

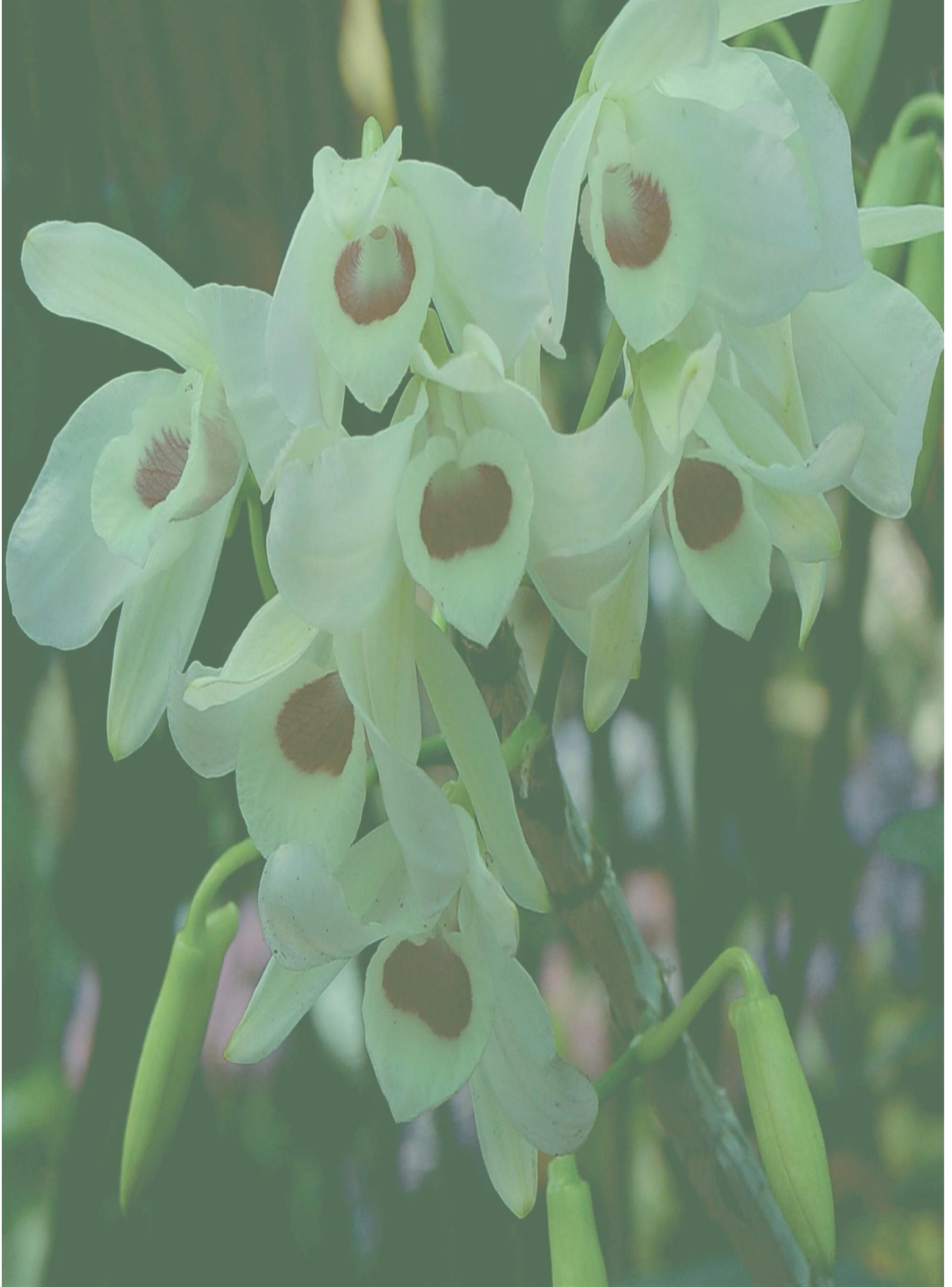
## **PREFACE**

1. This Report has been prepared for submission to the Governor under Article 151 of the Constitution.
2. The Report deals with the findings of performance reviews and audit of transactions in various departments, audit of autonomous bodies and departmentally run commercial undertakings.
3. The Report also contains the observations arising out of audit of Statutory Corporations, Boards, Government Companies and revenue receipts.
4. The cases mentioned in the Report are among those which came to notice in the course of test-audit of accounts during the year 2009-10 as well as those which had come to notice in earlier years, but could not be dealt with in previous Reports. Matters relating to the period subsequent to 2009-10 have also been included, wherever necessary.
5. Audit observations on matters arising from the examination of Finance Accounts and Appropriation Accounts of the State Government, for the year ended 31 March 2010, are included in a separate Report on State Government Finances.
6. The audits have been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.



# OVERVIEW







## OVERVIEW

This Report contains 24 audit paragraphs (including four general paragraphs) and three performance reviews. There is a separate chapter on Integrated Audit of the Roads and Bridges Department. According to the existing arrangements, copies of the draft audit paragraphs and draft performance reviews were sent to the Secretary of the Department concerned by the Accountant General (Audit) with a request to furnish replies within six weeks. Replies were not received from the departments concerned in respect of eight paragraphs.

### 1. Performance Reviews (Civil Departments)

#### 1.1 Projects Funded Under North Eastern Council

*DPERNECAD, the nodal Department for implementation of schemes funded under the NEC with the objective to attain balanced socio-economic development of the State, confined its function merely towards forwarding the proposals of schemes to the NEC and obtaining approval therefrom. As a result, schemes were taken up without proper survey and investigation and therefore, out of 25 schemes test-checked in audit, the objectives were not achieved in 11 schemes. Besides another four schemes were implemented without proper planning and monitoring resulting in achievement of objectives only partially. The monitoring on the part of both the DPERNECAD as well as the implementing departments was inadequate for gainful utilisation of the NEC funding. Evaluation was also never undertaken to assess the impact of implementation of the schemes in the State.*

*(Paragraph 1.1)*

#### 1.2 Public Distribution System in Sikkim

*PDS is one of the most important functions of the State Government which helps in providing food security to a large number of consumers. The implementation of PDS in the state however, was characterised by absence of review of list of BPL families, excess projection of BPL families under various schemes over and above GOI's projection, highly subsidised rice to BPL beneficiaries leading to financial burden on State exchequer. While the issue of new ration cards were stopped since August 2008, 45,928 families possessed dual ration cards both under BPL and APL category. The Department had included extraneous components in the pricing structure in order to obtain higher Central assistance which led to an avoidable burden of ₹ 20.73 lakh on GOI during 2005-10.*

*The distribution of rice, wheat and sugar was less than the norms. Allocation of rice was much less at two kg per card per month as against the allocation ranging between 7 and 25 kg in other states. Lifting of lower quantity of levy sugar deprived a large number of*



