

Executive Summary

EXECUTIVE SUMMARY

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

This Report contains 25 audit paragraphs (including eight general paragraphs) and six Performance Reviews including an Integrated Audit of Animal Husbandry, Livestock, Fisheries and Veterinary Services Department. According to the existing arrangements, copies of the draft audit paragraphs and draft performance reviews were sent to the Secretary of the Department concerned by the Principal Accountant General (Audit) with a request to furnish replies within six weeks. Replies were received from the departments concerned except in respect of eight paragraphs.

SOCIAL SECTOR

PERFORMANCE REVIEW

Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme in Sikkim

The Scheme facilitated employment generation, adequate women participation, strengthening of rural infrastructure to a large extent, enhancement in purchasing power and improved health and educational status, etc.

However, the implementation needed strengthening in planning, financial management and execution of works. The development and Annual Plans need be prepared as per the stipulations in the MGNREGS guidelines to capture realistic projection of employment and asset creation. The belated transfer of funds to Blocks and GPs need be addressed to ensure timely payment of wages to wage earners. The data and record management needs to be strengthened to capture appropriate complete data. Besides, submission of dated application by the wage earners and also issue of dated acknowledgement by the GPs needs to be insisted upon to ensure provisioning of employment within fifteen days of demand. Labour intensive works needs be executed to ensure compliance to the wage material ratio of 60:40.

(Paragraph 1.3)

Transaction Audit Paragraphs

Non-deduction/short realisation of mandatory labour cess of ₹ 1.94 crore by Roads & Bridges, Building & Housing and Tourism & Civil Aviation departments besides violating the statutory provisions, adversely impacted the welfare measures targeted for the benefit of construction workers involved in various construction works all over the State

(Paragraph 1.4)

The expenditure of ₹ 5.31 crore by Social Justice, Empowerment & Welfare Department incurred on the project aimed at providing quality educational facilities to the socially and educationally backward children from the Other Backward Classes (OBC) remained unfruitful as the project was incomplete even after 10 years from the date of approval by the Cabinet.

(Paragraph 1.5)

Project initiated by Water Security & Public Health Engineering Department without proper survey and investigation and without ensuring availability of suitable land for construction of Sewerage Treatment Plants resulted in unfruitful expenditure of ₹ 6.03 crore with consequent failure to provide the necessary sewerage facilities to the intended beneficiaries.

(Paragraph 1.6)

Despite receipt of funds Health Care, Human Services & Family Welfare Department from the Government of India in December 2006, due to absence of approach road and water supply, the drug testing laboratory established in East Sikkim could not be operationalised and expenditure of ₹ 1.50 crore towards its construction, purchase of equipment and manpower remained unfruitful

(Paragraph 1.7)

Non-effecting of requisite deduction of void on stone, by works executing departments, led to loss of ₹ 0.59 crore to the Government.

(Paragraph 1.8)

ECONOMIC SECTOR

PERFORMANCE REVIEWS

Forest conservation and protection in Sikkim

The State Government formulated a Forest Policy in 2000 but did not prepare Perspective Plans and also did not prepare all the Working Plans till March 2012 to ensure proper and effective implementation of policy in order to enhance the forest cover in the State in a time bound manner. Although a number of schemes were implemented to increase and conserve the forest cover in the State, the forest cover could be increased by only 97 sq km. during 2005-11. The Bird Park of Rabdentse remained incomplete for more than two years after expiry of scheduled date of completion even after incurring an expenditure of ₹ 1.31 crore due to absence of proper planning. The work plans under IFMS and Twelfth/Thirteenth Finance Commission were submitted belatedly resulting in delayed sanction and implementation besides rush of expenditure in the closing month of the years. Joint Forest Management Committees, a central and integrated part of forest activities had not been formed in 688 villages out of a total of 907 villages. Compensatory Afforestation of 1992.19 ha was not taken up by the State Compensatory Afforestation Fund Management and Planning Authority.

Monitoring and evaluation in the Department were not being done adequately.

(Paragraph 2.3)

Implementation of Pradhan Mantri Gram Sadak Yojana (PMGSY)

Implementation of the PMGSY in Sikkim was beset with deficiencies in planning and execution. There was shortfall in meeting targets which was due to considerable delay at almost every stage of implementation – delay in getting clearance for land over which the roads were to be laid, delay by contractors and delay due to poor project management. The State also failed to ensure maintenance of many of the PMGSY roads as it had not worked out any maintenance plan for such roads. The excess expenditure on the projects were mainly due to engagement of consultant at exorbitant cost, inflated quantities and upward revision of work costs. Besides, other deficiencies were non-obtaining performance guarantee and guarantee against advances, non-imposition of liquidated damages on defaulting contractors, non-deduction of mandatory cess from contractors' bills, non-adherence to technical specifications, etc. The Department needs to examine and initiate appropriate action to rectify the lapses and establish systems and procedures to ensure that the shortcomings are taken care of and that such deficiencies are not repeated in future.

(Paragraph 2.4)

Integrated Audit of Animal Husbandry, Livestock, Fisheries and Veterinary Services Department

Animal Husbandry, Livestock, Fisheries and Veterinary Services Department (AHLFVSD) is responsible for implementing the programmes aimed at overall improvement of the livestock position in the State, keeping them disease free, improving the economic condition of the livestock owners, genetic improvement of the livestock and maintaining/increasing the number of endangered species and preventing cruelties to the animals in the State. While the State did fairly well carrying out the welfare activities for the street animals and production of Angora wool through Angora Rabbit cultivation in North District, there are several areas where it needs to improve.

