingly lease out the bulldozer for short durations during 2008-09 to 2012-13. In absence of adequate demand, the Company had to reduce (June 2011) the monthly rent of bulldozer from ₹ 2 lakh to ₹ 1.50 lakh. As a result, against the projected revenue of ₹ 3.22 crore during the five year period (2008-13), the Company could earn net revenue of only ₹ 1.28 crore. Due to poor utilisation of the bulldozers, the Management had to ultimately dispose of (June 2014) all four bulldozers at negligible price of ₹ 7.30 lakh per bulldozer.

During examination of records it was further revealed that the Company had adopted a hurried approach in procurement of the bulldozers and the purchase decision was not preceded by any market analysis of the actual demand for the machines. Further, no advance planning was made by the Company for financing the cost of the bulldozers before placing (April 2007) the procurement orders. As a result, the Company had to request (October 2007) BEML to cancel delivery of three bulldozers when these were ready for delivery. Thereafter, on mutual consideration the Company took delivery (March 2008) of three machines on deferred payment basis. The above facts also indicate that the purchase of four bulldozers was not based on sound financial considerations. The Company also failed to obtain prior approval of the BoD before placing (April 2007) of the purchase

[70] *₹ 58,57,265 x 4.*

orders for four bulldozers. Subsequently, the Management submitted (August 2007) the proposal for purchase of only two bulldozers to the BoD against which approval for purchase of only one bulldozer was given (August 2007).

Thus, procurement of bulldozers without proper market analysis and without prior approval of the competent authority resulted in loss of ₹ 0.77 crore against investment of ₹ 2.34 crore after netting off the lease revenue earned (₹ 1.28 crore) and sales value realised (₹ 0.29 crore) on disposal of the bulldozers.

Management stated (July 2014) that the decision to purchase four bulldozers was aimed at lifting the financial condition of the Company by supplementing its revenue source under the assumption that the machines would be having significant market demand towards catering to the needs of Independent Power Producers and other Private contractors in the State. The reply is not acceptable as no document on record was available to establish the fact of conducting any market analysis or feasibility study and preparing of any business plan by the Company before procurement of bulldozers. Further, procurement of the bulldozers had no prior approval of the competent authority (BoD), which was indicative of the hurried approach of the Management in purchase of the bulldozers.

The matter was reported (July 2014) to the Government; their reply had not been received (September 2014).

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 2013-14, 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 in **Table 4.1.1**:

Table 4.1.1
Trend of revenue receipts

(₹ in crore)

Sl. No.		2009-10	2010-11	2011-12	2012-13	2013-14
I	**Revenue raised by the State Government**					
	• Tax revenue	223.65	279.54	293.92	435.48	**524.92**
	• Non-tax revenue	1,356.44	1,137.76	1,044.57	806.96	**794.49**
	Total	1,580.09	1,417.30	1,338.49	1,242.44	**1,319.41**
	Percentage of increase over previous year	(+) 12.50	(-) 10.30	(-) 5.56	(-) 7.18	**(+) 6.20**
II	**Receipts from the Government of India**					
	• State's share of net proceeds of divisible Union taxes	374.68	524.99	611.65	698.48	**762.62**
	• Grants-in-aid	1,299.62	1,105.02	1,722.50	1,852.40	**2,244.41**
	Total	1,674.30	1,630.01	2,334.15	2,550.88	**3,007.03**
III	**Total receipts of State Government (I + II)**	3,254.39	3,047.31	3,672.64	3,793.32	**4,326.44**
IV	**Percentage of I to III**	**49**	**47**	**36**	**33**	**31**

Note: Tax and Non-tax revenue during 2008-09 was ₹ 1,404.50 crore.

The above table indicates that during the year 2013-14, the revenue raised by the State Government (₹ 1,319.41 crore) was 31 *per cent* of the total revenue receipts. The balance 69 *per cent* of the receipts during 2013-14 was from 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 details of the tax revenue raised during the period from 2009-10 to 2013-14 are given in **Table 4.1.2**:

Table 4.1.2
Details of Tax Revenue raised

(₹ in crore)

Sl. No.	Head of revenue	2009-10		2010-11		2011-12		2012-13		2013-14		Percentage of increase (+) or decrease (-) in 2013-14 over 2012-13	
		BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
1	Sales Tax/VAT	96.50	121.07	118.50	142.74	160.11	124.19	187.14	227.08	225.00	286.33	20	**26**
2	Taxes on Income other than Corporation Tax	1.67	2.84	1.92	4.94	2.01	4.86	5.62	6.73	7.01	8.68	25	**29**
3	State Excise	47.60	57.27	55.50	70.64	67.44	96.26	95.00	111.12	109.00	120.64	15	**9**
4	Stamps and Registration Fees	3.54	4.48	3.13	5.70	3.26	8.27	7.47	5.35	7.91	6.46	6	**21**
5	Taxes on Vehicles	7.80	7.88	9.00	10.67	10.00	16.56	15.00	16.38	16.80	18.52	12	**13**
6	Other Taxes and Duties on Commodities and Services	16.61	27.39	19.39	37.52	22.47	39.17	37.63	63.16	53.40	80.90	42	**28**
7	Land Revenue	3.45	2.71	3.82	7.33	3.82	4.61	5.48	5.66	6.56	3.39	20	**(-) 40**
Total		**177.17**	**223.64**	**211.26**	**279.54**	**269.11**	**293.92**	**353.34**	**435.48**	**425.68**	**524.92**	**20**	**21**

The respective departments reported the following reasons for variations:

Increase:

Sales Tax/VAT: The increase was due to increase in business activity and volume, increase in monitoring activity, computerisation and online tax administration.

State Excise: The increase was due to extensive inspection and touring and opening of Kanchanjunga Distillery Ltd. during 2013-14.

Taxes on Vehicles: The increase was due to increase in number of vehicles in 2013-14.

Other taxes and duties on commodities and services: The increase was due to (i) Extensive inspection and touring and opening of Kanchanjunga Distillery Ltd. during 2013-14 (State Excise); and (ii) Collection of arrears, increased collection from sale of tender (UDHD).

Decrease:

Land Revenue: The decrease was due to less collection under the sub-head Other Receipts under the head Land Revenue.

The other departments despite being requested (May 2014 and August 2014) did not furnish the reasons for variations in receipts from that of the previous year (October 2014).

4.1.3 The details of the non-tax revenue raised during the period 2009-10 to 2013-14 are indicated in **Table 4.1.3**:

Table 4.1.3
Details of Non-tax Revenue raised

(₹ in crore)

Sl. No.	Head of revenue		2009-10		2010-11		2011-12		2012-13		2013-14		Percentage of increase (+) or decrease (-) in 2013-14 over 2012-13	
			BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual	BE	Actual
1	Power		165.00	285.83	190.00	87.86	150.00	79.70	100.05	82.90	110.10	98.93	10	19
2	Interest receipts		3.07	44.18	25.57	28.14	13.91	29.39	21.15	46.00	28.85	67.02	36	46
3	Police		17.90	14.52	24.42	9.57	39.29	12.89	44.88	49.23	50.29	41.14	12	-16
4	Road Transport		15.35	20.29	21.20	24.76	23.75	30.89	29.05	29.01	36.04	34.10	24	18
5	Forestry and Wild Life		8.10	8.79	11.00	12.25	11.00	12.53	13.48	12.28	15.35	14.27	14	16
6	Other Administrative Services		2.53	4.42	3.19	4.72	2.84	6.68	3.03	9.64	4.29	11.06	42	15
7	Public Works		3.65	2.89	3.80	3.48	3.80	5.38	4.56	4.70	4.46	4.68	-2	-0.43
8	Plantations		2.50	1.80	2.70	2.90	2.80	2.59	3.20	3.98	3.50	3.62	9	-9
9	Water Supply and Sanitation		2.60	2.61	2.82	2.61	3.49	2.90	3.40	2.74	3.87	3.17	14	16
10	Tourism		1.30	1.62	3.11	3.00	5.00	1.84	5.00	2.13	5.60	2.65	12	24
11	Medical and Public Health		0.55	1.02	0.56	0.72	0.56	1.27	1.27	1.50	1.27	2.19	0	46
12	Other Rural Development Programmes		0.10	2.55	2.79	1.17	2.32	1.25	2.32	1.46	1.50	2.13	-35	46
13	Stationery and Printing		1.51	2.27	1.51	1.52	1.51	1.92	1.51	2.08	1.81	2.05	20	-1
14	Crop Husbandry		0.34	0.40	0.42	0.51	0.42	0.46	0.07	0.71	0.53	1.45	657	104
15	Education, Sports, Art and Culture		0.85	1.57	1.21	1.73	1.40	1.35	1.40	1.37	1.69	1.38	21	0.73
16	State Lotteries[1]	*Gross*	943.41	949.92	973.85	938.15	1,010.78	844.15	780.99	546.39	776.03	474.37	-1	-13
		Net	(30.00)	(40.90)	(60.00)	(42.54)	(70.00)	(43.62)	(50.00)	(41.43)	(40.00)	(41.47)	-20	0.10
17	Others		3.53	11.76	6.41	14.67	8.67	9.38	10.14	10.84	9.35	30.28	-8	179
	Total		**1,172.29**	**1,356.44**	**1,274.56**	**1,137.76**	**1,281.54**	**1,044.57**	**1,025.5**	**806.96**	**1,054.53**	**794.49**	**3**	**-2**

Source: Finance Accounts and Estimates of Receipts

The respective Departments reported the following reasons for variation:

Increase:

Road Transport: The increase was due to revision of rates of carriage charges.

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

Tourism: The increase was due to leasing out of new properties.

Medical and Public Health: The increase was due to increase in user charges collection and fee hike under Prevention of Food Adulteration Act.

Crop Husbandry: The increase was due to more receipts under Agricultural farms.

Decrease:

Police: The decrease was due to renewal of Arms Licence below the anticipated number and also due to non-receipt of reimbursements of expenditure on Police Check Posts for 2011-12 and 2012-13 from Government of India.

The other Departments despite being requested (May 2014 and August 2014) did not intimate the reasons for the variation in receipts from that of the previous year (September 2014).

4.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2014 in respect of some Heads of Revenue as reported by the departments amounted to ₹ 48.18 crore of which ₹ 1.93 crore was outstanding for more than five years, as detailed in the **Table 4.2.1:**

Table 4.2.1
Arrears of Revenue

(₹ in crore)

Sl. No.	Head of revenue	Total Amount outstanding as on 31 March 2014	Amount outstanding for more than five years	Replies of Department
1	Police	41.99	-	• Dues from Delhi Government and others, etc. • Reimbursement of expenditure incurred during the year 2011-14 is to be received.
2	Public Works	2.26	0.86	No reply received from the Department.
3	Tourism	0.34	0.34	Legal notice issued to deposit the rent.
4	Animal Husbandry	0.57	0.57	No reply received from the Department.
5	Water Supply and Sanitation	1.76	0.16	Cases with disturbed water supply are remaining without up-to-date payment.
6	Food storage and warehousing	1.26	-	House rent of FCI, Jorethang is yet to be received.
	Total	**48.18**	**1.93**	

Source: Information received from departments

It would be seen from the table that recovery of ₹ 1.93 crore was pending for more than five years and no sincere efforts were being made to recover them. Arrears of ₹ 48.18 crore were pending with the departmental authorities.

4.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year as furnished by the Commercial Taxes Division (Finance, Revenue and Expenditure Department) in respect of Sales Tax (including VAT) was as below in **Table 4.3.1.**

Table 4.3.1
Arrears in assessments

Head of revenue	Opening balance	New cases due for assessment during 2013-14	Total assessments due	Cases disposed of during 2013-14	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
VAT	2421	793	3214	Nil	3214	0

Regarding 'Nil' disposal during the year, the Commercial Taxes Division, Finance, Revenue and Expenditure Department stated that under the provisions of the SVAT Act 2005, it is not mandatory to assess all the dealers. However, all the returns filed by the dealers were scrutinised.

The fact remained that despite the addition of new cases during the year, the Commercial Taxes Division did not dispose off any case.

4.4 Evasion of tax detected by the Department

No Department reported any case of evasion of tax.

4.5 Pendency of Refund Cases

As per information received in respect of Commercial tax/VAT, there was no refund case during the year. No information about refund cases was intimated by any other department.

4.6 Response of the departments/Government towards Audit

The Accountant General (Audit), Sikkim conducts periodical inspection of the Government Departments to test check the transactions and verify the maintenance of the important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the inspection reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with the copies to the next higher authorities for prompt corrective actions. 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 Accountant General within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the Department and the Government.

IRs issued upto December 2013 disclosed that 292 paragraphs involving ₹ 598.29 crore relating to 97 IRs remained outstanding at the end of June 2014. The details along with the corresponding figures for the preceding two years are mentioned in the following table:

Table 4.6.1
Details of pending Inspection Reports

	June 2012	June 2013	June 2014
Number of outstanding IRs	127	131	97
Number of outstanding audit observations	332	328	292
Amount involved (*₹ in crore*)	814.27	710.16	598.29

4.6.1 The Department-wise details of the IRs and audit observations outstanding as on 30 June 2014 and the amounts involved are mentioned in the **Table 4.6.2:**

Table 4.6.2

Department-wise details of IRs

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.	13	74	148.15
2	Finance, Revenue and Expenditure (Income Tax Division)	Income Tax	14	60	32.95
3	Excise (Abkari)	State Excise	9	24	17.20
4	Land Revenue and Disaster Management	Land Revenue	22	27	0.87
5	Transport	Taxes on Motor Vehicles	6	14	3.68
6	Mines, Minerals and Geology	Non-ferrous Mining and Metallurgical Industries	3	3	3.35
7	Forest, Environment and Wildlife Management	Forestry and Wildlife	5	12	0.15
8	Finance, Revenue and Expenditure (Directorate of Sikkim State Lotteries)	Lottery	4	11	34.18
9	Energy and Power	Power	10	35	347.49
10	Urban Development and Housing	Urban Development	11	32	10.27
Total			**97**	**292**	**598.29**

Audit did not receive even the first replies from the heads of offices within one month from the date of issue of the IRs for 5 IRs (issued during 2013-14) upto June 2014. This 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 did not initiate adequate action to rectify the defects, omissions and irregularities pointed out by the AG through IRs.

The Government may consider to have an effective system for prompt and appropriate response to audit observations.

4.6.2 Departmental Audit Committee Meetings

The Government set up audit committees to monitor and expedite the progress of the settlement of the IRs and paragraphs in the IRs. The details of the audit committee meetings held during the year 2013-14 and the paragraphs settled are mentioned in **Table 4.6.3.**

Table 4.6.3

Details of Departmental audit committee meetings

(₹in crore)

Sl. No.	Head of revenue	Number of meetings held	Number of IR settled	Number of paras settled	Amount
1	Transport Department	01	02	13	1.53
2	Forest Department	01	41	68	43.39
Total		**02**	**43**	**81**	**44.92**

The overall progress of settlement of paragraphs needs to be improved in view of the huge pendency of the IRs and paragraphs.

4.6.3 Non-production of records to audit for scrutiny

The programme of local audit of Tax revenue/non- tax revenue offices is drawn up sufficiently in advance and intimation are issued, usually one month before the commencement of audit, to the departments to enable them to keep the relevant records ready for audit scrutiny.

During the year 2011-12 as many as 48 assessment files, returns, refunds, registers and other relevant records were not made available to audit involving tax effects of unknown amount. Break-ups of these cases are given in **Table 4.6.4.**

Table 4.6.4
Details of non-production of records

Name of the Office/Department	Year in which it was to be audited	Number of cases not audited	Tax amount
Commercial Taxes Division (Finance, Revenue and Expenditure Department)	2012-13	48	Not known

4.6.4 Response of the departments to the draft audit paragraphs

The draft Audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Accountant General to the Principal Secretaries/Secretaries of the concerned Department, drawing their attention to audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the Departments/Government is invariably indicated at the end of such paragraphs included in the Audit Report.

Four draft paragraphs proposed for inclusion in the Audit Report of the Comptroller and Auditor General of India for the year ended March 2014 were forwarded (July 2014) to the Secretaries/Commissioners of the respective departments through demi-official letters. The administrative Secretaries/Commissioners furnished replies in respect of all draft paragraphs.

4.6.5 Follow up on Audit Reports – summarised position

The Rules of Procedures of the Committee on Public Accounts of the Sikkim Legislative Assembly (internal working) laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Report for consideration of the Committee. In spite of these provisions, the explanatory notes on the audit paragraphs of the Reports were being delayed inordinately. 20 paragraphs (including Performance Audits) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Sikkim for the years ended 31 March 2010, 2011, 2012 and 2013 were placed before the State Legislative Assembly between March 2011 to June 2014. Action taken explanatory notes in respect of 13 paragraphs form 4 departments (Finance, Revenue and Expenditure Department, State Excise, Transport and Labour) had not been received for Audit Reports for the years ending 31 March 2010, 2011 and 2012.

During 2013-14, the PAC discussed Audit Report for the year 2008-09 and its recommendations were incorporated in their 96th Report (2014). However, ATNs have

not been received by the PAC in respect of one performance review and two paragraphs discussed pertaining to Commercial Taxes Division of Finance, Revenue and Expenditure Department.

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

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 10 years in respect of Transport Department is evaluated and included in this Report.

The succeeding paragraphs 4.7.1 to 4.7.2 discuss the performance of the Transport Department in dealing with the cases detected in course of local audit conducted during the last ten years and also the cases included in the Audit Reports for the years 2004-05 to 2013-14.