*beneficiaries of the availability of sugar at affordable prices. The distribution of foodgrains (APL rice) by the Department was also flawed as it was not based on number of cards covered by the Food godowns. The Department failed to keep a vigil over the functioning of agents responsible for milling wheat for conversion into atta and lifting and distribution of salt as the agent availed higher refraction ratio of 16 per cent in case of wheat and salt was distributed to urban centres only. Corrective action as per the recommendations of the Public Accounts Committee on the Comptroller and Auditor General's Audit Report was not initiated for the aberration in respect of the following: (i) appropriate selection of BPL families and periodical review of BPL list, (ii) ensuring the delivery of PDS commodities, especially wheat, to the intended beneficiaries, (iii) expeditious reimbursement on account of hill transport subsidy, (iv) differential cost of levy sugar. Monitoring was lax leading to non-documentation by FPSs, absence of mandatory checks by Vigilance Committees, departmental officers and Special Area Officers. Thus, the functioning of TPDS in Sikkim was not upto the desired level.*

**(Paragraph 1.2)**

### **1.3 Macro Management of Agriculture**

*Despite incurring expenditure of ₹ 64.87 crore in the six programmes under MMA that were test checked, the Department has not been able to achieve the basic objective of increasing crop production and productivity rate. The yield of various crops in the State was less than the norms fixed by the GOI and area under cultivation also remained almost static over the last five years. Improper planning and delay in commencement of various components of the programme resulted in persistent savings between ₹ 0.78 crore and ₹ 3.06 crore at the end of the years. Delay in release of funds led to activities of the programme spilling over to the next year resulting in non-completion of schemes within the stipulated time frame. Attention was not paid for selection of beneficiaries, maintaining data relating to the area actually brought under organic farming and organic produce, and production of organic manure through vermin compost pits. Training for raising of seedling under RVP&FPR to the farmers was not achieved. Due to lack of monitoring and evaluation of the programme activities, the extent of benefit derived by the beneficiaries could not be assessed.*

**(Paragraph 1.3)**

## **2. Audit of transactions (Civil Departments)**

Even after incurring an expenditure of ₹ 15.30 crore over a period of nearly seven years, the Department failed to complete the Growth Centre with all its requisite infrastructure and facilities congenial for industrial growth within the prescribed time limit and resultantly had to forego the GOI assistance of ₹ 7 crore towards creation of industrial infrastructure required for attracting industries to the State.

**(Paragraph 2.1)**



Due to erroneous computation of prevailing market rates of land, the Department made an excess payment of ₹ 16.86 crore to the land owners.

*(Paragraph 2.5)*

Absence of planning and coordination in implementation of the Greater Rangpo Water Supply Project led to inordinate delay in completion of the scheme, cost escalation of ₹ 72.60 lakh and wasteful expenditure of ₹ 52.67 lakh.

*(Paragraph 2.7)*

Barely within six months of the completion of a comprehensive Socio Economic Survey and pending approval of the report thereon from the Government, decision of the Government to conduct another survey to determine the population of Limboo and Tamang in the State led to duplication of work with consequential infructuous expenditure of ₹ 50 lakh.

*(Paragraph 2.8)*

Despite improper and partial implementation of Land Bank Scheme intended for providing land to the landless beneficiaries, the Department continued to release fund to the district collectorates resulting in blocking up of fund of ₹ 135.21 lakh intended for providing land to 184 beneficiaries.

*(Paragraph 2.10)*

### **3. Integrated audit of Roads and Bridges Department**

*The Department was yet to orient its functioning in accordance with the mission of the State Government to transform Sikkim into one of the best in the country. It had neither formulated the State Road Policy till date nor demarcated the area of its operations for overall planning and future expansion. The Department also failed to guard its assets as it did not even possess title deeds of the land acquired by it at substantial public expenditure. There was no perspective planning which led to unplanned growth and wasteful expenditure. Works were sanctioned and awarded to contractors despite non-availability of funds in the State plan sector. Contractors were empanelled without fulfilling qualifying criteria. Competitiveness in the bidding process was rare despite existence of a large number of contractors. Transparency in award of works was absent as advertisement for tenders were not published in national papers and in the net although the Department had a dedicated site in the State Government's website. Quality control was virtually non-existent.*

*Unless the Department realised its responsibilities of engendering an efficient and effective transportation and communication system in the State by streamlining its activities and improving its functioning, the fulfilment of the mission of the Government towards transforming Sikkim into a well governed and economically developed State*



*comparable to the best in the country appeared remote.*

*(Paragraph 3.1)*

#### **4. Revenue Receipts**

##### **Results of Audit**

Assessment of income tax at rates lower than the applicable ones resulted in underassessment of tax and consequential short levy of ₹ 6.83 crore.

*(Paragraph 4.2)*

Reduction of assured revenue on frivolous ground of a marketing agent about the decline in sales turnover, without any verification thereto by the Department, resulted in a loss of ₹ 15.18 crore.

*(Paragraph 4.3)*

Defective agreement with marketing agent resulted in a loss of ₹ 5.19 crore towards non-imposition of penal interest, besides delay and non-realisation of sale proceeds of ₹ 66.73 crore with consequential extension of undue financial benefit.

*(Paragraph 4.4)*

Failure of the Department to realise prize money in time from the marketing agent led to the loss of revenue of ₹ 49.46 lakh.

*(Paragraph 4.5)*

Failure of the Department to levy environment cess on payments towards work bills resulted in non-realisation of Government revenue to the tune of ₹ 25.18 lakh.

*(Paragraph 4.6)*

#### **5. Government Commercial and Trading Activities**

##### **5.1 Overview of State Public Sector Undertakings**

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



erstwhile Chogyal (King) of Sikkim. The accounts of these Corporations are also audited by Chartered Accountants, directly appointed by the BoD of the respective Corporations. Audit of these corporations was taken up by CAG under Section 19(3) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 on the request of the State Government.

As on 31 March 2010, the State had 15 PSUs (including four non-working) which employed 880 employees. The State PSUs registered a turnover of ₹ 42.74 crore for 2009-10 as per the latest finalised accounts. This turnover was equal to 1.64 *per cent* of State GDP indicating insignificant place in the State economy. The State PSUs incurred a loss of ₹ 1.38 crore and had accumulated losses of ₹ 68.62 crore as per their latest finalised accounts.

### ***Investment in PSUs***

As on 31 March 2010, the investment (capital and long-term loans) in 15 PSUs was ₹ 560.72 crore. It grew by 297.08 *per cent* from ₹ 141.21 crore in 2004-05. Power sector accounted for 25.19 *per cent* of total investment in 2009-10. Further, investment in infrastructure sector has also increased from ₹ 19.84 crore in 2008-09 to ₹ 304.72 crore in 2009-10 due to loan given to Sikkim Industrial Development and Investment Corporation Ltd. (SIDICO) to facilitate the development of infrastructure. The State Government contributed ₹ 5.32 crore towards equity and grants during 2009-10.

### ***Performance of PSUs***

During 2009-10, out of 11 working PSUs, six PSUs incurred a loss of ₹ 2.62 crore and four PSUs earned a profit of ₹ 3.61 crore.

The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of ₹ 13.61 crore and infructuous investment of ₹ 2.58 crore which were controllable with better management. There is tremendous scope to improve the functioning of PSUs and reduce losses. The PSUs can discharge their role efficiently if they are financially self reliant. There is a need for professionalism and accountability in functioning of PSUs.

### ***Arrears in accounts***

The 11 working PSUs had arrear of 19 accounts as of September 2010. The arrears are due to delay in compilation/adoption of accounts by the Board of directors of the respective PSUs. The Government may impress upon the respective PSUs to expedite the process of finalisation of accounts.