The Department was yet to achieve self-sufficiency in animal husbandry sector despite pronouncement of “Diary Mission 2009-12” (August 2009), “Poultry Mission 2009-12” (August 2009), and “Livestock Self Sufficiency Mission 2015” (2008-09). Inability to control incidences of common diseases affected the objective of attaining a disease free status of animals in the State. Animal health was affected by the absence of doctors in animal health centres during various periods between 2007 and 2012. Further, there is no system of quarantine measure in the check posts to regulate entry of only healthy animals in the State.

(Paragraph 2.5)

Transaction Audit Paragraphs

Delay by the Tourism and Civil Aviation Department in acceptance of offer and in opening

Letter of Credit led to loss of ₹ 90.23 lakh to Government exchequer.

(Paragraph 2.6)

Injudicious parking of funds by the SFAC (Small Farmers Agri-Business Consortium) in savings account with low rate of interest instead of fixed deposits at higher rates led to loss of ₹ 97 lakh.

(Paragraph 2.7)

Inclusion of incidental charges twice in unit rate of item in Schedule of Rates for civil works resulted in excess expenditure of ₹ 2.12 crore.

(Paragraph 2.8)

ECONOMIC SECTOR (PUBLIC SECTOR UNDERTAKINGS)

PERFORMANCE REVIEW

Transmission activities of Energy and Power Department

The Energy and Power Department (EPD) did not prepare any State Electricity Plan for development of transmission infrastructure in the State based on the National Electricity Plan. The annual plans for augmentation of transmission network were prepared on felt need basis without considering the expected future load growth.

The execution of transmission projects by EPD suffered with several deficiencies mainly relating to delays in completing the preparatory and pre-work award activities. As a result, against the capacity addition of substations (302 MVA) and transmission lines (338 CKM) planned under the five annual plans for 2007-12, the EPD could complete capacity additions of the substations and transmission lines to the extent of 100 MVA (33 *per cent*) and 69.81 CKM (21 *per cent*) only.

The transmission and distribution losses during 2007-12 showed increasing trend (excepting 2008-09 and 2011-12) and EPD could not achieve the CEA norms in any of the five years. The Grid Management system of EPD was not satisfactory in absence of adequate facilities for recording real time data. The functioning of the State Load Dispatch Centre (SLDC) was also ineffective in absence of effective and complete communication network, data storage/backup facilities, etc.

The Energy accounting and audit system of the EPD was unreliable in the absence of proper metering arrangements and authentic estimation of transmission loss. No scientific system was in place for management of inventory. Monitoring mechanism of EPD was weak due to non-maintenance of necessary records on performance of the transmission system.

(Paragraph 3.2)

Transaction Audit Paragraphs

Blocking up of working capital of ₹ 6.51 crore due to ineffective mechanism of the Sikkim Industrial Development and Investment Corporation Limited (SIDICO) for monitoring and recovery of loans

(Paragraph 3.3)

Inefficient monitoring system and absence of effective recovery mechanism led to blockage of ₹ 44.66 crore sanctioned by SIDICIO under Chief Minister's Self Employment Scheme

(Paragraph 3.4)

Weak internal controls in maintenance of asset records, inadequate safeguarding of assets led the Sikkim Mining Corporation exposed to risk of loss of assets.

(Paragraph 3.5)

State Bank Sikkim was deprived of ploughing back of ₹ 6.17 crore towards its working capital in absence of professionalism in monitoring and follow up of recovery of loans disbursed.

(Paragraph 3.6)

REVENUE SECTOR

Transaction Audit Paragraphs

The cancellation of registration of nine dealers without assessing and realising the taxes due resulted in non-realisation of VAT and consequent loss of ₹ 64.62 lakh.

(Paragraph 4.5)

State Income Tax of ₹ 57.01 lakh remained to be realised over a period of more than four years after the assessment and issue of demand notices.

(Paragraph 4.6)

Despite the entry of 898 overloaded trucks in Sikkim during 2010-12, no fine was imposed by the MV Division as required under sub-section (1) of Section 200 of the Motor Vehicles Act 1988, notified (July 2010) by the State Government for imposition of various fines on vehicles carrying loads in excess of permissible limits leading to a loss of revenue of ₹ 55.59 lakh.

(Paragraph 4.7)

Due to retention of the Cess fund in current account, instead of investing the funds in compliance with the Supreme Court's order, the Sikkim Labour and Other Constructions Workers Welfare Board suffered a loss of interest of ₹ 44.91 lakh.

(Paragraph 4.8)

GENERAL SECTOR

PERFORMANCE REVIEW

Implementation of Schemes under Rural Infrastructure Development Fund

Finance, Revenue and Expenditure Department, the Nodal Department for implementation of schemes under Rural Infrastructure Development Fund confined its function merely towards forwarding the proposals to NABARD without even taking into consideration the normative allocation declared by the Government of India. As a result, the loans sanctioned by NABARD always exceeded normative allocation except during 2011-12 leading to delay in completion of schemes due to fund constraints.

The scheme implementation was marred by i) absence of long term plan to identify the infrastructural gaps in the rural areas, ii) absence of detailed guidelines, iii) ineffective role of the FRED in fund management, iv) inadequate monitoring of the schemes, and v) improper survey and investigation. The resultant effect of these inhibiting factors on the schemes were i) implementation of RIDF schemes in urban areas in violation of the spirit of RIDF, ii) assets remaining idle or irregular utilisation of assets, iii) fund constraints leading to delay in completion of schemes, and iv) wasteful expenditure on non-functional assets due to creation of such assets in unsuitable locations and for want of repair and maintenance.

(Paragraph 5.3)

Transaction Audit Paragraph

There was short realisation of ₹ 6.34 crore from three oil companies due to negligence of the Finance, Revenue and Expenditure Department to realise cess on time, besides loss of revenue of ₹ 86.18 lakh due to belated revision of petrol and diesel prices by Food, Civil Supplies and Consumer Affairs Department.

(Paragraph 5.4)