4.7.1 Position of Inspection Reports

The summarised position of IRs issued during the last ten years, paragraphs included in these Reports and their status as on 30 June 2014 are given in the following table:

Table 4.7.1

Position of Inspection Reports

(*₹ in crore*)

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance		
	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value	IRs	Para-graphs	Money value
2004-05	2	1	0.44	1	4	0.41	0	1	0.10	3	4	0.75
2005-06	3	4	0.75	1	7	0.25	0	0	0.00	4	11	1.00
2006-07	4	11	1.00	1	7	0.37	0	4	0.04	5	14	1.33
2007-08	5	14	1.33	1	4	0.51	2	8	0.87	4	10	0.97
2008-09	4	10	0.97	1	4	0.67	1	6	0.59	4	8	1.05
2009-10	4	8	1.05	1	4	1.02	1	4	0.67	4	8	1.40
2010-11	4	8	1.40	0	0	0.00	0	0	0.00	4	8	1.40
2011-12	4	8	1.40	1	3	0.95	0	0	0.00	5	11	2.35
2012-13	5	11	2.35	2	9	2.11	0	0	0.00	7	20	4.46
2013-14	7	20	4.46	1	5	0.96	2	14	1.71	6	11	3.71

Except once, the Government did not arrange Audit Committee meetings between the Department and AG's office to settle the old paragraphs during 2013-14.

4.7.2 Recovery of accepted cases

The position of paragraphs included in the Audit Reports of the last 10 years accepted by the Department and the amounts recovered thereagainst are mentioned in the following table:

Table 4.7.2

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)
2004-05	1	0.37	1	0.37	0.17	0.17
2005-06	1	1.39	1	1.39	Nil	0.17
2011-12	1	0.60	1	0.60	Nil	0.17

It is evident from the preceding table that the progress of recovery even in accepted cases was very slow during the entire period of last ten years. The recovery of accepted cases

was to be pursued as arrears recoverable from the concerned parties. No mechanism for pursuance of the accepted cases had been put in place by the Department/Government. Further, the arrear cases including accepted audit observations were not available with the Transport Department. In the absence of a suitable mechanism, the Department could not monitor the recovery of accepted cases.

The Department may take immediate action to pursue and monitor prompt recovery of the dues involved in accepted cases.

4.8 Action taken on the recommendations accepted by the departments/ Government

The draft performance reviews conducted by the AG are forwarded to the concerned Department/Government for their information with a request to furnish their replies. These reviews are also discussed in the exit conferences and the Department's/Government's views are included while finalising the reviews of the Audit Reports.

The following reviews on the Commercial Taxes Division (Finance, Revenue and Expenditure Department) had featured in the last five year's Audit Report. The details of recommendations and their status is given in the following table:

Table 4.8.1

Year of AR	Name of the Review	No. of recomme-ndations	Details of the recommendation	Status
2008-09	Performance Audit on transition from Sales tax to VAT	8	Implement computerisation of VAT system completely and effectively in all areas.	Computerisation of VAT implemented under MMPCT.
			Establish effective mechanism to review database at periodic interval and to prepare database of dubious/risky dealers.	Such mechanism has been established under the eSEVA[2].
			Establish effective mechanism to ensure submission of regular and timely returns by the dealers.	Returns have to be submitted on time, else the TIN of the dealer gets blocked by the system. Hence effective mechanism established.
			Establish effective mechanism for scrutiny of every returns submitted by the dealers, assessment of dealers and VAT audit of selected dealers.	Scrutiny of returns is mandatory and is being done before acceptance.
			Fix responsibility at various levels in the Department for strict compliance of codal provisions to avoid tax evasion by any dealer.	All the penal provisions are implemented before and after assessment.
			Ensure fixing the quantum of minimum penalty for each kind of offences and to continue VAT Fraud Task Force	Minimum penalty is provided in the SVAT Act/Rules.
			Strengthen internal control mechanism including internal audit.	Internal Audit section established with the Joint Commissioner/Audit as Head of the Section.
			Review and rectify various loopholes/deficiencies of SVAT Act and Rules.	SVAT Act/Rules have been amended to rectify various loopholes.
2010-11	Performance Audit on Utilisation of Declaration Forms in Inter State Trade and Commerce	8	Maintain data bank of dealer involved in Inter State Trade and Commerce.	Such provision exists in the eSEVA.
			Print Declaration form assessing its requirements taking into account pace of issue of declaration forms.	All the declaration forms are issued online.
			Maintain proper records of declaration forms printed, issued and closing stock.	Such records are maintained in the system since the Forms are issued online.

[2] *Commercial Taxes Division's tax administration system for online payment, e-return filing, waybill endorsement, etc.*

			Ensure issue of declaration form to the dealers only after receipt of details of utilisation of declaration forms issued earlier.	Issue of declaration forms are done after verification and acceptance of the request.
			Issue declaration forms chronologically and not randomly to have a track of declaration forms.	Declaration forms are being issued online and records are available in the system.
			Install a system of verification of each and every declaration form submitted by the dealers with the database available in the TINXSYS website before allowing exemption/concession of tax.	Such system has been established and is under effective use.
			Install a system picking up a sample of declaration forms and taking them up for further verification with the concerned States and also a system of uploading the details of utilisation of declaration forms in the TINXSYS website.	
			Ensure submission of CST returns by every dealer and assess all dealers involved in Inter State trade and commerce.	CST returns to be filed online. Assessment of the dealers are on the basis of the assignment by the Commissioner.

NB: Status as in the table is based on departmental replies.

4.9 Audit Planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of the audit observations and other parameters. The annual audit plan is prepared on the basis of risk analysis which inter-alia include critical issues in Government revenues and tax administration, i.e. budget speech, white paper on state finances, Reports of the Finance Commission (State and Central), recommendations of the taxation Reforms Committee, statistical analysis of the revenue earnings during the past five years, factors of the tax administration, audit coverage and its impact during five years, etc.

During the year 2013-14, there were 18 auditable units, of which six units were planned and audited which is 33 *per cent* of the total auditable units.

4.10 Results of audit

4.10.1 Position of local audit conducted during the year

Test-check of the records of seven units under Revenue departments (Finance Revenue and Expenditure (Commercial Taxes Division and State Lotteries), Urban Development and Housing, Excise, Transport, Forest, Environment and Wildlife Management and Energy and Power) conducted during the year 2013-14 revealed irregularities involving revenue aggregating ₹ 142.06 crore in 59 cases. During the course of the year, the departments concerned accepted all these cases which were pointed out in audit during 2013-14.

4.11 Coverage of this Report

This Report contains three paragraphs (selected from the audit detections made during the local audit referred to above) involving financial effect of ₹ 4.80 crore. The Departments have accepted audit observations involving ₹ 3.11 crore but no amount has been recovered. These are discussed in succeeding paragraphs.

EXCISE (ABKARI) DEPARTMENT

4.12 Non-realisation of revenue

Despite non-receipt of requisite Excise Verification Certificate from the exporter, the Department had not levied and realised excise duty and fees amounting to ₹ 68.09 lakh on the consignments.

According to Rule 17 of Sikkim Foreign Liquor (Import, Export and Transport) Rules 1993, the exporter is bound to deliver the consignment at the importing place and obtain the Excise Verification Certificate (EVC) from the Excise Officer of the importing place against the export pass within three months from the date of issue of export pass, failing which the excise officer may levy on such consignment the full rates of excise duty and fees at the rates in force in the States at the time export pass was issued.

Audit of records (September 2013) of Excise (Abkari) Department for the year 2011-13 on export of alcoholic beverages revealed that two Distilleries/Breweries namely M/s Himalayan Distilleries Ltd, Mazitar and M/s Denzong Albrew Ltd, Mulukey, Rhenock exported alcoholic beverages to various destinations outside the State. Against the requirement of obtaining EVCs by the exporter form the Excise offices of the importing place, the requisite EVCs on export of 36,400[3] cases of alcoholic beverages involving duties of ₹ 1.16 crore were not obtained.

On being pointed out by audit, the Department submitted (July 2014) the EVC of 20500 cases[4] of alcoholic beverages. However, the Department had not raised demand for duties on consignment at full rates of excise duty and fees on balance of 15900 cases[5] as envisaged under the rule mentioned above. This resulted in non-realisation of duty amounting to ₹ 68.09 lakh from the exporting unit.

FINANCE, REVENUE AND EXPENDITURE DEPARTMENT (DIRECTORATE OF SIKKIM STATE LOTTERIES)

4.13 Non-realisation of gaming fees and penalty

Department failed to realise ₹ 2.43 crore from M/s Mayfair Hotels and Resorts (Sikkim), Ranipool as mandatory gaming fee for casino games.

As per Finance, Revenue and Expenditure Department notification dated 30 March 2011, the licensee shall pay for gaming fees to the State Government at the rate 10 (ten) *per*

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3 *M/s Himalayan Distilleries Ltd, Mazitar for 18,700 cases including ₹ 91.25 lakh and M/s Denzong Albrew Ltd, Mulukey, Rhenock for 17,700 cases including ₹24.79 lakh.*

4 *M/s Himalayan Distilleries Ltd, Mazitar for 4,600 cases and M/s Denzong Albrew Ltd, Mulukey, Rhenock for 15,900 cases.*

5 *M/s Himalayan Distilleries Ltd, Mazitar for 14,100 cases and M/s Denzong Albrew Ltd, Mulukey, Rhenock for 1,800 cases.*

cent of the gross gaming yield or one crore, whichever is higher for the first year and thereafter with incremental increase of 15 *per cent* per year on Minimum Assured Revenue (MAR) for each of the remaining four years. As per gazette notification dated 20 June 2012, the monthly gaming fees shall be payable on the 10th of the succeeding month, failing which a penal interest at the rate 12 *per cent* per annum shall be imposed.

Audit of records (January-February 2014) of Directorate of Sikkim State Lotteries (DSSL) revealed that M/s Mayfair Hotels and Resorts (Sikkim), Ranipool, which was granted license for operation of casino games for five year period from 1 June 2011, was operating games without payment of prescribed gaming fees to the Government.

In response to DSSL's direction (25 February 2012) to deposit the prescribed gaming fee, the Director, Trio Ventures (P) Ltd. on behalf of licensee requested the Government to reduce the minimum annual payment of ₹ one crore to ₹ 30 lakh and the rate of tax exceeding MAR to three *per cent* against the existing ten *per cent* till the company can stand on its own feet. A Committee, constituted to examine the tenders/bids, examined the said request and observed that it was beyond its purview to dwell upon the matter as the Sikkim Casino Games (Control & Tax) Act 2002 and the Sikkim Casino Games (Control & Tax) Rules 2007 do not have any provision for relaxation/reduction of the gaming fees. Committee's decision was approved (10 January 2013) by the Chief Minister and the licensee was accordingly intimated (19 January 2013).

However, despite the lapse of more than three years, the DSSL neither realised the prescribed gaming fee nor cancelled the licence as per provisions of the Casino (Control & Tax) Act and Rules. The dues towards non-realisation of penalty alongwith outstanding dues amounted to ₹ 2.43 crore for the period from 2011 to August 2014 as detailed in the **Appendix 4.13.1.**

Thus, inadequate action of the Department resulted in non-realisation of fees and leviable penalty to the tune of ₹ 2.43 crore over a period of one to three years (August 2014).

In reply the DSSL stated (August 2014) that it is in the process of realisation of outstanding gaming fee and as a result of their persuasion, the said company has deposited a total of ₹ 1.40 crore including penalty for the period from June 2011 during December 2012 to July 2014. Fact remained that ₹ 2.43 crore excluding the amount deposited by the Company remained to be realised till August 2014.

4.14 Loss of revenue

Disregarding of clause in the agreement relating to applicable percentage rate of Minimum Assured Revenue on pro-rata basis resulted in a loss of ₹ 1.69 crore.

An agreement was drawn (August 2001) between Government of Sikkim and Tashi Delek Gaming Solutions Pvt. Ltd (TDGSPL), a Marketing Agent (MA), for maintenance and marketing of the State's online lottery. The contract was for seven years from August 2001with provision that the agreement could be revised and further extended as mutually agreed upon by both the parties from time to time.

According to the revised agreement (December 2003), the sale proceeds were to be deposited by the MA in the Government account within 15 days from the date of the draw. Subsequently, an interim agreement was signed (18 November 2005). Clause 1 of

the interim agreement specified that the MA was required to pay at the rate of 5 *per cent* (for the existing games) and 1 *per cent* (for the additional games) of the sale proceeds, subject to a Minimum Assured Revenue (MAR) of ₹ 10 crore per annum including ₹ 4.50 crore (approx.) payable to Government for the existing 4 games (one daily and three weekly games). The extended agreement entered into (27 September 2010) further clarified that failure to comply with the terms of agreement would attract a penal interest at the rate of 12 *per cent* from 1 October 2010. The additional clause was acknowledged, accepted and confirmed (29 September 2010) by the MA. The agreement continued to be extended till 15 December 2012. A new MA (M/s Pan India Network Ltd.) was appointed on 16 December 2012.

Audit (February 2014) of records of the Directorate of Sikkim State Lotteries (DSSL) revealed that DSSL asked (8 November 2012) the MA (M/s TDGSPL) to deposit the part MAR at the rate of ₹ 10 crore per annum for the period from 1 October 2012 to 15 December 2012. The MAR was charged on pro-rata basis from the earlier MA disregarding the clause of interim agreement (18 November 2005) being 5 *per cent* and 1 *per cent* of the sale proceeds which resulted in a loss of revenue of ₹ 1.69 crore to the Government as detailed in **Appendix 4.14.1.**

In their reply the DSSL stated (March 2014) that the agreement dated 18 November 2005 could not be executed as the MA repeatedly represented to the Government for exemption of clause 1 of the said agreement on the plea that sale of Sikkim lottery tickets were stopped by some States within their respective jurisdictions.

The reply of the DSSL is not tenable as the sale of Sikkim State Lotteries was stopped in States between 1 January 2000 (Andhra Pradesh) and 1 September 2010 (Kerala). It was only after the stoppage that the MA acknowledged, accepted and confirmed (29 September 2010) the extended agreement of DSSL (27 September 2010). Further, the sale proceeds during the period 2009-10 to 2011-12 and for the 1st three quarters of 2012-13 up to 15 December 2012[6] showed an increasing trend, indicating no impact of stoppage of sales of lottery tickets in some of the States. Therefore, the injudicious decision exhibited *vis-à-vis* the existing applicable percentage rate on MAR of 10 crore per annum, resulted in a loss of revenue to the Government amounting to ₹ 1.69 crore.

[6] *Sale of lottery tickets: 2009-10: ₹ 517.26 crore, 2010-11: ₹ 607.60 crore, 2011-12: ₹ 758.75 crore and 2012-13 (up to 15 December 2012 and excluding Super Triplex/Science Online lottery): ₹ 726.46 crore.*

General Sector

CHAPTER V
GENERAL SECTOR

5.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2014 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 2013-14 are given in the table below:

Table 5.1.1

(₹ in crore)

Sl. No.	Name of the Departments	Total Budget Allocation	Expenditure
1.	Home	41.05	39.59
2.	Judiciary	11.89	10.11
3.	Election	3.08	3.26
4.	Information and Public Relation	14.58	14.25
5.	Sports and Youth Affairs	20.22	15.82
6.	Printing and Stationery	6.81	7.02
7.	Public Service Commission	2.70	2.61
8.	Information Technology	7.19	7.07
9.	Police	265.74	246.76
10.	Vigilance	4.93	5.38
11.	Development Planning, Economic Reforms and North Eastern Council Affairs	33.06	25.18
12.	Personnel, Administrative Reforms and Training, Public Grievances, Career Options and Employment, Skill Development and Chief Minister's Self Employment Schemes	9.23	7.55
13.	Governor	5.75	5.75
14.	Legislature	13.87	14.29
15.	Science, Technology and Climate Change	1.99	1.99
16.	Law	5.02	4.97
17.	Land Revenue and Disaster Management	672.00	504.99
18.	State Excise (Abk)	6.39	6.41
19.	Finance, Revenue and Expenditure	1,086.74	758.92
20	Parliamentary Affairs	1.09	1.08
	Total	**2,213.33**	**1,683**

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 and Public Relation	North Eastern Council	Directorate of Information and Public Relations, Sikkim	0.14
2.	Sports and Youth Affairs Department	National Programme for Youth and Adolescent Development General	Youth Development Society of Sikkim	1.17
3.	Information Technology	North Eastern Council	Centre for Research & Training in Informatics	100
4.	Police	Crime and Criminal Tracking Network and System (CCTNS)	Computerisation of Police Society (SK_COPS)	0
		Crime and Criminal Tracking Network and System (CCTNS)	Computerisation of Police Society (SK_COPS)	206
5.	Science, Technology and Climate Change	National Mission of Education through ICT	Sikkim State Council of Science & Technology	76.53
		State Science & Technology Programme	Sikkim State Council of Science & Technology	57.38
		Technology Development Programme	Sikkim State Council of Science & Technology	4
		Bioinformatics	Sikkim State Council of Science & Technology	11.91
		Environment Information Education and Awareness	Sikkim State Council of Science & Technology	30.52
6.	Land Revenue and Disaster Management	MPLAD scheme	District Collector East	1000.00
7.	Sikkim Information Commission	Propagation of RTI Act – Improving Transparency and Accountability	Sikkim Information Commission	3
	Total			**1,429.36**

Source: Central Plan Scheme Monitoring System of the GOI.