## **5.2 Transaction audit observations**

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



are broadly of the following nature:

Unplanned execution and lack of monitoring mechanism in implementation of the power projects resulted in unfruitful expenditure of ₹ 8.96 crore besides cost overrun of ₹ 7.73 crore, blockage of funds ₹ 14.53 crore and irregular diversion of project funds of ₹ 16.17 crore.

***(Paragraph 5.2.)***

Irregular waiver of loan amounting to ₹ 13.54 lakh under Agricultural Debt Waiver and Debt Relief (ADWDR) Scheme, 2008.

***(Paragraph 5.3)***

Lack of effective mechanism in identifying the beneficiaries and delayed utilisation of funds received from National Backward Classes Finance & Development Corporation (NBCFDC) and National Scheduled Caste Financial Development Corporation (NSFDC) resulted in an avoidable liability towards penal interest to the tune of ₹ 13.27 lakh.

***(Paragraph 5.4)***

Due to lack of effective management, an amount of ₹ 2.58 crore received as share capital from the Department has become unfruitful.

***(Paragraph 5.5)***



# CHAPTER - I

## Performance Reviews (Civil Departments)







## CHAPTER – I

### PERFORMANCE REVIEWS (CIVIL DEPARTMENTS)

#### DEVELOPMENT PLANNING, ECONOMIC REFORMS AND NORTH EASTERN COUNCIL AFFAIRS DEPARTMENT

##### 1.1 Projects Funded Under North Eastern Council

*With the objective of balanced socio-economic development, extension of North Eastern Council (NEC) funded projects in Sikkim came into effect from December 2002 with the release of funds for implementation starting from the year 2003-04. The programme being project specific in the context of Sikkim, implementation was to be strictly according to the stipulated conditions imposed by the NEC relating to time, cost and objective as approved in the detailed project reports of individual schemes.*

*The performance audit on the projects funded under NEC indicated that the very objective and the intended benefit of funding projects under NEC towards attaining balanced socio-economic development of the State remained largely unachieved due to improper survey and planning leading to preparation of defective project reports, non-completion of projects, delay in execution, cost overrun, unfruitful expenditure in implementation of projects, non-utilisation of assets created, etc. This was further compounded by irregular award of work, unrealistic budgeting, non-utilisation of fund, inadequate monitoring and absence of impact assessment. Some of the important observations are highlighted hereunder:*

**Only 62 per cent of works could be completed within the stipulated time frame of completion. The objectives were not achieved in 11 out of 25 schemes test-checked.**  
(Paragraph 1.1.9)

**There was an unfruitful expenditure of ₹ 60.88 lakh in the Establishment of Bio-fertiliser Unit in the State.**  
(Paragraph 1.1.9.1)

**Non-utilisation of Polyclinic State Veterinary Hospital resulted in idle investment of ₹ 1.71 crore.**  
(Paragraph 1.1.9.2)

**Unutilised Accident and Trauma Centre in Namchi resulted in unfruitful expenditure of ₹ 80.23 lakh.**  
(Paragraph 1.1.9.4 – (i))

**Improper management of Stores resulted in non-accountal of stock material valuing ₹ 18.09 lakh, which seems to have been pilfered.**  
(Paragraph 1.1.9.7)



**Monitoring mechanism was inadequate and impact of the schemes were never evaluated.**

**(Paragraph 1.1.10)**

### **1.1.1 Introduction**

In order to act as an advisory body for socio-economic and balanced development of the North Eastern Areas consisting of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura, the North Eastern Council (NEC) came into existence in the year 1971 through the enactment of North Eastern Council Act in the Parliament. While the NEC started functioning in the year 1972, the NEC (Amendment) Act 2002 entrusted NEC with the role of a regional planning body.

Sikkim joined the NEC during December 2002 and implementation of projects funded under North Eastern Council started from 2003-04. Though the NEC accords priority to projects of regional nature which benefits two or more adjoining states but since Sikkim does not share a border with any other North Eastern State, exemption has been granted to Sikkim for its geographical location. Therefore, the schemes that are sanctioned for Sikkim are State specific.

### **1.1.2 Organisational structure**

The Development Planning, Economic Reforms and North Eastern Council Affairs Department (DPERNECAD) is the nodal department, headed by the Development Commissioner and assisted by Special Secretary, Joint Secretary and Deputy Secretary. At the implementing stage, the heads of respective line departments (HoDs) nominate respective nodal officers who are responsible for execution of the scheme within their departments.

### **1.1.3 Scope of Audit**

The Performance Audit was conducted by scrutiny of records of the DPERNECAD and line departments implementing the various schemes under NEC for the entire period of its operation since 2003-04. Out of a total of 97 schemes sanctioned during the period from 2003-04 to 2009-10 for implementation by 18 departments, two schemes were not implemented by two departments and five schemes implemented by four departments were costing less than ₹ 20 lakh. Therefore, 90 schemes implemented by 12 departments were considered for scrutiny in audit. Stratification on the basis of money value of schemes was adopted, which indicated 21 schemes involved money value upto ₹ 100 lakh, 20 schemes involved money value between ₹ 100 lakh and ₹ 290 lakh and 49 schemes involved money value beyond ₹ 290 lakh. 25 schemes were selected on the basis of Simple Random Sampling Method Without Replacement applied on the stratified data.



#### 1.1.4 Audit Objectives

The performance audit was conducted to assess:

- the adequacy and effectiveness of the planning process for different programmes;
- the adequacy and effectiveness of procedures for receipt, utilisation and accounting of funds;
- the efficiency and economy of implementation of programmes/projects and effectiveness of these programmes in terms of achievement of targeted outputs and outcomes; and
- the adequacy and effectiveness of the processes for monitoring, inspection, reporting and evaluation in implementation of the schemes.

#### 1.1.5 Audit Criteria

The audit objectives were benchmarked against the following criteria:

- Sanction orders issued by NEC;
- Instructions and circulars issued by GOI and State Government from time to time; and
- Sikkim Public Works Code/ Manual and Sikkim Financial Rules.

#### 1.1.6 Audit Methodology

The performance audit commenced with an entry conference in March 2010 with the representatives from project implementing departments, DPERNECAD and Finance, Revenue & Expenditure Department wherein the audit objectives, scope, criteria and methodology were discussed and feedback of the departments obtained. This was followed by issue of requisition for records/data and questionnaire. Records/documents were examined in the line departments and data analysed. To corroborate observations arrived at from the examination of records and data, physical verification of assets created and survey of beneficiaries were conducted jointly with departmental officers. On the basis of audit scrutiny, physical verification and beneficiaries' survey, observations were issued to the concerned line departments as well as the DPERNECAD for their response. For generating executable recommendations, the exit conference was held on 6 October 2010 wherein the findings were discussed and report finalised after taking into account the views of the departments, duly incorporating the same at appropriate places.