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 entities 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 ₹ 333.16 crore (including expenditure of ₹ 303.42 crore of previous years) (details of year-wise break-up is given in **Appendix 5.2.1**) of the State Government under General Sector. This Chapter contains

one Performance Audit on Water supply schemes funded under NLCPR and NEC and one Compliance Audit paragraph as given below:

DEVELOPMENT PLANNING, ECONOMIC REFORMS AND NORTH EASTERN COUNCIL AFFAIRS DEPARTMENT

5.3 Water supply projects funder under NLCPR and NEC

Sikkim was recognised as part of North-Eastern Region (NER) from April 1998 and got formally integrated in the NER during 2002. Accordingly, it started availing of the benefit of funding from Non-Lapsable Central Pool of Resources (NLCPR) from 1998-99 and North Eastern Council (NEC) from 2003-04. A number of infrastructural projects were constructed out of these funds in various sectors such as Roads and Bridges, Irrigation & Flood Control, Energy & Power, Human Resource Development, etc. The overall responsibility of managing NLCPR and NEC funds was vested with the Development Planning, Economic Reforms and North Eastern Council Affairs Department (DPERNECAD). The Projects relating to Water Supply Schemes were implemented by Water Security and Public Health Engineering Department (WSPHED) and Rural Management and Development Department (RMDD) for urban and rural areas respectively.

The Performance Audit of the Water Supply Projects funded under NLCPR and NEC for the period 2009-14 was carried out during April-July 2014. Results of Performance Audit disclosed that during 2009-14, the State had executed 23 projects (13 NLCPR and 10 NEC), of which 6 were completed and remaining 17 projects were in progress as of March 2014. Analysis revealed that due emphasis was not accorded to appropriate formulation of projects. Perspective plan had not been prepared. The concept papers in most cases were not submitted or were incomplete. Further, many DPRs were prepared without proper survey and investigation and without ensuring the availability of land for the projects leading to revision of estimates and time and cost overrun in some cases.

Analysis of financial management disclosed short release of matching share by the State Government owing to fund constraint in the State plan outlay; non utilisation of funds in time by the implementing departments; unrealistic preparation of budget estimates; unauthorised diversion of funds and excess expenditure. Similarly, analysis of project implementation revealed that in many cases, the Departments (WSPHED and RMDD) had not initiated the tender procedure on time leading to delay in commencement of work; cost escalations of the projects; avoidable expenditure and extension of undue benefit to the contractors. The Nodal Department had neither attached due importance to quality control nor initiated suitable measures to streamline the monitoring and evaluation system to ensure timely accrual of intended benefits from the projects.

Highlights

The Implementing Departments (WSPHED and RMDD) as well as the Nodal Department (DPERNECAD) had not accorded due emphasis in formulation of projects based on critical assessment of infrastructural gaps in basic minimum services.

(Paragraph 5.3.7)

There were short releases of matching share of ₹ 6.27 crore by the State Government.

(Paragraphs 5.3.9.1)

There was unauthorised diversion of fund of ₹ 0.77 crore.

(Paragraphs 5.3.8 and 5.3.10.4)

A total of 17 projects were under implementation out of which14 projects were behind schedule ranging between 1 and 72 months. The delay in completion of 6 (out of 23) projects ranged from 33 months to 52 months.

(Paragraph 5.3.10.2)

Quality control was not attached due importance by the Nodal as well as implementing departments.

(Paragraph 5.3.11)

Suitable measures to streamline the monitoring mechanism were not initiated by Nodal Department leading to change in scope of works, delayed completion of works, cost overruns, etc.

(Paragraph 5.3.12)

5.3.1 Introduction

The 'Non-Lapsable Central Pool of Resources' (NLCPR) was constituted (December 1997) by GOI for facilitating 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 the basic minimum services such as irrigation, power, roads and bridges, education, health, water supply and sanitation, etc. NEC funded projects were started later on with the objectives of balanced socio-economic development of the region. Sikkim was recognised as part of the North Eastern Region since April 1998 and formally integrated in the North Eastern Region during 2002. Accordingly, the benefit of funding from NLCPR and NEC was availed of by the State from 1998-99 and 2003-04 respectively.

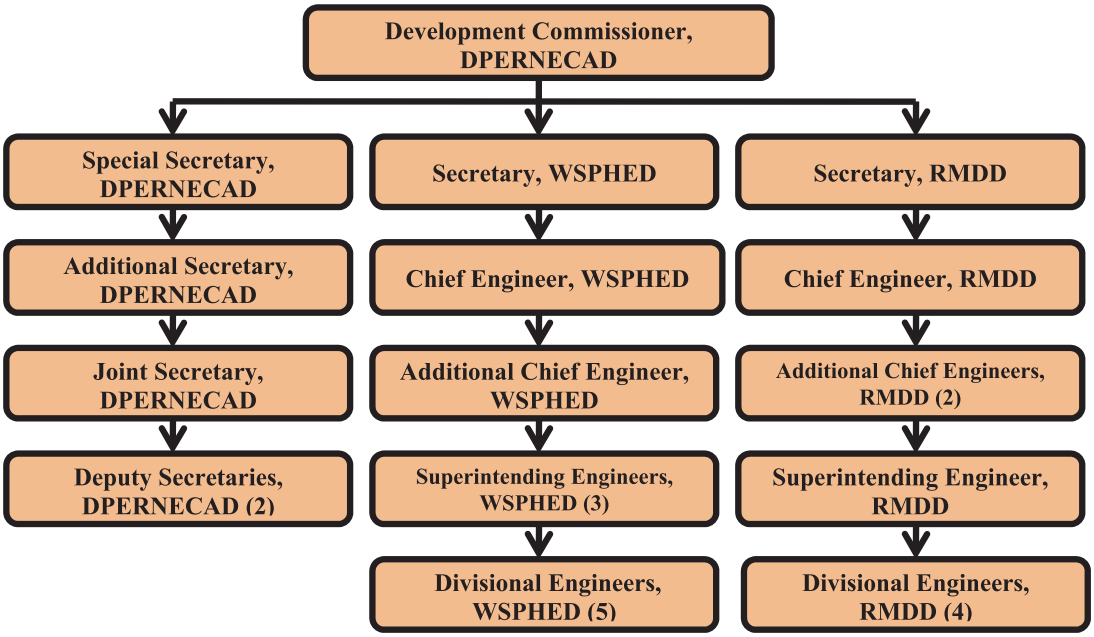
5.3.2 Organisation set-up

At the State level, the responsibility for implementation of NLCPR/NEC scheme was primarily vested with the Development, Planning, Economic Reforms and North Eastern Council Affairs Department (DPERNECAD) headed by the Development Commissioner who was assisted by a Special Secretary, Additional Secretary, Joint Secretary and Deputy Secretaries.

Projects relating to Water Supply were primarily implemented by Principal Chief Engineer-cum-Secretary, Water Security and Public Health Engineering Department (WSPHED) and Secretary, Rural Management and Development Department (RMDD). The responsibility for execution of individual projects within the departments rested with concerned Superintending Engineers who were assisted by Divisional Engineers and Assistant Engineers.

The organisational structure is depicted below:

Chart 5.3.1



5.3.3 Audit objective

The Performance Audit was carried out to ascertain whether the funding availed from NLCPR and NEC for Water Supply projects helped in ensuring availability of potable water to the targeted population in a timely manner.

In addition, the objectives of the PA were to assess whether:

- The mechanism in place for approval of the projects was strictly 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 specific purpose;
- Projects were executed efficiently and economically to achieve intended objectives;
- Impact of the scheme was analysed at various levels; and
- There was a mechanism for adequate and effective monitoring and evaluation of projects.

5.3.4 Audit criteria

The findings were benchmarked against the criteria obtained from 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;
- Sikkim Public Works Code and Manual;
- Sikkim Financial Rules; and
- Prescribed monitoring mechanism.

5.3.5 Audit methodology

The process of Performance Audit commenced with the preparation of guidelines for conduct of PA. Field audit began with letter of engagement (March 2014) to the Development Commissioner, DPERNECAD, followed by entry conference (April 2014) with the officers of the Nodal Department (DPERNECAD) and implementing departments (WSPHED and RMDD). Audit objectives, methodology, scope of audit and criteria were explained to the departments and their agreement obtained. 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 (June-July 2014) jointly by Audit and departmental officers to corroborate audit observations. Audit observations were issued to DPERNECAD, WSPHED and RMDD for their response. For generating executable recommendations, the exit conference was held (18 September 2014) with DPERNECAD, WSPHED and RMDD wherein the findings were discussed and report finalised after taking into account the views of the departments, duly incorporating the replies, wherever appropriate.

5.3.6 Scope of audit and coverage

The PA was carried out (April-July 2014) through test check of records in DPERNECAD, WSPHED and RMDD covering a period of five years (2009-14) for Water Supply 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 23 projects sanctioned, 16 projects were selected indicating 70 *per cent* of the total projects.

Besides, follow up of the recommendations incorporated in Comptroller and Auditor General's (CAG'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 were also examined during the course of PA.

Audit findings

The results of Audit are enumerated in the succeeding paragraphs.

5.3.7 Planning and project formulation

Audit objective-1
Mechanism in place for approval of the projects and application of appropriate checks at each stage, prior to approval and after release of funds.

NLCPR guidelines (Para 4.1) envisaged submission of a perspective plan along with 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 examination revealed that:

- The implementing Department as well as Nodal Department had not initiated any action to prepare Perspective Plan during the period covered under the review (2009-14). Therefore, selection of projects for drawing priority lists from the perspective plan could not be done. The priority list, however, was forwarded by Nodal Department based on list of projects prepared sector-wise by implementing Department.
- The priority lists submitted by the State Government to the DoNER were forwarded belatedly in 15 (out of 23) cases test checked in Audit during the year 2009-14. The delay ranged between 23 days and 8 months. The priority lists were also devoid of detailed gap analysis of the proposed sector and justification for the list of projects for filling the gaps.
- According to the NLCPR guidelines (Para 4.1) concept papers for each of the projects incorporating the problem to be addressed through the projects, development objectives proposed to be achieved, benefits likely to accrue quantified in terms of population, environmental impact assessment and other parameters, issues relating to sustainability, operation and maintenance of assets after completion of projects. The other related issues were also required to be submitted to DoNER/NEC by State Government latest by 30 November every year.

  Audit observed that concept papers were prepared project-wise for each sector and submitted annually to DoNER. The Concept papers were prepared perfunctorily in

15 cases as the important parameters such as problems to be addressed through the project, development objectives, sustainability, operation and maintenance were not incorporated therein.

The Department while accepting that the concept papers in earlier years were not as per the formats issued by DoNER, stated (August 2014) that the process had been improved in the recent year (2013-14).

5.3.7.1 Defective preparation of DPRs

NLCPR guidelines (Para-4.1(v)) envisaged upon the State Government for submission of Detailed Project Reports (DPRs) for all the projects. The DPRs 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 Programme Evaluation and Review Technique (PERT) chart.

The DPRs submitted by the State Government were not accompanied by socio-economic feasibility reports, project implementation and monitoring schedule in 22 (including one DPR not furnished to audit) out of 23 works under execution by the departments. This led to delay in commencement of projects, unauthorised revision of projects and delay in completion of projects as detailed below:

5.3.8 Project preparation

The 22 DPRs (including one DPR not furnished to audit) out of 23 works under execution by the departments were not accompanied by socio-economic feasibility reports, project implementation and monitoring schedule and were also devoid of proper survey and investigation. As a result, six projects could be completed after delay of 33 to 52 months and 17 projects were in progress, of which 14 were behind the date of completion by 3 to 72 months. Out of 14 works in progress behind schedule, one project had not commenced (WSS Central Pandam) and one project was stalled (Water supply project to Makha Bazar). The details are shown in **Appendix 5.3.1**.

A few instances of such cases are given below:

- ***Water supply projects at Central Pandam***

The RMDD initiated a project 'Augmentation of Central Pandam Water Supply scheme' in 2005 for ensuring regular and sustainable supply of potable drinking water for Central Pandam and its adjoining habitations. The Department invited tender (March 2005) for preparation of DPR of the project and awarded (November 2005) the work to M/s Archtech Consultant Pvt. Ltd., a Kolkata based consultancy firm for ₹ 96.50 lakh with stipulation to complete the DPR within nine months (August 2006). The consultant submitted (October 2008) the DPR of the project estimated at ₹ 21 crore and was paid ₹ 30 lakh[1].

The State Government proposed (2008-09) to include the project under NLCPR and submitted (November 2008) the DPR for the project estimation at ₹ 21 crore to DoNER.

[1] *Mobilisation advance (₹ 10 lakh in March 2006 and ₹ 20 lakh in October 2012).*

The project envisaged drawing up water from Ritchu Khola situated along Pakyong Machong road for catering to the requirement of population of 5,434 persons in Central Pandam and its adjoining areas. The DoNER conveyed the financial approval (June 2009) for ₹ 20.50 crore (90:10 Central State sharing basis) with stipulation to complete the project by June 2012 and also released ₹ 6.33 crore for the project.

The RMDD invited (August 2009) tender for the work with estimated cost of ₹ 20.50 crore and awarded (April 2010) the work to the lowest bidder at ₹ 23.13 crore[2] with stipulation to complete within 24 months (March 2012). The revised estimated cost (₹ 23.13 crore) was approved (April 2010) by the State Cabinet. The Department incurred (December 2009) ₹ 3.62 crore towards procurement of GI pipes (7,628 metres) for the project.

Audit observed that the contractor had not commenced the work till January 2011 primarily owing to non-availability of clear site for laying pipelines. In the same month, the Department anticipated drying up of the water source, which was likely to affect adequate availability of water, especially during the lean period, and would not be sufficient to cater to the requirement of the targeted population. This was because of the fact that the WSPHED drew water from same source for another project 'Pakyong Water Supply' in 2010.

To obviate the situation, the Department carried out another survey (January 2011) incurring ₹ 3.90 lakh. Based on the survey, the Department was contemplating to modify the DPR. While the approval to the modified DPR was awaited, the project had not commenced as of June 2014. As a result, residents of Central Pandam and the adjoining areas were deprived of regular and sustainable supply of potable water.

➢ ***Unauthorised revision of Rhenock Water supply project***

The Scheme 'Augmentation of Rhenock Water supply Scheme' was sanctioned (February 2008) by DoNER under NLCPR at an estimated cost of ₹ 16.27 crore with stipulation to complete the work by January 2010. The terms of sanction of DoNER stipulated strict implementation of the project through PERT and CPM. Changes in the scope of work, if any, were to be intimated to Central Public Health and Environmental Engineering Organisation (CPHEEO). The State Cabinet approved (July 2008) the proposal for execution of the project at an estimated cost of ₹ 16.27 crore.

Audit of records revealed that, the project was not completed within the stipulated date (January 2010) owing to failure of the Department to make available suitable land for laying pipelines due to objection from the land owners. The scope of work was revised (January 2010), after two years of sanction of the project, entailing substantial changes. The use of ductile iron pipes and galvanised iron pipes were changed into steel pipes, changes were brought about in the water treatment plant (WTP), reservoir, etc. Though the revised cost was kept within the original sanctioned cost through internal re-adjustment of the items of the work, intimation to CPHEEO and the funding agency

[2] *Civil work (₹ 1,194.86 lakh+22 per cent above ₹ 1,457.73 lakh)+materials (₹ 768.41 lakh)+Miscellaneous expenditure (₹ 46.29 lakh)+Contingency (₹40.19 lakh) = ₹2,312.62 lakh.*

(DoNER) was not sent and their approval was not obtained. CPM and PERT chart was not followed for ensuring effective and efficient project management.

Thus, there was delay in commencement of the project leading to delay in completion of project beyond the scheduled date of completion (January 2010) by four years. Besides the change of scope of work was unauthorised as approval from CPHEEO and DoNER was not obtained. Further, an amount of ₹ 25.72 lakh from the project was diverted and utilised towards overhauling and annual maintenance contract of Selep WTP at Gangtok. This was in contravention to NLCPR guidelines.

The Department informed (August 2014) that the work has since been completed and that the delay was not intentional but was beyond the control of the Department as the land owners were not willing to part with their land for laying of pipelines. The reply was indicative of the fact that availability of land was not ensured before taking up the project. Besides, change in the scope of work was not intimated to funding agency and CPHEEO.

➢ ***Change of Water Source for Dentam Water supply project***

The project 'Augmentation of Dentam Water supply Scheme' in West Sikkim was approved by NEC (January 2010) for ₹ 4.50 crore. The Department could not implement the project due to cost escalation between project conceptualisation (2008) and date of sanction (January 2010) by NEC. To supplement the project, NEC was approached and additional sanction of ₹ 2.13 crore was obtained (March 2011) as Phase –II.

The work was awarded (December 2011) to two agencies (M/s Dentam Women Labour Co-operative Society and M/s Dentam Educated Unemployed Co-operative Society) without inviting any tender on the recommendation of the Dentam Gram Panchayat at an estimated cost of ₹ 15.84 lakh and ₹ 1.30 crore respectively with the stipulation to complete by June 2013.

Audit of records revealed that due to land dispute with private land owners during execution of the project, intake source had to be shifted from Tindobaney khola (originally envisaged in the DPR) to Upper Mangmoo khola, indicating defective survey and deviation from the approved project. The work stipulated to be completed by June 2011 had not been completed till July 2014. As a result, benefits envisaged from the project were not forthcoming.

The Department accepted (August 2014) that the project was delayed due to land dispute and assured that delay would be minimised in future.

➢ ***Water Distribution network at Singtam***

Based on the proposal submitted by the State Government, GOI sanctioned (July 2010) a project 'Water Distribution network at Singtam' at an estimated cost of ₹ 21.05 crore under NLCPR. The Cabinet approved (November 2011) implementation of the project.

According to the approved project four zonal tanks had to be constructed for water reservoir. The Department had to forgo one reservoir tank due to land dispute with Human Resource Development Department, which led to a saving of ₹ 1.43 crore. The entire saving (₹ 1.43 crore) was proposed to be diverted and utilised for repair of water

treatment plant (old Central Water Reservoir (CWR), which was beyond scope of the project.

The Department stated (August 2014) that zonal tank could not be constructed in the absence of availability of suitable land and instead size of other zonal tanks were increased. Besides, there was a proposal for repairing of the old CWR to enhance its storage capacity.

Failure of the Department to arrange for suitable land, as envisaged in the DPR, indicated inadequate survey and investigation and consequent defective preparation of DPR.

➢ ***Less importance to capacity building***

Recognising the problems faced by the State Government in preparation of DPRs, the Ministry of DoNER organised capacity building training courses from time to time for imparting training to officers from various States.

Audit observed that DPERNECAD had not kept details of training programmes conducted by the Ministry, number of officers imparted training during 2009-14, 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 deficient preparation of DPRs and to avail full benefits of project funded by DoNER/NEC.

5.3.9 Financial management

Audit objective-2
Adequate funds were released in a timely manner and utilised for specific purposes.

The NLCPR/NEC funded water supply projects were executed by WSPHED and RMDD for catering to the need of potable water to urban and rural population respectively. The funds released and expenditure thereagainst for the period 2009-14 are given below:

Table 5.3.1

(₹ in lakh)

Year	Opening balance	Fund released by		Total	Expenditure	Closing balance
		GOI	GOS			
NLCPR						
2009-10	-76.31*	1,278.06	71.67	1,273.42	1,072.64	200.78(16)
2010-11	200.78	829.45	29.15	1,059.38	686.62	372.76(35)
2011-12	372.76	757.78	00	1,130.54	1,739.95	- 609.41*
2012-13	- 609.41*	3,474.74	157.80	3023.13	1245.36	1,777.77 (59)
2013-14	1,777.77	00	00	1,777.77	841.09	936.68(53)
NEC						
2009-10	154.81	623.95	73.32	852.08	4,59.91	392.17(46)
2010-11	392.17	84.98	8.52	485.67	176.20	309.47(64)
2011-12	309.47	481.66	33.32	824.45	445.88	378.57(46)
2012-13	378.57	150.00	00	528.57	300.75	227.82(43)
2013-14	227.82	609.29	00	837.11	309.29	527.82(63)

Source: Information furnished by departments and Detailed Appropriation Accounts. The figures in the brackets represent percentage.

* *Reasons for the adverse balances could not be explained by the Department.*

Analysis revealed the following:

5.3.9.1 Short release of funds by State Government

Guidelines and terms of sanction of NEC/NLCPR projects stipulated release of State share (10 *per cent*) by the State Government simultaneously with the release by DoNER. This was however, not complied with by the State Government as seen from the following table:

Table 5.3.2

(₹ in lakh)

Year	Funds released by GOI	Matching Share of the State	Funds released by GOS	Short (-)/ Excess(+) release
NLCPR				
2009-10	1,278.06	142.00	71.67	(-) 70.33
2010-11	829.45	92.16	29.15	(-) 63.01
2011-12	1,477.71	164.19	00	(-) 164.19
2012-13	3,474.74	386.08	157.82	(-) 228.26
2013-14	00	00	00	00
Total	**7,059.96**	**784.43**	**258.64**	**(-) 525.79**
NEC				
2009-10	623.95	69.33	73.32	(+) 3.99
2010-11	84.98	9.44	8.52	(-) 0.92
2011-12	481.66	53.52	33.32	(-) 20.20
2012-13	150.00	16.67	00	(-) 16.67
2013-14	609.29	67.70	00	(-) 67.70
Total	**1,949.88**	**216.66**	**115.16**	**(-) 101.50**

Source: Departmental figure.

It would be noticed from the above table that against the requirement of matching share of ₹ 10.01 crore for the years 2009-10 to 2013-14 (₹ 7.84 crore - NLCPR and ₹ 2.17 crore - NEC), only ₹ 3.74 crore (₹ 2.59 crore - NLCPR and 1.15 crore NEC) were released by the State Government resulting in short release of ₹ 6.27 crore (₹ 5.25 crore - NLCPR and ₹ 1.02 - NEC) by the State Government due to fund constraint in the State plan fund. This was not only in contravention to the guidelines, but also hampered the progress of the works.

5.3.9.2 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 implementing departments 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).

The funds released by the DoNER/NEC are received by the Finance Department, which in turn, released the funds to implementing Department based on requisition received from the implementing departments and recommendations by DPNERCAD. It was observed that DPERNECAD had neither kept proper records indicating actual date of transfer of funds to the implementing departments (WSPHED and RMDD) nor furnished certificate to the DoNER that the funds had been transmitted to the implementing departments within 15 days of receipt of funds as required under the guidelines. This indicated absence of proper supervision over release of funds by the Nodal Department (DPERNECAD).

Examination of records relating to WSPHED revealed that against the GOI release of ₹ 13.76 crore as of March 2014, Finance Revenue, Expenditure Department (FRED) released only ₹ 3 crore, leaving a balance of ₹ 10.76 crore. The Nodal Department and implementing departments had not followed up vigorously with the Finance Department to obtain full funds released by GOI from FRED.

5.3.10 Project implementation

Audit objective-3
Projects were executed efficiently and economically to achieve intended objectives.

Project implementation is one of the most important activities for realising the benefits envisaged from the projects in a timely manner. The terms of sanction also stipulate expeditious completion of projects (usually ranging from 1 year to 3 years), effective monitoring of the execution so as to avoid time and cost overruns, etc. Audit noticed that the implementing departments and the Nodal Department had not ensured effective project implementation leading to delay in tendering process, non-completion of projects, abandonment of work by the contractors, deviation in the scope of works and excess procurement of pipes as indicated below.

The defects such as cost escalation and delay in completion of works, although highlighted in CAG's Audit Report, Government of Sikkim for the year ended 31 March 2008 and 31 March 2010 relating to NLCPR (1999-2008) and NEC (2003-10), continued unabated despite PAC's recommendations (March 2011).

5.3.10.1 Tendering and award of work

NLCPR guidelines (Para 7.1) require the implementing departments 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 the State Governments to implementing agency), after following appropriate tendering process through wide publicity in print media and websites.

Audit of records revealed that the WSPHED and RMDD failed to initiate the tender procedure on time leading to delay in award of works to the contractors. 17 (out of 23) projects were awarded belatedly recording a delay of one to 31 months. Audit of records revealed that the Department was submitting proposals to State Government through DPNERCAD and FRED for according approval to take up the execution of projects and financial sanctions. This was time consuming and led to delayed initiation of projects, which in turn also led to delayed completion of projects and cost escalation due to time overrun reflected in subsequent paragraphs.

5.3.10.2 Delay in execution of works

The status of projects as of April 2009, new projects sanctioned and completed during 2009-14 and projects remaining incomplete as of March 2014 are given below:

Table 5.3.3

Scheme	Projects as on 1st April 2009	Projects sanctioned during 2009-14	Total	Projects completed during 2009-14	Projects incomplete on 31 March 2014
NLCPR	6	7	13	4	9
NEC	6	4	10	2	8

Source: Monthly & Quarterly Progress Reports furnished by the departments.

Water supply projects (23) funded under NEC (10 projects ₹ 38.79 crore) and NLCPR (13 projects ₹ 177.80 crore) involving ₹ 216.60 crore were under implementation by RMDD (NLCPR 4 ₹ 44.64 crore) and WSPHED (NLCPR 9 ₹ 133.16 crore and NEC 10 ₹ 38.79 crore) during 2009-14.

Six projects (out of 23) were completed recording a delay of 33 to 52 months. Out of remaining 17 projects under implementation as of March 2014, 14 projects were behind schedule from stipulated date of completion for 1 to 72 months. The physical progress of projects under implementation ranged between 13 and 98 *per cent* as of March 2014 as detailed in **Appendix 5.3.1.**

Audit noticed that reasons for delays in completion of the projects were non-finalisation of land, non-obtaining of forest clearance and fault on the part of contractors. The implementing departments indicated availability of land in the Detailed Project Reports, but in majority of the cases, land was not available for commencement of the works for the projects. In 6 cases (out of 16) test checked in Audit, land free from encumbrances was not available and disputes affected the progress of the work. Similarly, forest clearance in 8 (out of 16), were not obtained in advance despite the fact that 47.69 *per cent* of geographical area in Sikkim was under forest cover and accordingly, the majority of the water supply projects run through forest areas. In most cases (8 out of 16), the process of obtaining forest clearances was initiated only after the issue of work orders for execution, let alone prior to sanction and approval of the projects from the Ministry. In two cases, delay in execution was exclusively due to fault on the part of contractors.

Both the implementing departments as well as Nodal Department (DPERNECAD) had not initiated suitable steps to complete the projects within scheduled time. Nodal Department neither carried out mid-term review of the projects 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 ₹ 72.78 crore on those projects.

The Department stated (August 2014) that the matter regarding land acquisition was pursued vigorously at the grass root level and with the appropriate authorities. However, unintentional delays, could not be avoided. The reply was not acceptable as it was incumbent upon the Department to ensure availability of land beforehand for implementation of the projects (SPWD Manual Para-4.5).

5.3.10.3 Water Supply Scheme to Jorethang Nagar Panchayat

Government of Sikkim, through WSPHED submitted (August 2009) DPR to DoNER for the project 'Augmentation of Water Supply Scheme to Newly Created Jorethang Nagar

Panchayat' in South Sikkim under NLCPR to cater to a population of 2,967. The DoNER accorded (March 2011) administrative approval for ₹ 9.53 crore for the project with cost sharing of 90 (GOI) and 10 (State Government) *per cent*. Till March 2014, DoNER released ₹ 2.46 crore towards the project. The project constituted nine components, of which civil work component with estimated cost of ₹ 2.92 crore was awarded (July 2013) to the contractor at 25 *per cent* above the estimated cost i.e. ₹ 3.65 crore.

Examination of records revealed that against the GOI's sanction of ₹ 2.58 crore towards 'laying of pipelines', the Department executed work of ₹ 1.45 crore, without any information to the funding agency (DoNER). The action of the Department was against the GOI's guidelines (Para 4.1) which expressly prohibited diversion of funds.

Physical verification by Audit alongwith departmental officers confirmed (July 2014) that the sedimentation tank II and zonal tank had not been constructed; Chowkidar's quarter and filter house, although required, to be constructed separately, were clubbed together; the execution of sedimentation tank I (₹ 8.65 lakh) was enhanced to ₹ 32.41 lakh by internal readjustment without obtaining approval of DoNER.

The Department stated (August 2014) that many things changed at ground level during the execution phase which brought about changes in the estimate. The Department always endeavoured to complete the project successfully within the sanctioned cost. The fact however, remained that the changes were not intimated to funding agency in GOI.

5.3.10.4 Augmentation of Kaluk-Rinchepong Water Supply Scheme

The DoNER sanctioned (February 2004) 'Augmentation of the Kaluk-Rinchepong Water supply project' for ₹ 3.50 crore for catering to the requirement of drinking water to 13,330 people of Kaluk-Rinchenpong for a period of 25 years from the date of completion of the project.

The civil works portion of the project was awarded (March 2005) to three contractors with stipulation to complete within 12 months (February 2006). The project was completed belatedly (January 2010) at an expenditure of ₹ 3.46 crore due to slow pace of work by contractors.

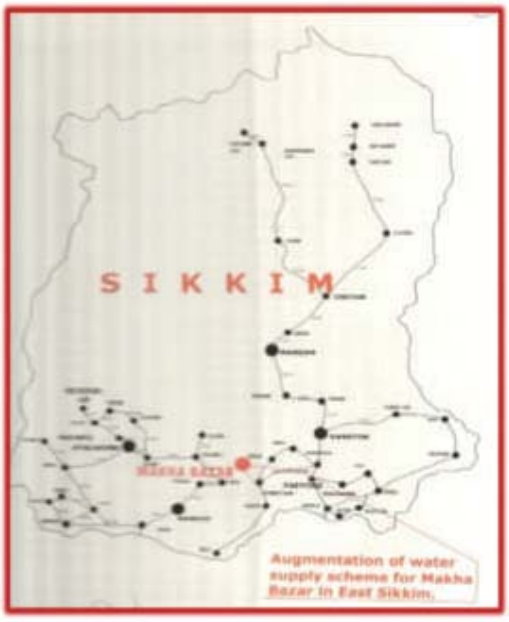
Physical verification of the project by Audit in presence of departmental officers revealed (June 2014) that the project was non-functional in absence of rectification of defects caused due to frequent bursting of pipes in the difficult terrain. The project was not yielding any benefit to the public of Kaluk-Rinchenpong, who were in need of potable water, even after incurring ₹ 3.46 crore towards execution of the project. Besides, project funds of ₹ 50.96 lakh was diverted towards implementation of 'Geyzing Water Supply Project' which had not been recovered as of June 2014.

The Department stated (August 2014) that bursting of pipes occurred due to natural phenomenon in hilly states with young mountain and it was being resolved to make it operational.

The project however was not operational as of September 2014.

5.3.10.5 Makha Bazar Water Supply Scheme.

Map 5.3.1



The work 'Augmentation of Water Supply Project for Makha Bazar', East Sikkim was sanctioned (December 2011) by DoNER for ₹ 4.92 crore. ₹ 3.27 crore was released by DoNER as first (₹ 1.50 crore in December 2011) and second (₹ 1.77 crore in September 2013) instalments. The State Cabinet approved (April 2012) the project for implementation. The Project envisaged providing of 135 litre per capita per day of safe drinking water to 1,796 people of Makha bazar and surrounding areas drawing water from Rangsang khola, a perennial source situated at a distance of 9.10 km.

On the recommendation of Singbel Gram Panchayat, the civil work portion of the project with an estimated cost of ₹ 1.61 crore was awarded (September 2012) to Patuk-Singbel Civil Contractors Co-operative Society, Makha without inviting quotations with stipulation to complete within 24 months (August 2014). Mobilisation advance of ₹ 16.10 lakh was also released to the Co-operative Society. The contractor, after laying 4.5 km of pipelines (out of 9.10 km), between December 2012 and October 2013, stopped the execution of the project. The contractor represented to the Chief Minister (October 2013) and also to the Secretary, WSPHED (February 2014) requesting for cost escalation on the plea that the estimated cost was based on SOR-2006, which was not workable. The revision was not accepted (February 2014) by the Department.

Image 5.3.1



Location at Rangsang Khola for construction of Intake tank

Image 5.3.2



Location at Rangsang Khola for construction of Sedimentation Tank

Joint Physical verification of the project alongwith the departmental officers confirmed (June 2014) that the contractor had not carried out any work as of June 2014 except for laying of 4.5 km of pipelines.

Thus, slackness on the part of the contractor, coupled with the failure of the Department to ensure strict supervision and monitoring of the execution of the project led to stalling of the project and idling of fund of ₹ 3.27 crore released by the DoNER for almost two years, blocking of fund of ₹ 16.10 lakh released to contractor as interest free mobilisation advance and postponement of intended benefits from the project.

The Department stated (August 2014) that the work was monitored on monthly basis through monthly progress report. The contractor executed work wherever land was available. For the remaining stretches, the Department was pursuing with the District Collectorate for finalisation of assessment and acquisition of land to complete the work expeditiously within the sanctioned cost.

The reply is not acceptable as it was the responsibility of the Department to ensure availability of land beforehand for expeditious implementation of the project (SPWD Manual Para-4.5). Besides, the work was stopped by the contractor since October 2013 owing to demand for cost escalation.

5.3.10.6 Water supply Project at Rapdentse, West Sikkim

With a view to augment the supply of water to the rural populace of eight villages[3] of West Sikkim having total population of 12,661 (census 2001), the State Government approved (2003) the project for 'Construction of Water harvesting structure at Rabdentse' at an estimated cost of ₹ 3.26 crore. The work constituted civil works (₹ 2.63 crore), supply of materials and contingency (₹ 63.12 lakh). The Civil work was awarded (February 2004) to the contractor at 15 *per cent* above the estimated cost (₹ 2.63 crore) based on SOR-2002 with stipulation to complete by February 2005. The contractor was paid ₹ 30.25 lakh as mobilisation advance (₹ 14.75 lakh in March 2004 and ₹ 15.50 lakh in September 2004).

The contractor had not commenced the work as of March 2007, primarily owing to non-obtaining of forest clearance. The Department later submitted the project to DoNER for funding under NLCPR and obtained the sanction (July 2007) of the DoNER for ₹ 4.62 crore. The work was awarded (January 2008) to the same contractor without inviting fresh tender at enhanced estimated cost of ₹ 3.70 crore with stipulation to complete by July 2008. The project was physically completed in December 2013 after recording a delay of more than five years from the date of sanction of DoNER.

Audit observed that (i) the project was not entitled for funding under DoNER according to the scheme guidelines (Para-2.3) as it was initially approved for funding under the State Plan;

(ii) The work was awarded to the contractor without quotation in contravention of the SPW Code and the terms of sanction of the DoNER;

(iii) The Department had also released the TDR (₹ 8.50 lakh) before the financial closure of the project and recovered MA of ₹ 15 lakh as against ₹ 30.50 lakh as of June 2014, leading to extension of undue advantage to the contractor.

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[3] *Gyalshing, Singyang, Bhaluthang, Onglop, Omchung, Yangtey, Kyongsha, and Yangthang.*

The RMDD stated (October 2014) that work which was primarily delayed owing to non-receipt of forest clearance, monsoon and construction of bird sanctuary in the same area by Forest Department, had since been physically completed (December 2013). The remaining MA of ₹ 15.50 lakh would be recovered from the contractor while releasing the final bill (₹ 24 lakh) which would be paid after the availability of fund.