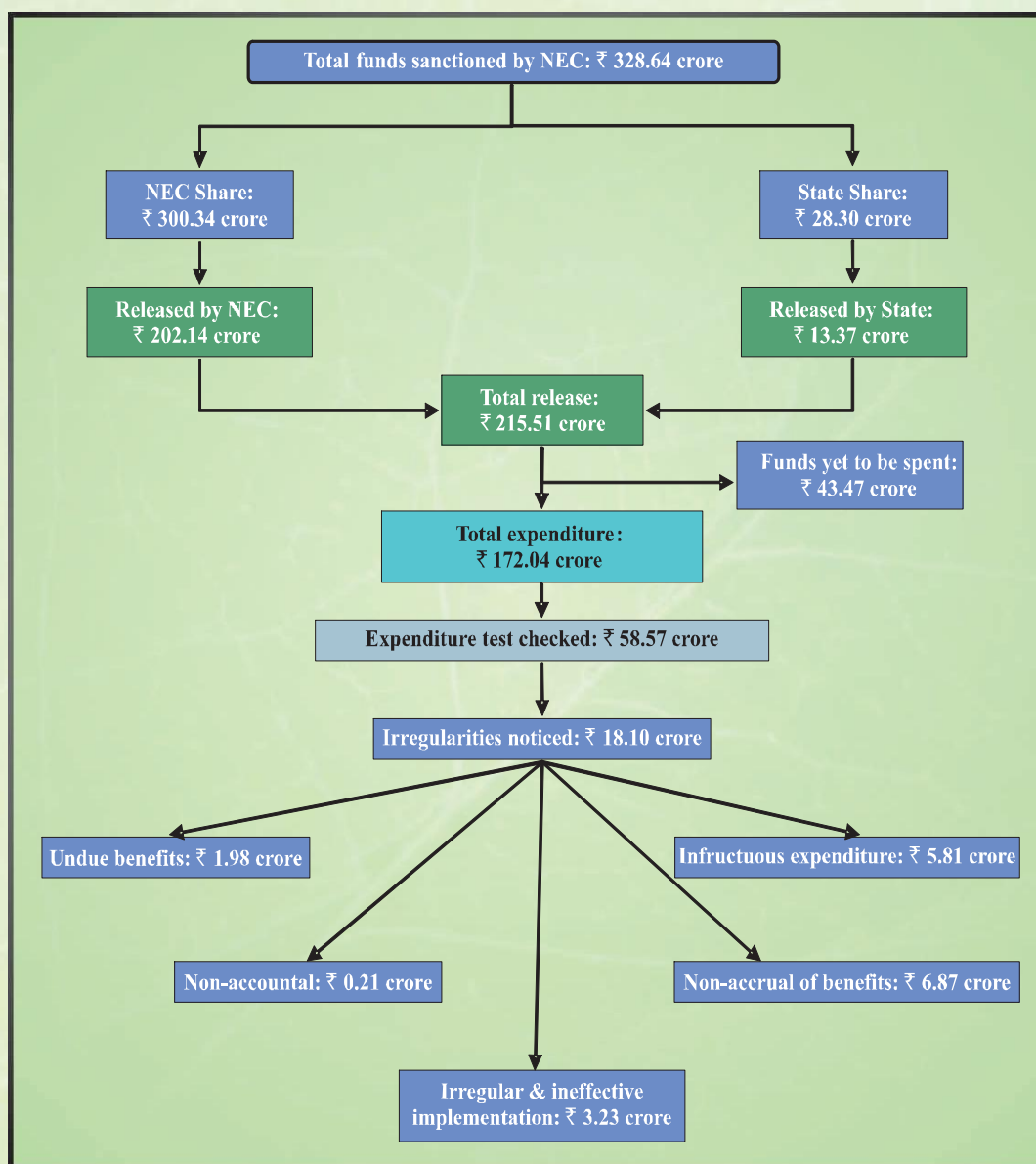
#### Audit findings

For successful implementation of the programme in the State, the objective of socio-economic and balanced development was to be ensured through the achievement of the scheme specific objectives enshrined in the detailed project reports (DPRs) of the



respective schemes. While the deviations from achieving the scheme specific objectives have been enumerated in the succeeding paragraphs, the total fund sanctioned, released and expenditure incurred there against along with the expenditure test checked and irregularities noticed in audit are given in the finance inverse tree portrayed below:

Finance Inverse Tree



## 1.1.7 Planning

### 1.1.7.1 Defective DPRs

The Detailed Project Reports as prepared by the respective implementing departments are being forwarded to the NEC by the DPERNECAD without obtaining necessary inputs regarding feasibility and ascertaining whether proper surveys have been



conducted before finalising the DPRs. Again, on receipt of the approval from the NEC, the DPRs are transmitted to the implementing departments for execution. Out of 25 projects selected for test check in audit, there was time overrun ranging from two years to more than three years in seven cases and cost overrun of ₹ 1.09 crore in four<sup>1</sup> cases.

It is thus, evident that the implementing departments prepared the DPRs without proper survey and investigation and the Nodal Department also forwarded the same to the NEC without proper scrutiny, the consequences of which was corroborated by the fact that there were a number of cases of non-utilisation of infrastructure, non-accrual of intended benefit, avoidable expenditure, time and cost overrun, etc. as mentioned in the subsequent paragraphs.

#### **1.1.7.2 Lack of transparency**

In contravention of Sikkim Financial Rules read with SPWD code/manual, the requirement of wide publication through advertisement in local and national newspapers, at least one month before the date for submission of bids, was vitiated in three out of 25 cases test checked, wherein only five to 15 days were allowed. Inadequate time limit deprived the Government from availing the benefit of fair and competitive bids.

In the work site, no display board indicating funding agency, date of commencement/completion, cost involved, etc. for identification of the project was found.

Thus, there was lack of transparency in the implementation of NEC funded projects in the State of Sikkim.

### **1.1.8 Financial management**

Funds under NEC were being released to the State Governments in the form of 90 *per cent* grant and 10 *per cent* loan till 2004-05. From 2005-06, as per the recommendation of the 12<sup>th</sup> Finance Commission, only grants were being released to the State Governments. The balance 10 *per cent* were to be raised/ provided by the State Governments. Scrutiny of financial management in the implementation revealed the following:

#### **1.1.8.1 Overestimation of cost**

The year-wise number of schemes approved, sanctioned cost indicating the share of NEC as well as the State is shown below:

<sup>1</sup>(i) Establishment of Bio-fertiliser (organic farming) Unit, (ii) Establishment of Polyclinic and Veterinary Hospital, (iii) Procurement of Ophthalmic Microscope, and (iv) Augmentation of Kaluk-Rinchenpong Water Supply Scheme



Table-1.1.1

(*₹ in crore*)

Year	No. of approved project	Sanctioned Cost	NEC Share	State Share
2003-04	13	32.24	30.71	1.53
2004-05	21	53.70	50.44	3.26
2005-06	10	14.29	12.89	1.40
2006-07	22	92.62	83.39	9.23
2007-08	7	11.95	10.78	1.17
2008-09	7	28.58	26.19	2.39
2009-10	17	95.26	85.94	9.32
<b>Total</b>	<b>97</b>	<b>328.64</b>	<b>300.34</b>	<b>28.30</b>

Source: Information furnished by departments

NB: The loan component for the year 2003-04 and 2004-05 have been shown as state share.

It can be seen from the above table that the total share of the State, for the years 2003-04 to 2009-10, was ₹ 28.30 crore. Audit observed that the State Government did not release its entire share of ₹ 14.76 lakh in two<sup>2</sup> completed works and the works were completed within the available funds, implying that the estimates were overstated to accommodate the liability of the State towards its share.