5.3.10.7 Injudicious liability towards consultancy fees

WSPHED engaged (December 2009) a consultant (M/s Empire High Tech Solution Pvt. Ltd., Ranipool, East Sikkim) for developing comprehensive Drinking Water Supply System for Namchi and its surrounding areas at 6 *per cent* of the estimated cost of the proposed project. The terms and conditions setting forth upper limit for estimated cost of the proposed DPR, its viability, etc. were not incorporated in the work order.

The consultancy firm submitted (November 2011) the DPR with an estimated cost of ₹ 94.67 crore for the project after carrying out survey and investigation and also submitted a bill for ₹ 5.68 crore of which ₹ 1.75 crore was released (March 2013) and payment for the remaining amount (₹ 3.93 crore) was under process for release. Audit noticed that DoNER approved the project only for ₹ 38.22 crore (out of ₹ 94.67 crore). Thus, payment to the consultant for ₹ 94.67 crore was unwarranted. Had the Department inserted appropriate clause in the work order, it would have saved ₹ 3.39 crore.

5.3.10.8 Abandonment of work by contractor

Augmentation of Gyalshing Water Supply Scheme, estimated at ₹ 7.52 crore, was approved (February 2004) by DoNER. Civil work estimated at ₹ 1.08 crore, was put to tender (October 2004) and awarded (January 2005) to the contractor at 25 *per cent* above the estimated cost with stipulation to complete by August 2006.

Audit noticed that the contractor, after execution of *67 per cent* of the work between January 2005 and December 2007, did not make any progress in the work. Time extension upto March 2008 also was allowed to the contractor. The contractor did neither resume the work despite several reminders, nor intimate reason for non-execution of work. Finally (December 2008), the contract was rescinded and the remaining work (₹ 35.93 lakh) executed departmentally.

Audit scrutiny revealed (June 2014) that the Department had not initiated any penal action against the contractor despite his negligence in completing the project within the stipulated time frame. The penalty for delay in completion amounting to ₹ 10.08 lakh was neither levied nor was the contractor blacklisted.

The Department stated (August 2014) that project complexities are sometimes beyond control and penal action on the contractor would have further delayed the project. The Department therefore, thought it to be prudent to complete the work with available resources and assured that such incidents would be avoided in future.

5.3.10.9 Realignment and strengthening of existing pipelines at Pakyong

The Project 'Construction of Water Supply Scheme in Pakyong, East Sikkim' was sanctioned at an estimated cost of ₹ 9.83 crore by DoNER under NLCPR in December

2010. The Civil portion of work was awarded (March 2012) to the contractor for ₹ 5.62 crore with stipulation to complete by February 2014. As of March 2014, physical progress of the work stood at 66 *per cent* incurring ₹ 6.41 core. According to the sanctioned approval by DoNER, the execution of project *inter alia* constituted realignment and strengthening of existing pipelines (₹ 62.45 lakh). During joint physical verification (June 2014) of project with Departmental officers, it was found that this particular item of work had not been carried out.

The Department stated (August 2014) that the realignment work would be taken up as per the requirement while laying the new pipelines at the stretches wherever required.

5.3.10.10 Metering system at Melli Water Supply Scheme

The work 'Augmentation of Melli Water Supply Scheme in South Sikkim' with an estimated cost of ₹ 8.72 crore was sanctioned (July 2011) by DoNER under NLCPR. The project *inter alia* envisaged installation of metering system at ₹ 66.68 lakh.

Scrutiny revealed that civil work (₹ 2.44 crore) was awarded (June 2012) to the contractor with stipulation to complete by December 2013 and a portion of civil work (₹ 71.33 lakh) was executed departmentally. As of June 2014, the Department had not initiated any action towards installation of metering system despite the fact that entire available fund was spent towards other components of the same work.

The Department stated (August 2014) that the metering would be done after completion of the project. However, the fact remains that available fund was spent on other works indicating that metering was not accorded due importance.

5.3.10.11 Excess procurement of pipes

The work 'Water Supply Scheme from Chakmakey and Ringyang' in West Sikkim was approved and sanctioned by the State Government (June 2003) at an estimated cost of ₹ 6.64 crore. The work was put to tender (November 2003) and awarded (March 2004) to a contractor at 30 *per cent* above the estimated cost with stipulation to complete by August 2005.

The contractor however, did not complete the work within the stipulated time primarily in the absence of forest clearance and the project was later converted (April 2008) for funding under NLCPR with revised estimated cost of ₹ 12.41 crore after incorporation of additional quantities, such as, new distribution lines, reservoirs, sedimentation and filtering tanks and allied works. The work was completed in August 2009 at an expenditure of ₹ 12.25 crore.

Audit of records revealed that against the total procurement of 19,860 mtr of 150 mm GI pipes (₹ 2.04 crore) for the project, 15,843 mtr GI pipes was utilised, leaving 4,026 mtr GI pipes (₹ 0.59 crore) unutilised, which indicated procurement of pipes without proper assessment.

5.3.11 Quality control

Quality control of potable water as well as the project execution was important to ensure reaping of timely and appropriate benefits from the projects. The position is reflected below:

5.3.11.1 Quality control in the supply of portable water

Drinking water regardless of its origin must be treated and tested to ensure its safety. World Health Organisation guidelines issued for drinking water quality also stressed upon supply of safe and quality water to the communities for protection of human health and well-being.

The implementing departments (WSPHED and RMDD) had not attached due importance to the quality aspect of the drinking water except one at Selep Water Treatment Plant, Gangtok, manned by only one Chemist Officer for assessing the quality of water. Non-testing of water and non- installation of water treatment plant is fraught with the risk of exposing the public of the area to health hazards.

5.3.11.2 Quality control in execution of civil works

In response to the CAG's Audit Report on Government of Sikkim for the year ended March 2008, the WSPHED had assured the Public Accounts Committee (PAC) for establishment of material testing laboratory at Adampool during 11th Plan period. The PAC, in turn, recommended (75th Report of February 2009) for establishment of material testing laboratory at the earliest. Audit noticed that the material testing laboratory was not established as of July 2014 despite PAC's recommendation and Department's assurance.

The Department stated (August 2014) that establishment of material testing laboratory was the priority of the Department and would be taken up once adequate budgetary support was available.

5.3.12 Monitoring and evaluation

Audit objective-4
Mechanism for adequate and effective monitoring and evaluation of projects.

The Nodal Department (DPERNECAD) and implementing departments 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, did not possess information about the release of funds by DoNER and NEC through FRED to the project implementing departments and expenditure incurred against it.

➢ ***Submission of returns***

The NLCPR guidelines (Para 8.1) stipulated submission of project-wise progress of implementation on a quarterly basis so as to reach DoNER within three weeks of the end of the quarter under report. In case of NEC projects, quarterly progress reports (QPR) and utilisation certificates (UC) were to reach NEC Secretariat, Shillong by 15th of next month following the end of quarter. However, it was seen in audit that implementing departments failed to submit the QPRs and UCs 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 QPR by the DPERNECAD in case of NLCPR projects ranged between 3 and 39 days and in case of NEC projects, delay ranged between 6 and 80 days.

➢ ***Field inspection***

The NLCPR guidelines (Para 8.6) stipulated that the monitoring and evaluation of implementation of the project shall also be undertaken through field inspections by officers of the Ministry of DoNER, as well as through impact studies, social audits and evaluations conducted by the Government or through independent agencies at the request of DoNER. However, only one inspection was conducted during the entire period of 2009-14.

➢ ***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 2009-14. Thus, the monitoring by Nodal Department was lax.

5.3.13 Transparency and publicity of information

NLCPR guidelines (Para-10) require the implementing departments to ensure that the information about developmental schemes 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 WSPHED, RMDD and DPERNECAD as evidenced from the following:

➢ ***Wide publication not done***

Sikkim Financial Rules and SPW Code and Manual stipulated for wide publication through advertisement in local and national newspapers, at least one month before the date for submission of bids.

Test check revealed that the departments had not given wide publicity through advertisement in national newspapers in respect of any of the projects checked by audit. The advertisements were restricted to one or two local newspapers. Non-publication of

notice inviting tender (NIT) in national newspapers deprived the Government from availing the benefit of fair and competitive bids.

➢ ***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 departments in any of the projects except at 'Water Treatment Plant at Singtam'.

Similarly, permanent display at the site indicating funding agency, date of commencement/completion, cost involved and name of the contractor for identification of the projects were not seen in any of the 7 cases[4] physically verified (June 2014) by Audit alongwith departmental Officers.

5.3.14 Impact studies

Audit objective-5
Analysis of impact of the scheme at various levels.

No impact study about the status of implementation had been carried out by any agency. The deficiency regarding convening of meetings at Chief Secretary level was pointed out in Audit Report (2008). However, no improvement was brought about. During 2009-14, quarterly meetings headed by the Chief Secretary, as stipulated in the scheme guidelines (Para 8.2) were not convened even once.

The Ministry on its part had also never deputed a representative from the Ministry for attending the quarterly review meetings of the State during 2009-14 despite stipulation in the guidelines. Thus, the spirit of the quarterly meetings to review the progress of implementation was not achieved. Timely review of the implementation status would have helped the implementing departments to improve the execution lacunae as pointed out in the preceding paragraphs.

5.3.15 Conclusion

The funding from NLCPR and NEC for water supply projects had helped in construction of a number of infrastructural projects in the State for making available potable water to the public. Performance Audit of implementation of projects over a five year period (2009-14) revealed that out of a total of 23 projects, only 6 (26 per cent) projects were completed and 17 (74 per cent) were under construction. The physical progress of incomplete projects ranged between 13 and 98 per cent till March 2014. The completed projects (6) also recorded a delay in completion ranging between 33 and 52 beyond the scheduled date of completion. Similarly, out of total funds of ₹ 86.64 crore released during 2009-14, ₹ 72.78 crore was incurred during the period as of March 2014. Out of

4 *(i) Namchi WSS; (ii) Jorethang WSS; (iii) Melli WSS; (iv) Pakyong WSS;(v) Rhenock WSS; (vi) Singtam WSS; (vii) Feeder Selep.*

₹ 72.78 crore spent, irregular diversion of ₹ 0.77 crore and undue benefits to contractors amounting to ₹ 0.38 crore were noticed in Audit. The closing balances, 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.

5.3.16 Recommendations

The following recommendations are made:

- The land should invariably be arranged by the departments before finalisation of DPRs.
- Quality control mechanism should be strengthened to ensure availability of potable water and proper execution of works.
- Schedule of inspections should be drawn up and carried out.

FINANCE, REVENUE AND EXPENDITURE DEPARTMENT

5.4 Non-recovery of forfeited travelling allowance advances

Non adherence to codal provisions by Drawing and Disbursing Officers resulted in non-recovery of forfeited travelling allowance advances of ₹ 1.25 crore.

According to Rule 216 of Sikkim Financial Rules (SFR), the travelling allowance advances granted shall be adjusted immediately on the completion of the tour or by 31st March, whichever is earlier and the right of the Government servant to travelling allowance and daily allowances shall be forfeited or deemed to have been relinquished if the claim is not preferred within one year from the date on which the journey is completed. The advance so granted shall be recovered from his pay or any other dues in one instalment by the authority competent to sanction such advance.

Scrutiny of advance register(s) and other related records of 29 Departments revealed (June 2014) that travelling allowance advances aggregating ₹ 1.25 crore drawn and disbursed to various officers/officials during 1980-81 to 2012-13 remained to be adjusted/recovered as detailed at **Appendix 5.4.1.** It can be seen from the Appendix that Sikkim Legislative Assembly (₹ 73.92 lakh), Home Department (₹ 10.57 lakh) and Health Care, Human Service and Family Welfare Department (₹ 7.72 lakh) had the highest incidence of non-adjustment/non-recovery. As per extant rules, these amounts should have been forfeited and recovered as these amounts pertain to periods over one year. The age-wise analysis of pendency was as under:

Table 5.3.1

Sl. No.	Pendency (year of drawal)	Travelling allowance advances (₹)
A	More than one year and up to two years (2011-12 to 2012-13)	48,94,896
B	More than two years and up to five years (2009-10 to 2010-2011)	23,85,890
C	More than five years and up to ten years (2004-05 to 2008-09)	24,22,603
D	More than ten years (upto 2003-2004)	27,70,291
Grand total		**1,24,73,680**

The reason for non-adjustment/non-recovery after the due dates was not on record. Thus, non-discharging of the responsibility on the part of Drawing and Disbursing Officers led to non-adjustment/non-recovery of advances pending as far back as 1980-81. Further, the right of the Government servant to travelling advances and daily allowances stood forfeited in the above cases as the claims were not preferred within the stipulated period. While the advances so granted should have been recovered from their pay or any other dues in one instalment by the authority competent to sanction such advances, the same had not been effected as of July 2014.

The matter was referred to the concerned Departments (May 2014); their reply had not been received (October 2014).

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 October 2014, in more than 90 *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 2011-12. In respect of Audit Report for the year 2012-13, explanatory notes had not been submitted by concerned departments in 62 *per cent* case.

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

Finance Revenue and Expenditure Department 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 October 2014, out of 598 recommendations of the PAC, made between 1990-91 and 2008-09, ATNs in respect of 21 recommendations had not been submitted by 5[1] departments pertaining to Audit Report 2008-09.

6.3 Monitoring

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

[1] *Energy and Power; Roads and Bridges; Food Security and Agriculture Development; Finance, Revenue and Expenditure and Horticulture and Cash Crop Development.*

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 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, Human Resource Development Department approached the Office of the Accountant General (Audit) to settle outstanding paragraphs and IRs during 2011-12. However, during 2012-13 and 2013-14, not a single Department approached to settle outstanding paragraphs and IRs.

6.4 Outstanding Inspection Reports

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

The position of outstanding IRs pertaining to Civil (Expenditure audit including that of Works, Forest and Autonomous Bodies), Revenue (Audit of Revenue departments) and Commercial (Audit of Public Sector Undertakings) audit as of March 2014 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 2009-10	583	1081	69	156	21	37
2010-11	119	338	8	22	5	11
2001-12	56	177	7	31	11	26
2012-13	58	249	7	23	6	23
2013-14	139	634	3	15	11	49
Total	**955**	**2,479**	**94**	**247**	**54**	**146**

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

6.5 Departmental Audit Committee Meetings

During 2013-14, 15 Audit Committee Meetings were held, wherein 162 IRs and 555 paragraphs were discussed out of which 113 IRs and 388 paragraphs were settled as detailed below:

Table 6.2

Sector	No. of meetings held	Discussed		Settled	
		IR	Para	IR	Para
Civil (*including Works, Forest and Autonomous Bodies*)	10	99	377	66	263
Revenue	2	49	92	43	81
Commercial	3	14	86	4	44
Total	**15**	**162**	**555**	**113**	**388**

Gangtok **(Vanlal Chhuanga)**
The **Accountant General (Audit), Sikkim**

Countersigned

New Delhi **(Shashi Kant Sharma)**
The **Comptroller and Auditor General of India**

Appendices

Appendix 1.2.1
Audit conducted during 2013-14 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	2013-14
Human Resource Development Department	87.64	132.41	247.95	231.95	188.25
Food, Civil Supplies and Consumers' Affairs Department	-	0.76	0.79	4.06	280.43
Health Care, Human Services and Family Welfare Department	-	-	-	24.24	38.48
Labour department	-	-	1.12	0.86	-
Social Justice, Empowerment and Welfare Department	-	-	-	66.50	-
Cultural Affairs and Heritage Department	-	-	26.54	35.01	90.51
Ecclesiastical Affairs Department	-	-	-	17.36	-

Appendix 1.3.1
The details of ICT scheme (Phase I)
(*Reference: Paragraph 1.3.2; Page 3*)

District	Total No. of Schools	Sr. Sec. School (CLASS & ICT @ Schools)	Sr. Sec. School Category I (ICT @ Schools)	Sec. School Category I (ICT @ Schools)	Sec. School Category II (ICT @ Schools)
East	49	14	5	17	12
West	33	6	5	10	13
North	14	2	1	3	8
South	38	7	2	9	20
Total	**134**	**29***	**13**	**39**	**53**

* *The schools covered under CLASS (Computer Literacy and Studies in School) scheme implemented from 2002-05. (Referred as 29 old Schools in the subsequent paras).*
Category I Schools *with enrolment of 150 and above, was to be provided with 12 computers.*
Category II Schools *with enrolment below 150 was to be provided with 8 computers.*

Appendix 1.3.2
Details of computer instructors
(*Reference: Paragraph 1.3.6; Page 7*)

Type of School	Category of Instructor	Basic minimum qualification	Prescribed remuneration per month (in ₹)	No of teachers
Senior Secondary School	Senior Instructor	BE (Computer Science/IT) or B.Sc with one year PG Diploma/Certificate in Computer application or BCA.	8,500	42
	Junior Instructor	Graduate with one year Diploma/ Certificate in Computer application.	6,500	42
Secondary School	Instructor	BE (Computer Science/IT) or B.Sc with one year PG Diploma/Certificate in Computer application or BCA.	7,500	92

Senior Secondary Schools was to be provided with two teachers and Secondary Schools was to be provided with one teacher. Total number of Senior Secondary Schools were 42 and Total number of Secondary Schools were 92. Therefore, total teachers = 42+42+ 92 = 176.

Appendix 1.3.3 (a)

Analysis of Short payment to Computer Instructors up-to April 2009

(*Reference: Paragraph 1.3.6; Page 7*)

Upto April 2009						
Category of Teacher (a)	**No of teacher (b)**	**Salary (c) *(in ₹)***	**Salary after deducting 12 EPF (d) *(in ₹)***	**Amount paid by the firm (e) *(in ₹)***	**Short amount per teacher(f) *(in ₹)***	**Total of short amount. (g) = (b) × (f). *(in ₹)***
Sr. Instructor	42	8,500	7,480	6,605	875	36,750
Instructor	92	7,500	6,600	5,800	800	73,600
Jr. Instructor	42	6,500	5,720	5,020	700	29,400
Total						**1,39,750**

Appendix 1.3.3 (b)

Analysis of Short payment to Computer Instructors from May 2009

(*Reference: Paragraph 1.3.6; Page 7*)

From May 2009						
Category of Teacher (a)	**No of teacher (b)**	**Salary (c) *(in ₹)***	**Salary after deducting 12 EPF (d) *(in ₹)***	**Amount paid by the firm (e) *(in ₹)***	**Short amount per teacher (f) *(in ₹)***	**Total of short amount. (g) = (b) × (f) *(in ₹)***
Sr. Instructor	42	8,500	7,480	5,000	2,480	1,04,160
Instructor	92	7,500	6,600	5,000	1,600	1,47,200
Jr. Instructor	42	6,500	5,720	5,000	720	30,240
Total						**2,82,600**

Appendix 1.3.4 (a)

Details of the Bids quoted by the firm for 105 Schools

(*Reference: Paragraph 1.3.8.3 and 1.3.8.5; Page 11 and 12*)

Category of Schools	**No of Schools**	**Accepted rate quoted by the firm (@ per school per month) (in ₹)**	**Amount per month for number of Schools in 2nd column (in ₹)**	**Total amount for the contract period of 40 months (in ₹)**
New SS.Schools	13	25,360	3,29,680	1,31,87,200
New S.Schools (Category I)	39	17,485	6,81,915	2,72,76,600
New S.Schools (Category II)	53	14,550	7,71,150	3,08,46,000
Total	**105**	**Total**		**7,13,09,800**

For purchase of computer and its accessories the percentage of amount worked out by GOI was 43.17 per cent of the total cost approved (for each schools ₹ 9.38 lakh was provided out of which ₹ 4.05 lakh was for computer and its accessories). Therefore for ₹ 7,13,09,800 the proportionate amount for computers and its accessories would be ₹3,07,84,441 (₹3.08 crore)

Appendix 1.3.4 (b)

Details working of penalty to be imposed on supply of substandard computer supplied by the firm

(*Reference: Paragraph 1.3.8.3; Page 11*)

Particulars	Amount in ₹
The reduced amount for equipment after including 29 schools was: (a)	3,07,84,441[@]
Overall average cost of equipment per schools: (b) = (a)/105	2,93,185
Overall average cost of equipment per schools actually provided: (c)[#]	2,11,292
Cost difference per school: (d) = (b) – (c)	81,893
Cost difference per each computer: (e) = (d)/10[*]	8,189
Average cost of computer provided by the firm (f)[#]	14,815.7
Cost of computer that could have been provided: (g) = (e) + (f) – (g)	23,005
The penalty amount (equivalent to the cost difference)	8,189

@ *Refer Appendix 1.3.4 (a).*
\# *As per the Bill submitted by the firm.*
* *Keeping the price of other equipment constant (considering that the same other accessories supplied by the firm was to be purchased).*
Total of 1,048 computers were supplied therefore total amount of penalty @ ₹8,189 = ₹85,82,072.

Appendix 1.3.5

Analysis of cost of computer that could have been provided if 29 Schools were not included in the scheme

(*Reference: Paragraph 1.3.8.5; Page 12*)

Particulars	Amount (in ₹)
Total cost of computer and other equipment per schools for 105 schools @ ₹ 4,00,500 per schools (as per guidelines):	4,20,52,500
Total cost of computers and other equipment actually provided:	2,21,85,700
Total cost of 1,048 computers provided:	1,55,26,850
Total cost of equipment other than computers:	66,58,850
If the quality and price of other equipment is kept same, the total cost of 1048 computers that would have been:	3,58,66,150
Average cost of computer that could have been provided:	34,223.43

Appendix 2.2.1

Audit conducted during 2013-14 under Economic Sector

(*Reference: Paragraph 2.2; Page 19*)

(₹ *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	2013-14
Food Security and Agriculture Department	3.06	2.87	12.29	75.47	-
Co-operation Department	-	-	-	6.50	-
Animal husbandry, Livestock, Fisheries and Veterinary services Department	2.62	4.65	18.12	32.62	13.86
Forest, Environment and Wildlife Management Department	9.13	19.55	25.77	30.03	-
Commerce and Industries Department	-	-	1.87	4.16	2.05
Horticulture and Cash Crop Development Department	-	1.80	22.35	23.42	-
Mines, Minerals and Geology Department	-	-	-	-	-
Tourism and Civil Aviation Department	-	-	-	-	-
Transport Department	-	-	2.47	38.81	-
Roads and Bridges Department	-	-	104.96	255.31	178.05
Building and Housing Department	-	-	-	12.05	14.81
Irrigation and Flood Control Department	-	-	2.50	15.34	66.45
Water Security and Public Health Engineering Department	-	-	-	46.66	-
Urban Development & Housing Department	-	1.39	89.21	79.20	-
Energy and Power Department	3.27	7.50	5.03	83.03	-
Rural Management and Development Department	-	-	188.94	245.09	422.61

Appendix 2.3.1

Statement showing the details of pendency of Utilisation Certificate (UC) to be furnished by various NGOs and Agencies to Department

(Reference: Paragraph 2.3.10.4; Page 40)

(₹ in lakh)

Sl. No.	Year	No. of UC	Amount involved
1	2009-10	1	3.00
2	2010-11	1	5.00
3	2012-13	10	305.80
4	2013-14	3	225.15
	Total		**538.95**

Pendency of UCs to be furnished to GOI by Department

(₹ in lakh)

Sl. No	Year	No. of UC	Amount involved
1	2009-10	13	104.53
2	2010-11	9	377.55
	Total		**482.08**

Appendix 2.3.2

Statement showing the short realisation of Interest on Mobilisation Advance given to the various Contractors

(Reference: Paragraph 2.3.10.6; Page 41)

Sl. No.	Name of the work	Name of the Contractor	Total value of the work	Date of sanction of Mob. Advance	Amount of Mob. Adv.	No. of days	Interest due	Interest realised	Short realised
1	Construction of Food Craft Institute, South	Shri Ait Bir Rai	3,07,40,800	26.07.11	46,11,120	26.7 to 12.9.12 = 415 days	5,24,278	97,255	4,27,023
						13.9.12 to 30.8.13 = 352 days	3,62,198	0	3,62,198
2	Const. of way side amenity in West	Shri B K Chettri	1,25,00,000	06.03.12	18,75,000	6.3.12 to 25.9.13 = 568 days	1,45,890	1,36,901	8,989
3	Design Fabrication of Tenzing	Shri S Agarwal	3,22,42,893	11.10.12	48,36,434	11.10.12 to 25.3.13 = 166 days	1,09,979	29,169	80,810
4	Construction of tourist spot at Namchi River	Shri B Pradhan	3,60,71,000	30.09.11	54,10,000	30.9.11 to 5.10.12 = 372 days	5,51,375	31,250	5,20,125
						6.10.12 to 5.10.13 = 365 days	4,79,676	4,79,676	0
5	Development of Gangtok	Shri B Agarwal	8,32,36,763	12.10.10	1,24,85,515	12.10.10 to 11.3.2012 = 151 days	5,16,524	71,907	4,44,617
						12.10.10 to 30.9.11 = 203 days (354-151)	5,97,780	1,10,245	4,87,535
						12.10.10 to 14.3.12 = 166 days (520-354)	4,37,088	2,96,729	1,40,359
						12.10.10 to 15.9.12 = 185 days (705-520)	3,81,549	2,53,347	1,28,202
						16.9.12 to 23.3.13 = 192 days	2,57,992	1,28,996	1,28,996
6	Development of water Garden at Lower Martam	Shri D L Tamang	67,61,739	13.03.11	10,14,000	23.3.11 to 17.9.11 = 179 days	24,864	10,189	14,675
						23.3.11 to 14.3.12 = 179 days (358-179)	14,675	2,072	12,603
						23.3.11 to 15.6.12 = 93 (451-358)	2,241	10,870	-8629
	Total						**44,06,109**	**16,58,606**	**27,47,503**

Appendix 3.1.1

Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2014 in respect of Government Companies and Statutory Corporations

(Reference: Paragraph 3.1.5; Page 56)

(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 2013-14				Debt equity ratio for 2013-14(Previous year)	Manpower (No. of employees) (as on 31.03.2013)
				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)	AHVS	Mar-91	0.89	0.43	0	1.32	0	0	0	0	-	4
2	Sikkim Hatcheries Limited (SHL)**	AHVS	Aug-94	0.46	0	0	0.46	0	0	0	0	-	8
Sector wise total				**1.35**	**0.43**	**0**	**1.78**	**0**	**0**	**0**	**0**	-	**12**
FINANCE													
3	Schedule Castes, Schedule Tribes and Other Backward Classes Development Corporation Limited (SABCCO)	WELFARE	Apr-96	9.3	9.01	0	18.31	0	0	24.39	24.39	1.33:1 (2.22:1)	22
Sector wise total				9.3	**9.01**	**0**	**18.31**	**0**	**0**	**24.39**	**24.39**	-	**22**
INFRASTRUCTURE													
4	Sikkim Industrial Development and Investment Corporation Limited (SIDICO)	INDUSTRIES	Mar-77	10.77	0	6.37	17.14	2.03	0	146.6	148.63	8.67:1(8.46:1)	37
Sector wise total				**10.77**	**0**	**6.37**	**17.14**	**2.03**	**0**	**146.6**	**148.63**	-	**37**
POWER													
5	Sikkim Power Development Corporation (SPDC)	POWER	Dec-98	10.35	0	9.95	**20.30**	0	0	100.8	100.8	4.97:1 (5.06:1)	75
Sector wise total				**10.35**	**0**	**9.95**	**20.30**	**0**	**0**	**100.8**	**100.8**	-	**75**
SERVICE													
6	Sikkim Tourism Development Corporation (STDC)	TOURISM	Feb-98	**6.46**	0	0	**6.46**	0	0	**0.06**	**0.06**	0.01:1(0.02:1)	61
Sector wise total				**6.46**	**0**	**0**	**6.46**	**0**	**0**	**0.06**	**0.06**	-	**61**
Total A (All sector wise working Government Companies)				**38.23**	**9.44**	**16.32**	**63.99**	**2.03**	**0.00**	**271.85**	**273.88**	-	**207**
B. Working Statutory Corporations													

FINANCE													
7	State Bank of Sikkim (SBS)	FINANCE	Jun-68	0.58	0	0	0.58	0	0	0	0	-	330
Sector wise total				**0.58**	**0**	**0**	**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	-	96
Sector wise total				**1.61**	**0**	**0**	**1.61**	**0**	**0**	**0**	**0**	-	**96**
Total B (All sector wise working Statutory Corporations)				**2.19**	**0**	**0**	**2.19**	**0**	**0**	**0**	**0**	-	**426**
Grand Total (A + B)				**40.42**	**9.44**	**16.32**	**66.18**	**2.03**	**0**	**271.85**	**273.88**	-	**633**
C. Non-working Government Companies													
AGRICULTURE & ALLIED													
9	Sikkim Livestock Processing and Development Corporation (SLPDC)	AHVS	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 (A + B + C + D)				**91.97**	**16.17**	**17.10**	**125.24**	**2.03**	**0.00**	**271.86**	**273.89**	**2.186921111**	**645.00**

* *Loans outstanding at the close of 2013-14 represent long-term loans only.*

** *Subscription money of ₹0.44 crore was received by SHL 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*

(*Reference: Paragraph 3.1.14 and 3.1.15; Page 59 and 60*)

(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	SPDCL	2008-09	2009-10	-0.07	0.00	0.01	-0.08	0	0	0	-0.73	0.14	-0.08	-
2	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**	**0.48**	-0.22	-
FINANCE														
3	SABCCO	2011-12	2013-14	-2.29	1.04	0.03	-3.36	2.20	0	12.81	-11.34	36.41	-2.32	-
Sector wise total				**-2.29**	**1.04**	**0.03**	**-3.36**	**2.20**	**0**	**12.81**	**-11.34**	**36.31**	**-2.32**	-
INFRASTRUCTURE														
4	SIDICO	2012-13	2013-14	17.96	15.12	0.04	**2.80**	19.29	0	17.14	4.14	182.55	17.92	9.82
Sector wise total				**17.96**	**15.12**	**0.04**	**2.80**	**19.29**	**0.00**	**17.14**	**4.14**	**182.55**	**17.92**	**9.82**
POWER														
5	SPDC	2012-13	2013-14	3.87	4.36	5.56	-6.05	1.19	-1.38	20.30	-28.86	140.99	-5.79	
Sector wise total				**3.87**	**4.36**	**5.56**	-6.05	**1.19**	**-1.38**	**20.30**	**-28.86**	**140.99**	**-5.79**	
SERVICE														
6	STDC	2012-13	2013-14	0.33	0.02	0.27	0.04	2.21	-0.02	6.46	0.03	4.69	0.06	1.28
Sector wise total				**0.33**	**0.02**	**0.27**	0.04	**2.21**	**-0.02**	**6.46**	**0.03**	**4.69**	**0.06**	**1.28**
Total A (All sector wise working Government Companies)				**19.70**	**20.54**	**5.95**	**-6.79**	**25.87**	**-1.40**	**57.17**	**-38.43**	**365.02**	**9.65**	2.64
B. Working Statutory Corporations														
FINANCE														
7	SBS	2010-11	2013-14	-63.22	69.58	0.69	-7.05	74.15		0.58	-13.32	1290.44	62.53	4.85
Sector wise total				**-63.22**	**69.58**	**0.69**	**-7.05**	**74.15**	**0**	**0.58**	**-13.32**	**1290.44**	**62.53**	-
SERVICE														
8	STCS	2010-11	2013-14	0.99	0.03	0.11	0.85	47.53		1.61	7.73	9.34	0.85	9.10
Sector wise total				**0.99**	**0.03**	**0.11**	**0.85**	**47.53**	**0.00**	**1.61**	**7.73**	**9.34**	**0.85**	**9.10**

Total B (All sector wise working Statutory Corporations)				**-62.23**	**69.61**	**0.80**	**-6.20**	**121.68**	**0.00**	**2.19**	**-5.59**	**1299.78**	**63.38**	
Grand Total (A + B)				**-42.53**	**90.15**	**6.75**	**-12.99**	**147.55**	**-1.40**	**59.36**	**-44.02**	**1664.80**	**73.03**	4.39
C. Non-working Government Companies														
AGRICULTURE & ALLIED														
9	SLPDC	2012-13	2013-14	-0.02	0	0.03	-0.01	0.05	0	0.69	-1.02	0.05	-0.01	-
10	SFML	1994-95	1995	0	0	0	0	0	0	0.60	-0.13	2.44	0	-
Sector wise total				**-0.02**	**0**	**0.03**	**-0.01**	**0.05**	**0**	**1.29**	**-1.15**	**2.49**	**-0.01**	
SERVICES														
11	CWAL	1994-95	1997	-0.10	0	0.04	-0.14	0	0	0	-0.02	0.3	-0.14	-
Sector wise total				**-0.10**	**0**	**0.04**	**-0.14**	**0**	**0**	**0**	**-0.02**	**0.3**	**-0.14**	-
MANUFACTURING														
12	SJL	2012-13	2013-14	-1.09	0	0	-1.09	0	0	15.25	-15.89	0.06	-	-
13	SITCO	2012-13	2013-14	-2.23	0	0	-2.23	0	0	23.49	-21.42	2.8	-	-
14	SPIL	2012-13	2013-14	-0.64	0	0	-0.64	0	0	4.39	-3.53	0.86	-	-
Sector wise total				**-3.96**	**0.00**	**0.00**	**-3.96**	**0.00**	**0.00**	**43.13**	**-40.84**	-	-	-
Total C (All sector wise non-working Government Companies)				**-4.08**	**0.00**	**0.07**	**-4.11**	**0.05**	**0.00**	**44.42**	**-42.01**	**2.79**	**-0.15**	-
D. Non-working Statutory Corporations														
MANUFACTURING														
15	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 (A+B+C+D)				**-46.61**	**90.15**	**6.82**	**-17.10**	**147.60**	**-1.40**	**116.28**	**-97.91**	**1672.85**	**72.88**	**4.36**

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 profit and interest charged to profit and loss account.*

** *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 2014

(Reference: Paragraph 3.1.9; Page 58)

(*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 AND ALLIED													
1	SPDCL	0	0.00	0.00	0.18	0.00	0.18	0	0	0	0	0	0.00
2	SHL	0	0.00	0.00	0.00	0.00	0.00	0	0	0	0	0	0.00
Sector wise total		**0.00**	**0.00**	**0.00**	**0.18**	**0.00**	**0.18**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
FINANCE													
3	SABCCO	2.50	0.75	0	0	0	0	0	24.39	0	0	0	0
Sector wise total		**2.50**	**0.75**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**24.39**	**0.00**	**0.00**	**0.00**	**0.00**
INFRASTURCTURE													
4	SIDICO	0	0.00	0.00	0	0	0.00	131.70	96.57	0.00	0.00	0	0
Sector wise total		**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**131.70**	**96.57**	**0.00**	**0.00**	**0.00**	**0.00**
POWER													
5	SPDC	0	0.00	0	0	0	0.00	0	0	0	0	0	0
Sector wise total		**0**	**0.00**	**0.00**	**0**	**0**	**0.00**	**0**	**0**	**0**	**0**	**0**	**0**
SERVICE													
6	STDC	0	0	0	0	0	0	0.06	0	0	0	0	0
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**0.06**	**0**	**0**	**0**	**0**	**0**
Total A (All sector wise working Government Companies)		**2.50**	**0.75**	**0.00**	**0.18**	**0.00**	**0.18**	**131.76**	**120.96**	**0.00**	**0.00**	**0.00**	**0.00**
B. Working Statutory Corporations													