### 1.1.8.2 Unrealistic budgeting

The budget estimates, total availability of funds and expenditure incurred there against for the years 2003-04 to 2009-10 are given below:

Table-1.1.2

(*₹ in crore*)

Year	Opening balance	Funds released by NEC	Funds released by State	Funds available	Budget estimate	Expenditure incurred
2003-04	0.00	12.59	0.00	12.59	00.00	00.00 (00)
2004-05	12.59	22.72	0.15	35.46	35.60	18.71 (53)
2005-06	16.75	17.34	1.55	35.64	41.97	29.54 (83)
2006-07	6.10	26.94	3.09	36.13	47.84	26.75 (74)
2007-08	9.38	35.16	3.76	48.30	86.53	40.18 (83)
2008-09	8.12	45.31	4.16	57.59	78.53	30.18 (52)
2009-10	27.41	42.08	0.66	70.07	79.07	26.68 (38)
<b>Total</b>		<b>202.14</b>	<b>13.37</b>			<b>172.04</b>

Source: Information furnished by departments, Finance Accounts and Appropriation Accounts

Figures in parenthesis indicate percentage of expenditure to the availability of fund.

Above table shows that the budget provisions were neither commensurate with the availability of funds nor with the expenditure incurred during the respective years, which was indicative of unrealistic budgeting. Besides, the expenditure always fell short of the funds available indicating inability of the executing departments to execute the works planned for execution.

<sup>2</sup>(i) Eco Tourism Development in Barsey Rhododendron Sanctuary (₹ 3.60 lakh) (ii) Construction of additional class room and allied infrastructural facilities to primary schools in South and West (₹ 11.16 lakh)



### 1.1.9 Implementation

#### *Shortfall in achieving target*

Out of 97 schemes implemented by 18 departments, during the years 2003-04 to 2009-10, at a total cost of ₹ 328.64 crore, 49 schemes were completed by 10 departments at a total cost of ₹ 89.32 crore till the end of March 2010. The department-wise details of schemes sanctioned and completed are detailed in the table below:

Table-1.1.3

Sectors	Total projects Sanctioned	Sanctioned cost (₹ in crore)	Projects due for completion by March 2010	Projects completed by March 2010	Expenditure on completed projects (₹ in crore)
Agriculture	2	0.90	2	1	0.40
Animal Husbandry & Veterinary Services	2	4.59	1	1	1.07
Co-operation	1	2.01	1	0	-
Human Resource Development	14	29.60	12	8	7.89
Health Care, Human Services & FW	8	18.42	8	5	14.17
Energy and Power	14	57.87	9	6	17.03
Forest, Environment and Wildlife Management	4	3.88	3	2	0.69
Irrigation & FC	3	11.55	1	0	-
Roads and Bridges	27	151.15	23	9	23.67
Social Justice, Empowerment and Welfare	1	0.27	1	1	0.27
Water Security & PHE	12	40.02	11	9	22.77
Others (7 departments)	9	8.36	7	7	1.36
Total	97	328.64	79	49	89.32

Source: Departmental records

It can be seen from the above table that out of a total 79 schemes due for completion by March 2010, only 49 schemes (62 *per cent*) could be completed within the scheduled date of completion.

The implementation of 25 schemes scheduled to be completed by March 2010 (16 completed and nine ongoing) by 12 departments were scrutinised in audit to assess the impact of the implementation of the schemes under NEC. It was noticed that out of 25 Schemes, the objectives were not achieved in 11 Schemes. Besides, objectives were only partially achieved in another four Schemes. The deficiencies noticed in implementation of these 15 Schemes (60 *per cent*) are detailed below:

#### 1.1.9.1 Food Security and Agriculture Development Department

##### *Unfruitful expenditure on defunct unit*

In order to cope with the increasing demand of fertiliser and to discourage procurement from outside the State, the Department proposed to establish a bio-fertiliser unit capable of producing 150 MT bio-fertiliser per year under organic farming in Sikkim at a cost of ₹ 40.41 lakh (NEC grant ₹ 39.37 lakh and ₹ 1.04 lakh loan). Audit scrutiny revealed that the Department received ₹ 30 lakh in March 2004 and ₹ 10.41 lakh in May 2006 from the



NEC for establishment of the unit at Mazitar (East Sikkim). The unit was installed in January 2005 but remained non-functional due to lack of electrification which, though essential, was not included in the original estimate. However, the work of electrification was completed in September 2007 with the funds allocated by the State Government after more than two years. The trial run of the unit was conducted, after a long delay, for reasons not on record during May 2008 and August 2009 to September 2009 and 210 Kg of bio-fertiliser was produced. A physical verification (June 2010) was undertaken to assess the present position of the unit and it was noticed that the machineries were damaged due to electrical short circuit and most of the bio-fertilisers produced during trial run were still in the unit as shown in the picture.

**Image – 1.1.1**



*Damaged machine*

**Image – 1.1.2**



*Date expired bio-fertiliser*

Thus, lack of foresight and improper implementation of the scheme, on the part of the Department, resulted in a bio-fertiliser unit installed at a cost of ₹ 60.88 lakh remaining non-functional over a period of five years thereby rendering the investment unfruitful besides non-achievement of the objective of reducing procurement from other States.

While accepting the observations of audit, the Department stated (November 2010) that the unit was defunct due to electric short circuit (August 2009) leading to major damages of machinery and equipment, falling of huge tree on the bio-fertiliser unit (April 2010) causing serious damage to the plant, damage of electric transformer (May 2010) due to heavy lightening and the delay was due to taking up of additional works from the State Plan Budget towards fencing, external electrification, water supply, approach road, etc.

#### **1.1.9.2 Animal Husbandry, Fisheries and Veterinary Services Department**

##### ***Non-utilisation of assets created***

NEC approved (January 2004) establishment of a Polyclinic State Veterinary Hospital at



Deorali at a total cost of ₹ 1.17 crore with stipulated date of completion as March 2006 and released its share of ₹ 1.07 crore in four instalments. The construction work was entrusted to the Building and Housing Department (BHD) who in turn revised the estimate to ₹ 1.71 crore and obtained the approval of the Cabinet in March 2005. The work was completed at a total cost of ₹ 1.55 crore and handed over to the AHVS (January 2008) by the BHD. The AHVS procured (August 2008) material and equipment (ECG Machine, X-ray Machine, OT table, etc.) worth ₹ 16 lakh for the hospital.

The hospital could not be opened due to absence of external electrification which was not included in the DPR and the Department did not take any further action for completing the electrification.

Physical verification (August 2010) revealed that the equipment purchased were not installed in the hospital and the Engineering Cell of AHVS was utilising a part of the top floor of the building as an office. Consumable articles procured were being utilised in the existing old hospital being run in a small house. A few photographs showing the unused hospital building and unutilised equipment and material are given below:

Image – 1.1.3



Image – 1.1.4

*Unutilised hospital building*

Image – 1.1.5



Image – 1.1.6

*Unutilised material and equipment*



Thus, non-utilisation of the building and equipment not only resulted in unfruitful expenditure of ₹ 1.71 crore but also deprived the needy farmers in the State of veterinary services for their cattle.

While accepting the audit observation, the Department stated (November 2010) that the equipment could not be installed due to non-availability of budget provision for transformer. It was further stated that the Department would take action for full utilisation of the structure.

#### **1.1.9.3 Human Resource Development Department (HRDD)**

##### **(i) Non-accountal and procurement of substandard furniture**

The NEC sanctioned (February 2005) the proposal, for supply of furniture to 426 schools located in rural areas of Sikkim, at a cost of ₹ 3.40 crore. Out of the sanctioned cost, the Department decided to procure 6,870 sets of school furniture from Sikkim State Co-operative Supply and Marketing Federation (SIMFED), Gangtok. Subsequent to the Cabinet's approval (May 2005), one local registered firm (M/s National Equipment Trading Company, Gangtok) requested the Department for the supply of furniture at the rates approved by the SIMFED. The proposal was approved by the Department and supply order for furniture was placed (May 2005) to the said firm.

A Physical verification (August and September 2010) of 41 schools was conducted to ascertain whether the furniture was received in the schools and were in good condition. The following defects were noticed:

The Department was procuring furniture from different sources of funding (i.e., regular State budget, NEC, RIDF, award of Finance Commission, etc.) and issuing the same to the schools. No system was devised to link the procurement of furniture at head office with corresponding scheme-wise receipt of the same in the schools. Hence, it could not be vouchsafed in Audit whether all the furniture despatched from head office were actually received in all the schools. However, an attempt was made during physical verification to enquire from the Head of the schools whether they have received the furniture sent by the Headquarters' from NEC fund. While the Heads of 38 schools stated that they had received the furniture in good condition, 30 sets issued to Singtam Sr. Secondary School had not been received by them and 30 sets out of 52 sets had not been received by Samdong Sr. Secondary School. Also, in Dalapchand Government Primary School, 22 sets received were stated to be of very poor and unusable quality.

This had resulted in non-receipt of 60 sets of furniture valuing ₹ 2.97 lakh by two schools, besides receipt of 20 sets of substandard and unusable furniture valuing ₹ 0.99 lakh by one school.

While accepting the observation, the Department stated (November 2010) that it has taken action for proper maintenance of records and would follow financial norms for procurements in future.



**(ii) Financial imprudence and substandard workmanship**

The proposal of HRDD for 'Infrastructural Upgradation of Sikkim Government College, Tadong at a cost of ₹ 2.65 crore was approved (October 2004) by the NEC. The project consisted of civil and allied works estimated at ₹ 1.23 crore and ₹ 1.42 crore respectively.

With the approval of the Finance, Revenue and Expenditure Department (February 2005), the civil works (₹ 1.07 crore) was put to tender, and the lowest bidder (quoting 42.22 *per cent* above) agreed to execute the work at the negotiated rate of 38.66 *per cent* above the SOR 2002, on the condition that other allied works like providing furniture, laboratory equipment, computers, etc. would also be awarded to him. It was agreed that the supplies would be made at the manufacturers' rate. With the approval (March 2005) of the Cabinet, the work was awarded (May 2005) to the contractor, with the stipulation for immediate commencement of work. Scrutiny of records, alongwith physical verification (July 2010), revealed the following:

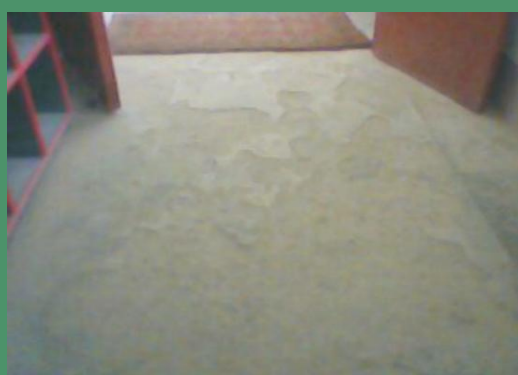
- During execution of the work, the Department had to revise the estimate to ₹ 3.15 crore for various items of works (architectural consultancy fee for change in design, change in roof style, change in construction site, electrification, sanitation, underground water diversion, etc.) not included in the original estimate. The revision of estimate for change in scope of work was indicative of defective planning, survey and investigation.
- The revised estimate was forwarded (September 2005) to NEC which sanctioned only ₹ 26.51 lakh against the required additional fund of ₹ 50.23 lakh. Due to non-availability of requisite fund, the Department curtailed the quantum of allied work valuing ₹ 23.72 lakh on account of furniture/equipment/computers, etc. and completed the same in November 2005. The curtailment in the revised estimate of allied works like furniture, equipment, computers, etc. restricted the creation of requisite infrastructure for improvement in institutional delivery system.
- In order to avail the offered reduction in rates of 3.56 *per cent* on civil works costing ₹ 3.80 lakh, the Department failed to ascertain reasonability of rates through open and competitive tendering process in the case of allied works relating to supply of material (completed in February 2008) valued at ₹ 89.02 lakh.
- A discount of 10 *per cent* on the value of books was, usually being availed of by the college during direct procurement from the market. However, books procured at ₹ 3.66 lakh from the supplier were without any discount. Instead of any discount, 15 *per cent* extra on transportation above the printed cost price of the books was also paid to the supplier. This resulted in undue financial benefit to the supplier and an extra financial burden on the project amounting to ₹ 0.91



lakh.

- While there was visible seepage of water from the ceiling of the library, the floor was rough and dusty due to inferior quality of work as shown in **Image 1.1.7**.
- Three class rooms had been built in such a defective way that the students do not get a clear view of the black board and the teacher in the front as shown in **Image 1.1.8**.

**Image – 1.1.7**



*Damaged floor*

**Image – 1.1.8**



*Defective class room*

- Despite provision of water supply in the estimate, the students' toilet had to be closed for want of water supply.
- The stairs towards class rooms and library had been worn out due to inferior quality of work.
- The laboratory equipment was hardly utilised. The set of “incubator digital” had not been utilised even once.
- The book-shelf supplied to the library was of inferior quality and hardly supported the weight of the books and consequently got bent and damaged.

It was thus, evident that the scheme 'Infrastructural upgradation of Sikkim Government College, Tadong' was implemented with financial imprudence and substandard workmanship.

While accepting the observation, the Department stated (November 2010) that it would initiate corrective measures.

#### **1.1.9.4 Health Care, Human Services and Family Welfare Department**

##### **(i) Treatment of accident victims**

The NEC sanctioned (October 2006) ₹ 1.35 crore for 'Establishment of Accident and Trauma Centre at Namchi'. The construction work was completed in March 2009 at a total cost of ₹ 47.82 lakh after a delay of three months. Equipment and material worth



₹ 32.41 lakh were also purchased between November 2008 and March 2009. However, the trauma centre has not yet been put into operation for reasons not on record.

It was seen during physical verification of the centre in July 2010 that the same along with equipment and material were lying unused as can be seen from the photographs below. Besides, material worth ₹ 17.31 lakh could not be shown to Audit indicating that they were either not supplied by the supplier or have been pilfered from the site.