FINANCE													
7	SBS	0	0	0	0	0	0	0	0	0	0	**0**	0
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
SERVICE													
8	STCS	0	0	0	0	0	0	0	0	0	0	0	0
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total B (All sector wise working Statutory Corporations)		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Grand Total (A + B)		**2.50**	**0.75**	**0.00**	**0.18**	**0.00**	**0.18**	**131.76**	**120.96**	**0.00**	**0.00**	**0.00**	**0.00**
C. Non-working Government Companies													
AGRICULTURE AND ALLIED													
9	SLPDC	0	0	0	0	0	0	0	0	0	0	0	0
10	SFML	0	0	0	0	0	0	0	0	0	0	0	0
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
SERVICES													
11	CWAL	0	0	0	0	0	0	0	0	0	0	0	0
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
MANUFACTURING													
12	SJL	0.00	0	0	0	0	0	0	0	0	0	0	0
13	SITCO	0.00	0.00	0	0	0	0	0	0	0	0	0	0
14	SPIL	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	SMC	0	0	0	0	0	0	0	0	0	0	0	0
Sector wise total		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total D (All sector wise non-working Statutory Corporations)		**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Grand Total (A+B+C+D)		**2.50**	**0.75**	**0.00**	**0.18**	**0**	**0.18**	**131.76**	**120.96**	**0.00**	**0.00**	**0.00**	**0.00**

@ *Figures indicate total guarantees outstanding at the end of the year.*

Appendix 3.1.4

Statement showing financial position of Statutory Corporations

(*Reference: Paragraph 3.1.14; Page 59*)

(*₹ 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	1,475.77	1,295.39
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	73.15	86.14
TOTAL – A	**1,086.44**	**1,627.89**	**1,389.90**
B. Assets			
Cash and Bank Balances	725.80	1,267.78	1,018.24
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	48.56	28.73	51.44
Accumulated loss	10.43	6.27	13.32
Miscellaneous expenditure	0.00	0.00	0.00
TOTAL – B	**1,096.87**	**1,627.90**	**1,389.89**
C. Capital Employed*	**1,009.72**	**1,548.47**	**1,290.44**
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 59)

(₹ 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	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	1.3
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	-	-	9.1

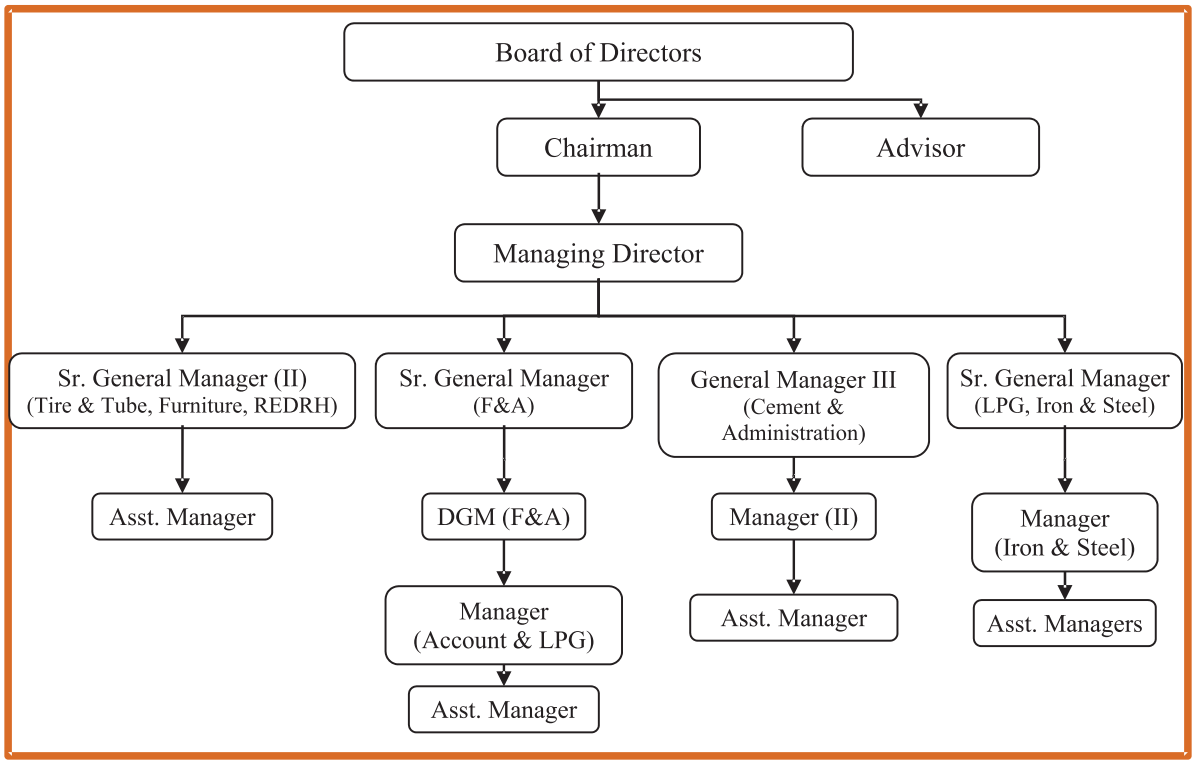
Source: As per the accounts of the PSUs.

** *Negative figures*

Appendix 3.2.1

Organisational set-up of State Trading Corporation of Sikkim

(Reference: Paragraph 3.2.1; Page 67)



Appendix 3.2.2

Details of procurement of major items

(Reference: Paragraph 3.2.2; Page 68)

Sl. No.	Major Items	Procurement value (₹ crore)[1]				
		2009-10	2010-11	2011-12	2012-13	2013-14
	A. Head Office					
1	Iron and Steel	42.82	49.32	62.24	68.99	61.08
2	Cement	26.00	12.68	15.78	11.46	2.18
3	LPG Refills and Burners	3.96	4.45	5.03	4.52	3.84
4	Bitumen	4.56	4.92	5.51	5.22	1.22
5	Office Equipment and Furniture	1.43	2.49	5.37	0.44	1.14
6	Vehicle	1.33	1.97	2.15	0.46	0.20
	Total (A)	**80.10**	**75.83**	**96.08**	**91.09**	**69.66**
	B. Jorethang Branch					
1	Iron & Steel	0.51	10.38	9.00	0.96	0.21
2	Cement	0.06	1.73	3.00	0.23	-
3	LPG Refills & Burners	2.93	4.45	3.17	4.30	4.76
	Total (B)	**3.50**	**16.56**	**15.17**	**5.49**	**4.97**
	Grand Total (A+B)	**83.60**	**92.39**	**111.25**	**96.58**	**74.63**

[1] *Figures for the years 2011-12 to 2013-14 are unaudited provisional figures.*

Appendix 3.2.3

Shortage of materials

(*Reference: Paragraph 3.2.7.8.3; Page 83*)

Name of Unit	Items	Quantity as per books	Quantity as per physical verification	Difference in quantity	Rate adopted as per Tally Accounts	Value of differential stock
Cement and TMT as on 31 March 2013[2]						
Head Office	Cement (ACC STCS Godown) (Bags)	2,612	0	2,612	285.61	7,46,013
	Cement (Birla STCS Godown) (Bags)	2,014	0	2,014	264.13	5,31,958
	Cement (JP STCS Godown) (Bags)	7,046	0	7,046	338.96	23,88,312
	Cement (Lafarge STCS Godown) (Bags)	2,488	40	2,448	286.04	7,00,226
	Cement (Prism STCS Godown) (Bags)	90	0	90	258	23,220
	Cement (Ultratech) (Bags)	58	0	58	284.15	16,481
	TMT Bars 8 mm (Kg)	12,784	3303	9,481	51.19	4,85,332
	TMT Bars 10 mm (Kg)	12,310.56	1725	10,585.56	51..1	5,39,969
	TMT Bars 12 mm (Kg)	25,141.8	1458	23,683.8	49.84	11,80,401
	TMT Bars 16 mm (Kg)	24,101	653	23,448	49.87	11,69,352
	TMT Bars 8 mm (Direct Supply) (Kg)	1,707	0	1707	59.13	1,00,935
	TMT Bars 10 mm (Direct Supply) (Kg)	230	0	230	51.26	11790
	TMT Bars 12 mm (Direct Supply) (Kg)	3,754	0	3754	51.23	1,92,317
Jorethang	Cement (Lafarge) (Bags)	1,677	0	1677	272.78	4,57,452
	TMT Bars 6 mm (Kg)	312	0	312	21.4	6,677
	TMT Bars 25 mm (Kg)	4	0	4	121.2	485
	Total Cement and TMT					**85,50,920**
Gas equipments as on 31 March 2014						
Head Office	Single burner (in nos)	150	145 (defective)	5	350	1,750
	Gas Lighter (in nos)	952	808	144	69.19	9,963
	Rubber tube (in nos)	382	0	382	21.63	8,263
	Rubber tube Surakasha (in nos)	656	386	270	115	31,050
Jorethang	Agni Burner	4	0	4	798	3,192
	Apron	21	0	21	225	4,725
	Black Gold single burner	6	0	6	308.75	1,853
	Champion Chrome Burner	12	0	12	660.28	7,923
	Champion Stainless Steel	9	0	9	912.7	8,214
	Double Burner	1,254	274	980	747.77	7,32,815
	Green Level Double Burner	209	0	209	1,505.78	3,14,708
	Gas Lighter	402	208	194	70.55	13,687
	Grillmate	10	0	10	1,320.22	13,202
	Jombo Burner	2	0	2	893	1,786
	Single Burner	8	0	8	400.78	3,206
	Rubber Tube	1,371	0	1,371	21.63	29,654
	Suraksha Rubber Tube	21	0	21	115.03	2,416
	Total Gas Equipment					**11,88,407**
Grand Total						**97,39,327**

The value of shortages worked out excludes the shortages already pointed out in earlier Audit Report 2005-06 for TMT bars and LPG equipment.

[2] *Since Stock Register (in Tally) was updated up to 31 March 2013.*

Appendix 4.13.1

Statement showing outstanding gaming fees and penalty till August 2014

(Reference: Paragraph 4.13; Page 109)

Period		Opening balance	Due amount	Due date	Amount paid	Date of payment	Outstanding MAR	Delay in days	Penal interest on delay
From	To								
01/06/2012	29/12/2012		10000000	01/06/2012	3000000	29/12/2012	7000000	192	631233
30/12/2012	23/05/2013	7000000			3000000	23/05/2013	4000000	145	333699
24/05/2013	31/05/2013	4000000						8	10521
01/06/2013	12/05/2014	4000000	11500000	01/06/2013	3000000	12/05/2014	12500000	346	1763178
13/05/2014	31/05/2014	12500000						19	78082
01/06/2014	23/07/2014	12500000	13225000	01/06/2014	5000000	23/07/2014	20725000	53	448249
24/07/2014	31/08/2014	20725000					20725000	39	265734
Total							**20725000**		**3530696**
Total Outstanding Due		**(₹ 20725000 + ₹ 3530696)**		**₹ 24255696**					

NB: ₹ 2.43 crore comprised of gaming fee not paid till May 2014 and penal interest calculated on outstanding amount till August 2014. The statements/accounts of monthly gaming fees as on 10th of succeeding months, were neither furnished by M/s Mayfair Hotel and Resorts (Sikkim), nor obtained by DSSL as a result of which, the penal interest was calculated on the outstanding MAR taken at the minimum of ₹ one crore at the rate of 12 per cent per annum.

Appendix 4.14.1

Loss of Revenue

(Reference: Paragraph 4.14; Page 110)

Months	Names of lotteries operated by MA				
	Fast Digit	Thunder ball	Thursday super lotto	Saturday super lotto	Super triplex
(1)	(2)	(3)	(4)	(5)	(6)
October 2012	2,18,32,790	57,01,255	84,40,542	81,39,050	157,64,95,234
November 2012	2,24,38,533	55,86,248	1,01,22,935	84,11,035	161,85,72,658
December 01-12-12 to 15-12-12	1,06,44,159	28,16,998	41,02,483	69,17,558	Not available
Total	**5,49,15,482**	**1,41,04,501**	**2,26,65,960**	**2,34,67,643**	**319,50,67,892**
MAR	₹ 27,45,774 (5%)	₹ 7,05,225 (5%)	₹ 11,33,298 (5%)	₹ 11,73,382 (5%)	₹ 3,19,50,679 (1%)

Total MAR of col. (2) to (6) = ₹ 3,77,08,358 as per clause 1 of interim agreement dated 18 November 2005 calculated by audit.
MAR realised by the DSSL at the rate of ₹ 10 crore per annum for 76 days = ₹ 2,08,21,918 (i.e. ₹ 10,00,00,000/365 x 76 days).
Therefore, loss of revenue = ₹ 1,68,86,440 (₹ 3,77,08,358 - ₹ 2,08,21,918).

Appendix 5.2.1

Audit conducted during 2013-14 under General Sector

(*Reference: Paragraph 5.2; Page 112*)

(*₹ 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	2013-14
Home Department	-	-	-	16.98	-
Administration of Justice	-	-	-	-	-
Election Department	-	-	-	2.30	-
Information and Public Relations Department	0.66	0.96	-	0.82	-
Sports and Youth Affairs Department	0.25	0.22	0.19	0.24	5.03
Printing and Stationery (Sikkim Government Press)	-	-	-	6.01	-
Sikkim Public Service Commission	-	-	2.37	2.33	-
Information Technology Department	-	-	-	1.40	1.88
Police Department	11.08	26.97	28.29	60.32	-
Vigilance Directorate	-	4.24	4.11	4.70	-
Development Planning, Economic Reforms and NEC Affairs Department	-	-	-	6.24	-
Personnel, Administrative Reforms and Training Department	-	-	-	-	5.96
Raj Bhawan	-	-	-	4.07	-
Science and Technology	2.76	2.26	1.59	2.04	1.99
Rural Management and Development Department (BDO Offices)	-	-	-	-	-
Law Department	-	-	3.24	5.13	-
Land Revenue and Disaster Management Department	-	3.21	6.42	7.89	-
Excise (Abkari) Department	-	-	-	6.03	-
Finance, Revenue and Expenditure Department	-	2.90	4.09	58.69	-
Sikkim Legislative Assembly	-	-	–	12.42	14.88

Appendix 5.3.1

Status of progress of work under NLCPR and NEC

(Reference: Paragraph 5.3.8 and 5.3.10.2; Page 118 and 124)

Sl No	Project	Date of Sanction	Date of commencement	Stipulated date of Completion	Actual date of Completion	Delay as of March 2014 (months)	Physical progress of works	Reason for delay	DPRs		
									Whether DPRs accompanied Socio-economic Feasibility Report	Whether DPRs accompanied implementation & monitoring schedule	Whether DPRs accom-panied Survey Reports
	NLCPR										
1	Augmentation of Gyalsing Water Supply Scheme	February 2004	31.01.2005	10.08.2006	19.07.2010	33	100	Contractor's fault	No	No	No
2	Augmentation of Water Supply for Greater Rangpo	December 2006	25.04.2007	30.04.2008	31.08.2012	52	100	Not recorded	No	No	No
3	Augmentation of Sang Water Supply Scheme	Not available	5.2.2008	4.10.2008	30.09.2011	35	100	Not recorded	No	No	No
4	Augmentation of Rhenock Water Supply	7.3.2008	12.09.2008	30.9.2010	Under progress	42	97	Land dispute	No	No	No
5	Augmentation of Pakyong WSS	23.12.2010	07.03.2012	28.2.2014	Under progress	1	66	Land problem	No	No	No
6	Water Distribution for Singtam Town in East Sikkim	17.7.2011	02.01.2012	30.6.2013	Under progress	9	66	Land clearance	No	No	No
7	Water Supply for Melli Bazar in South Sikkim	1.7.2011	22.06.2012	21.12.2013	Under progress	3	16	Land clearance	No	No	No
8	Augmentation of WSS in newly created Jorethang Nagar Panchayat	17.3.2011	07.05.2012	31.12.2013	Under progress	3	56	Land clearance	No	No	No
9	Water Supply to Namchi Town from Bermelli Source	11.9.2011	22.02.2014	30.11.2016	Under progress	Within the comple-tion time	Not applicable	Not applicable	No	No	No
10	Water Supply Scheme in Chakmakey Ringyang	June 2003	1.03.2004	31.08.2005	30.08.2009	47	100	Land problem	No	No	No
11	Water supply Scheme in Central Pandam, East Sikkim	June 2009	April 2010	March 2012	Project not executed	24	Not available	Work not executed due to Land clearance and drying up of water source	DPR not made available		
12	Water Supply Scheme at Rapdentse, West Sikkim	July 2007	January 2008	3.7.2008	Under progress	68	Not available	Forest Clarence	No	No	No
13	Water Supply Scheme at Amba Taza,	January 2013	30.09.2013	17.9.2015	Under progress	Within the completi on time	Not available	Not applicable	No	No	No