**Image – 1.1.9**



*Trauma Centre without any equipment*

**Image – 1.1.10**



*Non- functional Trauma centre*

**Image – 1.1.11**



*Unutilised equipment*

**Image – 1.1.12**



Thus, lack of effective action and proper monitoring has not only resulted in a completed trauma centre lying unutilised but also material worth ₹ 17.31 lakh not traceable at the centre. Besides, the objective of treating accident victims remains unachieved even after a lapse of more than one and a half year after completion of the centre.

The Department stated (November 2010) that the centre has been made functional from November 2010. However, the reply was silent regarding materials remaining non-traceable.

**(ii) Wasteful expenditure**

Telemedicine is a rapidly developing application of clinical medicine where medical



information is transferred through interactive audiovisual media for the purpose of consulting and also for remote medical procedures or examination. Sikkim being a State with predominantly rural populace (89 per cent) with hilly and mountainous area, a sizable number of habitations fall in remote and inaccessible areas. Further, transportation facilities from districts to the State capital (where Central Referral Hospital is situated) and from Sikkim to other states is inadequate and frequently disturbed by natural calamities like landslides, etc. With this objective in view, the NEC sanctioned (March 2005) ₹ 3 lakh for renovation and preparatory works of four approved Telemedicine Sites. The Department prepared (June 2006) estimate for ₹ 1.99 lakh only and incurred (March 2007) expenditure of ₹ 1.97 lakh for South and East districts. Physical verification revealed that the centres were not functioning in South and East district hospitals as would be evident from the images shown below.

Image – 1.1.13



Image – 1.1.14



Non-functional Tele Medicine room at Singtam District Hospital

Thus, despite having received the fund from NEC, lackadaisical approach of the Department towards implementation of telemedicine scheme resulted not only in deprival of benefit expected of this modern system of healthcare but also in wasteful expenditure of ₹ 1.97 lakh.

While accepting the observation, the Department stated (November 2010) that it is in the process of utilising the balance fund. It was further stated that the centres were non-functional as equipment has not been provided by the NEC for which action has been initiated by the Department.

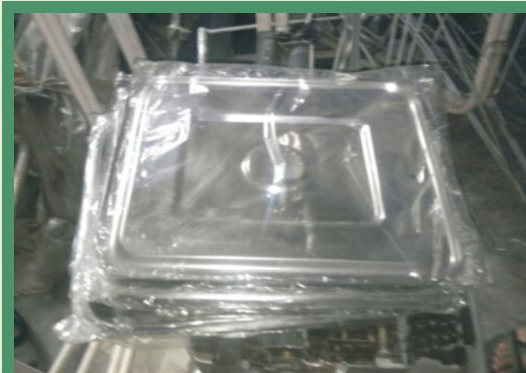
### **(iii) Injudicious procurement**

The scheme 'Upgradation of Hospital and Health centres – basic equipment for labour rooms in PHCs and PHSCs' was sanctioned by NEC in 2005-06 at a cost of ₹ 4.93 crore. Funds were released during March 2006 (₹ 1.99 crore), February 2007 (₹ 1.86 crore) and November 2007 (₹ 1.08 crore). The equipments were purchased without assessment and issued to various health centres during February 2007. Test check of records of six PHCs (out of 24) revealed that large quantity of material were lying unused either because it was not required or because it was already available in the centre. Some of



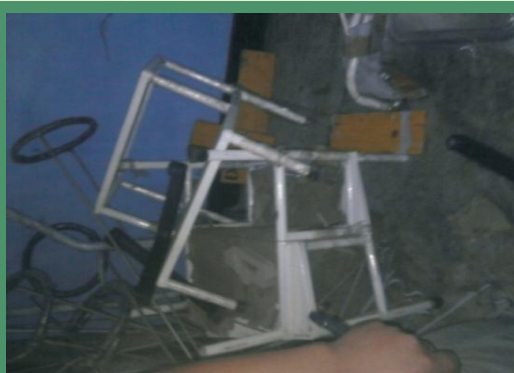
these materials have already been damaged. Photographs depicting the same are given below:

**Image – 1.1.15**



*Unused square tray retained in store*

**Image – 1.1.16**



*Unused materials retained in store*

Thus, due to imprudent procurement without assessment, materials valuing ₹ 13.08 lakh remained unutilised which was 27 *per cent* of total cost of materials of ₹ 48.90 lakh issued to these six centres. Further, there was little chance of future utilisation as some of the materials have already been damaged and the remaining materials run the risk of damage due to prolonged storage.

The Department stated (November 2010) that some of the equipment needing repair are in the process of being repaired so that they can be put to further use.

#### **1.1.9.5 Energy and Power Department**

##### ***Non-completion of project and undue financial benefit to contractor***

The Scheme 'Design, supply, erection, testing, commissioning of 2X2.5 MVA 3.3/66KV switchyard-cum-substation at Rongli Hydel Project together with construction of one 66KV line bay at Rongli', was approved (February 2007) by the NEC at a total cost of ₹ 4.26 crore, to evacuate the power generated from the 2 X 2.5 MW Rongli Hydro Electric Project with the stipulation to complete the works within 10 months from the date of receipt of 1<sup>st</sup> instalment of fund. While the 1<sup>st</sup> instalment of ₹ 90 lakh was telegraphically transferred (February 2007), the work was awarded (February 2007) on turnkey basis to the lowest bidder at 27 *per cent* above the estimated cost of ₹ 5.44 crore with the stipulation to complete the work within six months from the release of first advance payment (May 2007). Work order which formed a part of agreement stipulated release of 25 *per cent* of total value of works after successful commissioning of the project and five *per cent* after six months of completion and handing over of the project. Scrutiny revealed the following:

- The Department released the entire amount of ₹ 4.34 crore without deducting 30 *per cent* as envisaged in the agreement leading to undue benefit of ₹ 1.08 crore to the contractor;



- An amount of ₹ 54.36 lakh was paid to the contractor as mobilisation advance, though neither mentioned in the notice inviting tender nor requested for by the contractor, against the provision of Sikkim Financial Rules resulting in undue benefit to the contractor.
- The work, though scheduled to be completed by January 2008, had not yet been completed as the Department could not provide the drawings to the contractor, resulting in non-achievement of the objectives for which the funds were received.

Thus, lack of effective action on the part of the Department resulted in non-achievement of the objectives for which the funds were released by NEC. Besides, undue benefit of ₹ 1.62 crore was extended to the contractor.

#### **1.1.9.6 Forest, Environment and Wildlife Management Department**

##### ***Inordinate delay in execution with forgone central assistance***

The Department, in order to cover an area of 4,250 hectares with bamboo plantations costing ₹ 4.01 crore to be implemented during 10<sup>th</sup> Plan period (2003-04 to 2006-07) for conservation, improvement, increase in the production of bamboos and providing additional income to the tribal and rural people in Sikkim, prepared a project (January 2002) under Bamboo Plantation scheme. The initial project proposal sent to NEC for funding was revised (September 2003) to ₹ 7.31 crore on the ground of increase in labour rates and subsequently revised again (August 2004) to ₹ 4.99 crore with reduced area coverage of 3,530 hectares at the instance of NEC, since projects costing more than ₹ 5 crore would require the approval of the Planning Commission and the NEC anticipated delay in obtaining the required approval.