	NEC Schemes								No	No	No
1	Providing distribution reservoir & distribution main trunk line for Water Supply to Namchi Water Supply	Not available	17.11.2006	16.05.2007	30.09.11	52	100	Not recorded	No	No	No
2	Kaluk Rinchepong Water supply Project, West Sikkim	10.02.2004	28.03.2005	27.03.2006	20.01.2010	46	100	Land clearance	No	No	No
3	Providing new distribution network for Water Supply Scheme to Namchi Town Phase II	12.11.2008	11.03.2009	10.09.2010	Under progress	42	98	Land problem	No	No	No
4	Water Supply Project for Ranipool Bazar in East Sikkim	15.03.2007	22.07.2007	30.09.2008	Under progress	66	98	Not recorded	No	No	No
5	Upgradation & Modernisation of feeder approach road including Development of WTP at Gangtok	16.7.2008	17.05.2011	30.5.2012	Under progress	22	98	Delay by contractor	No	No	No
6	Augmentation of Dentam Water Scheme Phase 1	28.3.2011	17.12.2011	16.6.2013	Under progress	9	68	Land dispute	No	No	No
7	Augmentation of Dentam Water Scheme Phase 11	23.3.2011	17.12.2011	16.6.2013	Under progress	9	45	Land dispute	No	No	No
8	Construction of WSS at Makha Bazar	23.10.2011	01.10.2012	30.9.2014	Under progress	-	13	Work in abeyance due to contractor's fault	No	No	No
9	IT system for Water Supply Management in Sikkim	22.3.2012	22.03.2012	30.5.2015	Under progress	Within the completi on	52	N/A	Yes	Yes	Yes
10	Strengthing of Distribution System of Pakyong WSS	31.8.2005	10.08.2006	12.2.2007	Under progress	72	Not available	Forrest & land clearance	No	No	No

Appendix 5.4.1
Outstanding Travelling Allowance Advances

(Reference: Paragraph 5.4; Page 133)

SI No.	Name of the Department	Year	Vr No and Date	Amount (₹)	Year-wise total (₹)
1	Home Department	2007-08	178/3.11.07	28185	
			1079/6.12.07	25885	54070
		2008-09	1546/18.4.08	28245	
			535-536/4.12.08	18000	46245
		2009-10	440/11.6.09	30000	
			2818/28.12.09	100000	
			1297/9.12.09	250000	
			2570/25.1.10	200000	
			2910/11.3.10	63500	643500
		2010-11	183/5.5.10	18400	
			869-79/4.3.11	200000	218400
		2012-13	991-992/11.7.12	30000	
			984/11.10.12	15000	
			1406/22.12.12	30000	
			2644/21.2.13	20000	95000
		Total		**1057215**	
2	Finance, Revenue and Expenditure Department	2012-13	1866/16.2.13	10000	10000
		Total		**10000**	
3	Governors Secretariat	1994-95	13-15/19.1.95	13500	
			23/19.1.95	6500	20000
		Total		**20000**	
4	Department of PAR and Training	1980-81	1148/13.11.80	1100	1100
		1981-82	1457/20.11.81	1500	1500
		1983-84	1406/19.1.84	2800	2800
		1985-86	549/7.6.85	3000	
			1601/16.9.85	10000	
			1115/9.12.85	2500	
			1660/29.9.85	2000	17500
		1986-87	2040/22.11.86	2000	2000
		1989-90	2144/25.10.89	1500	1500
		1992-93	2371/23.3.93	1268	1268
		1995-96	1179/26.7.95	3800	3800
		2002-03	13/25.11.02	16000	16000
		2006-07	2/4.9.06	7000	7000
		2008-09	3464/23.3.09	26000	26000
		2009-10	443/26.11.09	14000	
			6842/26.3.10	10000	24000
		2010-11	316/3.7.10	30000	30000
		Total		**134468**	
5	Cultural Affairs and Heritage Department	2008-09	113/1.8.08	8000	
			114/1.8.08	15000	23000
		2009-10	2141/12.6.09	30000	30000
		2011-12	348/5.9.11	20000	20000
		Total		**73000**	
6	Irrigation and Flood Control Department	2006-07	149/27.9.06	13500	13500
		2007-08	181/26.7.07	28475	28475
		Total		**41975**	
7	Sports and Youth Affairs Department	2004-05	1084/19.1.05	19000	19000
		2005-06	2565/20.3.06	10000	10000
		2007-08	950/7.7.07	23500	
			948/7.7.07	24000	47500
		2008-09	1841/13.5.08	12250	
			1842/13.5.08	12250	
			581/4.7.08	33650	
			844/5.7.08	35150	
			637/24.12.08	30000	
			638/24.12.08	30000	

			656/9.1.09	6500	
			657/9.1.09	6500	
			658/9.1.09	6500	
			659/9.1.09	6500	
			688/22.1.09	20000	199300
		2010-11	129/2.7.10	30000	
			296/3.9.10	30000	
			26/30.1.10	25000	85000
		Total		**360800**	
8	Health Care and Family Welfare Department	1998-99	1473/15.9.98	6400	
			727/9.11.98	12700	
			1239/22.3.99	25000	44100
		1999-00	608/6.9.99	16500	
			12.8.99	50000	
			2137/23.9.99	30000	96500
		2000-01	1412/16.11.00	20000	
			1791/28.11.01	9075	
			1309/31.12.01	24270	53345
		2005-06	4290/30.8.05	7990	7990
		2006-07	283/17.5.06	25296	
			127/11.10.06	46000	
			3278/18/12.06	8270	79566
		2007-08	798/4.10.07	26688	
			3012/15.10.07	30880	
			1115-16/10.1.08	43633	
			593699/18.3.08	20960	122161
		2008-09	2775-76/20.6.08	2490	
			856/22.7.08	3000	
			857/22.7.08	3000	
			2379/20.11.08	9445	
			3905/27.11.08	10000	
			2138/30.1.09	18220	46155
		2009-10	1309/9.12.09	11100	
			2736/15.2.10	44000	
			3240/15.2.10	44000	
			8/8.2.10	32750	131850
		2010-11	633/13.5.10	14465	
			446/4.9.10	20000	
			51/30.11.10	50105	
			3962/30.11.10	42300	
			306/1.2.11	45250	172120
		2012-13	1675-79/25.4.12	18450	18450
		Total		**772237**	
9	Ecclesiastical Affairs Department	1990-91	2178/31.1.91	3500	3500
		1999-00	1177/9.3.00	7700	7700
		2003-04	1770/18.7.03	26020	26020
		Total		**37220**	
10	Labour Department	1998-99	639/17.10.98	14000	14000
		2008-09	4882/31.7.08	15000	15000
		Total		**29000**	
11	Tourism and Civil Aviation Department	2005-06	705/8.11.05	88875	
			706/8.11.05	88875	177750
		2011-12	4040/27.2.12	20000	
			3916/22.3.12	53000	
			1084/29.2.12	20000	
			1193/19.3.12	53000	146000
		Total		**323750**	
12	Sikkim Public Service Commission	2005-06	8621/31.3.06	5900	5900
		2007-08	4794/29.06.07	10000	10000
		Total		**15900**	
13	DESME (Planning and Development Department)	2010-11	2267/18.2.11	15000	
			2268/18.2.11	15000	30000
		Total		**30000**	
14	Commerce and Industries Department	1988-89	292/2.7.88	500	500
		1990-91	841/4.8.90	4000	

			1298/20.11.90	2000	
			1818/23.2.91	6500	12500
		1998-99	1177/7.7.98	12000	12000
		2006-07	1280/10.11.06	40000	40000
		2010-11	4813/27.10.10	23000	23000
		Total		**88000**	
15	Information and Technology Department	2009-10	2541/25.1.10	15000	
			2661/27.1.10	15000	
			340/4.1.10	15000	45000
		2010-11	1321/8.10.10	25000	
			201/4.1.11	20000	
			1595/26.4.10	6000	
			1596/26.4.10	6000	57000
		2012-13	854/5.9.12	4690	
			1038/9.1.13	12000	
			1039/10.1.13	12000	28690
		Total		**130690**	
16	Energy and Power Department	2007-08	530-532/4.5.07	7409	
			530-532/4.5.07	6889	
			276/13.9.07	20000	
			2525/9.9.07	80000	
			4122/17.10.07	50000	164298
		Total		**164298**	
17	Cooperation Department	1991-92	1/26.3.92	5000	
			3/17.3.92	1040	6040
		1992-93	28/24.11.92	7000	7000
		1995-96	2084/8.2.96	8160	8160
		1997-98	4054/26.3.98	12750	12750
		1999-00	1744/25.1.00	3475	3475
		2003-04	7/2.3.04	1750	1750
		2006-07	2966/29.11.06	2240	2240
		Total		**41415**	
18	Urban Development and Housing Department	2006-07	2663/20.6.06	6000	
			2663/20.6.06	6000	
			1487/14.8.06	10000	
			1992/17.11.06	25000	47000
		2008-09	2855/19.7.08	20000	
			3323/20.9.08	12800	
			3323/20.9.08	12800	
			628/7.11.08	25000	70600
		2009-10	2046/25.4.09	6000	
			2446/18.11.09	15000	21000
		Total		**138600**	
19	Sikkim Nationalised Transport Division (Transport Department)	2002-03	1/31.1.03	16450	16450
		2003-04	8/6.11.03	2000	
			51/17.3.04	5000	
			52/17.3.04	5000	12000
		2004-05	88/13.9.04	2102	
			89/13.9.04	2102	
			90/13.9.04	2102	
			91/13.9.04	2102	
			8/19.11.04	20000	28408
		2005-06	50/27.10.05	15000	15000
		2006-07	124/9.8.06	1200	
			125/9.8.06	1200	
			126/9.8.06	1200	
			128/9.8.06	1200	
			24/13.2.07	2000	6800
		2007-08	84/20.4.07	8500	
			38/24.8.07	7000	
			41/30.8.07	7000	22500
		2008-09	31/27.6.08	1519	
			30/27.6.08	1519	
			6/6.9.08	8000	
			35/19.3.09	10000	21038

		2009-10	19/17.8.09	30375	
			10/12.11.09	1546	
			11/12.11.09	1426	
			45/29.12.09	20000	53347
		2011-12	2/30.5.11	3560	
			3/30.5.11	3100	
			4/30.5.11	3100	
			5/30.5.11	3100	
			6/7.6.11	3992	
			8/24.6.11	8000	
			9/24.6.11	7000	
			10/24.6.11	5000	
			2/2.1.12	30000	66852
		2012-13	43/27.4.12	3000	
			43/27.4.12	3000	
			43/27.4.12	3000	
			43/27.4.12	3000	
			43/27.4.12	3000	
			43/27.4.12	3000	
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			49/11.5.12	3000	
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			49/11.5.12	2500	
			49/11.5.12	2500	
			49/11.5.12	2500	
			49/11.5.12	2500	
			8/23.6.12	7500	
			489/8.1.13	30000	156500
		Total		**398895**	
20	Information and Public Relations Department	1994-95	1287/16.6.94	8000	8000
		1998-99	2070/27.3.99	9280	9280
		1999-00	2055/25.10.99	17960	17960
		2001-02	1708/29.5.01	15000	15000
		Total		**50240**	

21	Food, CS & CA Department	2012-13	1131/12.7.12	**20000**	20000
22	AHVS Department	2007-08	4099/30.11.07	28500	
			3929/30.11.07	27700	56200
		2009-10	4145/28.11.09	4000	4000
		Total		**60200**	
23	Horticulture and Cash Crops Department	2008-09	997/8.12.08	5075	
			1435/6.2.09	107370	
			1436/6.2.09	112520	
		Total		**224965**	224965
24	Food Security and Agriculture Development Department	1998-99	206/3.2.99	18700	18700
		2002-03	3325/31.7.02	15000	15000
		2004-05	743/4.9.04	13000	
			344/4.5.04	17890	
			1525/13.3.05	3000	33890
		2007-08	23.11.07	12000	12000
		2008-09	2707/21.5.08	11600	11600
		2009-10	1080/6.6.09	26000	26000
		Total		**117190**	
25	PCCF, Territorial	2008-09	698/4.12.08	29700	
			1006/8.12.08	9900	
			12.2.09	30830	70430
		2009-10	2058/19.8.09	18000	18000
		Total		**88430**	
	PCCF, Wildlife	1986-87	2/3.12.86	4000	4000
		1988-89	42/23.8.88	2500	2500
		1989-90	1/20.4.89	7450	
			140/17.6.89	24000	
			1188/21.7.89	1500	
			1187/21.7.89	2450	35400
		1990-91	88/2.5.90	7450	
			88/2.5.90	24000	
			1274/24.7.90	2475	33925
		1992-93	800/9.9.92	3450	
			495/13.11.92	3000	
			495/13.11.92	9000	
			495/13.11.92	9500	
			495/13.11.92	5500	
			495/13.11.92	3060	33510
		1995-96	398/14.10.95	6000	
			398/14.10.95	5500	11500
		Total		**120835**	
	PCCF, LU&E	2008-09	1688/2.8.08	**30500**	30500
26	1 IRB	2012-13	1052/27.6.12	6000	
			1053/27.6.12	6000	
			738/22.6.12	4300	
			739/22.6.12	4300	
			740/22.6.12	4300	
			737/22.6.12	4300	
			194/5.2.13	4500	
			195/5.2.13	4500	
			196/5.2.13	4500	
			197/5.2.13	4500	47200
		Total		**47200**	
	3rd IRB	2012-13	398-403/2.12.12	8925	
			378/9.8.12	8400	
			379-386/9.8.12	48600	65925
		Total		**65925**	
	SP/South	2012-13	437/15.6.12	3665	
			544/21.6.12	3665	
			1302/30.6.12	13200	20530
		Total		**20530**	
	SP/East	2012-13	1156/17.10.12	**11000**	11000
	SP/Reserve Lines	2012-13	1134-61/19.6.12	**240000**	240000
27	State Election Commission	2004-05	63/11.2.05	29550	29550

		2005-06	61/18.7.05	22000	22000
		2006-07	13/6.2.07	28500	28500
		Total		**80050**	
28	Sikkim Legislative Assembly	1995-96	138/6.9.95	17432	
			34/7.9.95	200000	
			535/21.8.95	110000	327432
		1996-97	18.4.96	9700	
			354/5.11.96	11320	
			34/5.11.96	11820	
			54/8.11.96	4500	37340
		1997-98	736/25.4.97	12280	
			56/5.2.97	24400	
			831/13.6.97	5000	
			1385/9.7.97	11320	
			1386/9.7.97	10830	63830
		1998-99	217/5.5.98	100780	
			2053/25.6.98	12700	113480
		1999-00	562/19.4.99	15250	
			1223/14.6.99	23130	38380
		2000-01	695/22.4.00	5250	
			1997/20.6.00	50000	
			1093/12.5.00	20000	
			37/23.1.01	20400	95650
		2001-02	25/4.4.01	9500	
			153/18.4.01	49912	
			29/5.4.01	18956	
			9/6.8.01	20000	
			135/23.6.01	26000	
			86/8.5.01	23600	
			138/29.8.01	14900	
			34/19.9.01	39000	
			91/10.5.01	14200	
			107/24.11.01	332510	
			106/24.11.01	104490	
			96/17.1.02	31730	
			6/4.2.02	39570	
			83/7.1.02	17430	
			801/7.1.02	9240	751038
		2002-03	57/22.11.02	711608	
			22/19.3.03	1500	713108
		2003-04	1093/12.5.03	20000	20000
		2004-05	6/27.8.04	116260	116260
		2005-06	125/30.1.06	21746	
			126/30.1.06	21746	
			127/30.1.06	21746	65238
		2006-07	20/21.4.06	46360	
			91/31.1.07	64768	111128
		2007-08	14/4.12.07	29536	
			166/28.6.07	25280	
			8/7.9.07	29960	
			168/27.12.07	32480	
			1/4.1.08	74040	191296
		2008-09	22/7.3.09	62550	62550
		2009-10	80/25.1.10	10000	
			80/25.1.10	10000	
			80/25.1.10	11400	
			266/5.5.09	63000	
			27/9.7.09	11850	
			49/14.12.09	46850	
			3/6.3.10	127063	280163
		2010-11	309/28.4.10	10020	
			310/28.4.10	10020	
			308/28.4.10	10020	
			3/1.12.10	54800	
			29/4.6.10	70000	

			40/15.9.10	20500	
			23/11.11.10	40250	
			57/25.11.10	63000	
			78/28.12.10	77800	
			15/10.1.11	58000	
			14/10.1.11	42100	456510
		2011-12	60/16.4.11	106350	
			160/16.4.11	106350	
			160/16.4.11	106350	
			136/6.4.11	141930	
			136/6.4.11	135830	
			158/16.4.11	144150	
			183/25.4.11	50250	
			184/25.4.11	25250	
			185/25.4.11	23250	
			186/25.4.11	22750	
			189/25.4.11	21750	
			29/15.9.11	113300	
			40/17.9.11	12000	
			30/17.9.11	225600	
			188/25.4.11	21750	
			187/25.4.11	22750	
			107/24.5,11	65694	
			15/7.7.11	24100	
			16/7.7.11	23500	
			28/15.7.11	42550	
			27/15.7.11	39710	
			39/20.7.11	23200	
			41/20.7.11	26600	
			44/25.7.11	34460	
			07/5.9.11	34000	
			31/15.9.11	65200	
			32/15.9.11	42400	
			34/15.9.11	42400	
			32/11.11.11	14200	
			33/11.11.11	13000	1770624
		2012-13	49/11.12.12	300000	
			31/29.1.13	1346768	
			7/7.4.12	43600	
			99/30.11.12	83767	
			22/7.12.12	28800	
			4/6.2.13	48540	
			21/8.2.13	49700	
			20/8.2.13	49700	
			19/8.2.13	42700	
			18/13.3.13	40100	
			19/13.3.13	40100	
			21/15.3.13	51200	
			6/16.3.13	23150	
			43/26.3.13	30000	2178125
		Total		**7392152**	
29	Human Resource Development Department	2009-10	538-539/31.10.09	4000	4000
		2010-11	CB/06/02.09.00	3000	
			4477-78/26.03.11	30000	33000
		Total		**37000**	