NEC in principle approved the proposal of the Department for ₹ 4.99 crore after a visit to Sikkim and sanctioned (March 2004) ₹ 63.40 lakh for coverage of 530 hectares during 2003-04 in the first phase.

A scrutiny of relevant records revealed that the Department delayed the implementation of the project right from the planning stage and further delayed it inordinately at the implementing stage for reasons not on record. The fund of ₹ 63.40 lakh could be utilised by it only by February 2007 i.e. at the end of the 10<sup>th</sup> Plan period.

This has resulted in foregoing the principally approved amount of ₹ 4.36 crore during the 10<sup>th</sup> Plan period. Besides, the objective of covering 3,000 hectares during the said plan period has also not been achieved thereby depriving the beneficiaries to that extent.

#### **1.1.9.7 Irrigation and Flood Control Department**

##### ***Delay in execution with non-accountal of stores***

With a view to avoid natural disaster due to heavy and torrential rain, the Department got



the project “Storm Water Drainage System for Gangtok”, comprising of 10 Jhora Training Works, approved (August 2004) by NEC with an estimated cost of ₹ 4.68 crore to be completed within August 2006.

Scrutiny of records revealed (May-June 2010) that the works were awarded to different contractors at 15 *per cent* above the estimated cost between August and December 2005, after a delay of more than one year from the date of administrative approval, with stipulation to complete the works between January and June 2007. Only six works have been completed till the date of audit (June 2010). In respect of remaining four works, no extension of time has been requested by the contractors. Out of the total share of ₹ 4.26 crore, NEC released only ₹ 3.34 crore and the State released ₹ 44.88 lakh till date for which utilisation certificate had already been furnished by the Department. The reasons cited by the Department for delay in completion of works were non-release/delay in release of balance fund by the NEC despite several written requests for release of balance fund. Out of six physically verified works, one work (Lumsey) completed in February 2010, was damaged during monsoon (June 2010) as illustrated in the picture below reportedly due to heavy flow of muddy water.

Image – 1.1.17

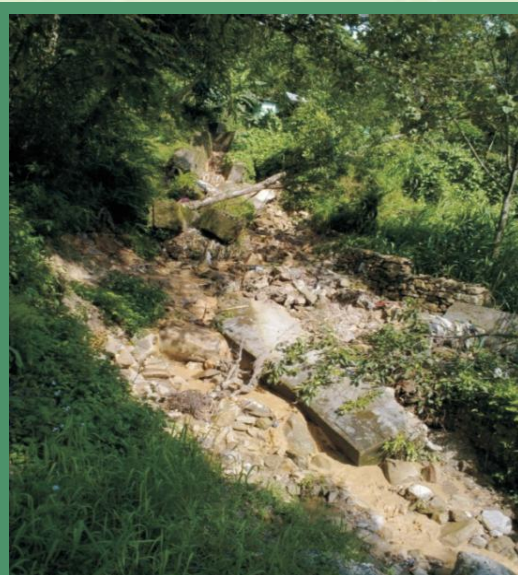


Image – 1.1.18



Damaged Jhora

It was also noticed during scrutiny (July 2010) of store records that a total of 15,334 bags of cement was received by the Store under NEC fund, out of which only 7,780 bags of cement was issued to various works under NEC. However, the Store records depicted “Nil” balance during the period. Remaining 7,554 bags of cement costing ₹ 18.09 lakh was therefore, not accounted for in the records hinting at pilferage of the materials.

Thus, implementation of Storm Water Drainage project at Gangtok was characterised by delay in implementation, non-achievement of the objective of the scheme even after



more than three years of scheduled date of completion and non-accountal of stock materials.

The Department stated (November 2010) that the physical progress has been held up due to some practical problems without specifying the problems.

#### **1.1.9.8 Roads and Bridges Department**

##### **(i) Avoidable expenditure**

NEC approved the project 'Replacement of Suspension Bridge with 102 mtr. Span Steel Bridge over Rabi Kholā on Melli – Phong Road' at an estimated cost of ₹ 4.97 crore in December 2005 and the Department floated the tender (July 2006) for civil work valuing ₹ 2.08 crore.

The contractor was awarded the work (January 2007) to execute civil work portion only on negotiated rate of 17.5 *per cent* above estimated cost and the bridge portion at actual cost to be completed in 18 months. The contractor, after eight months of the receipt of work order, gave a representation for allowing him the 17.5 *per cent* above rate for the supply of bridge parts also on the ground of increase in cost of steel. The Department moved the proposal which was approved by the Finance, Revenue and Expenditure Department and DPERNECAD in contravention of contractual agreement. The work though scheduled to be completed by June 2008 remained incomplete till date for reasons not on record.

Even though the Department undertook an extra avoidable expenditure of ₹ 36.11 lakh (on cost of bridge ₹ 2.41 crore), the overall objective of completion of the bridge has not been achieved till date.

##### **(ii) Inordinate delay due to preparation of defective estimate**

The work 'Construction of steel bridge over river Takcham Chu along Chandmari Rongnect Bhusuk - Assam Road' was approved by NEC during July 2004, at a total cost of ₹ 4.77 crore which included consultancy fee of ₹ 19.61 lakh. The scope of consultancy work was, *inter alia*, planning and designing of the bridge structure and preparation of tender documents. The work order for civil portion only at a cost of ₹ 94.88 lakh was issued (December 2005) to the contractor with stipulation to complete the work within nine months (September 2006).

The civil work had to be revised by more than 98 *per cent* by curtailing river training work due to change in scope of work and non-inclusion of launching of bridge portion in NIT and subsequent work order. Revised agreement (December 2008) for completion of work within March 2009 at ₹ 1.99 crore (work value ₹ 1.55 crore plus 29 *per cent* above ₹ 44.82 lakh) was entered into with the contractor along with separate agreement for launching of the steel bridge at a total cost of ₹ 16.18 lakh (at par) within April 2009. Time extension up to December 2009 was granted on the request of the contractor (July



2009). However, despite several revisions of estimate and extensions of time, the work remained incomplete till date.

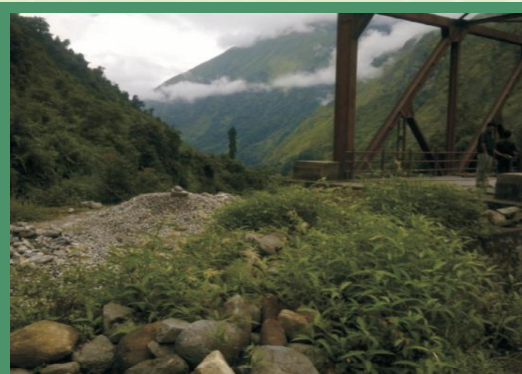
Thus, improper preparation of the estimate and non-inclusion of the main component of launching the bridge in the tender documents not only delayed the execution by more than six years from the date of approval of the NEC but also indicated that the estimate and tender documents were not prepared scrupulously by the consultant, even after charging ₹ 19.61 lakh towards consultancy fee, and the departmental officers also failed to exercise due diligence in vetting the documents. The objective therefore, remained unachieved.

### **(iii) Unfruitful expenditure**

With the objective of facilitating the people of Khedum village for transportation of agricultural produce to the market centre of Chungthang and Mangan for sale and carriage of essential commodities from the market, construction of steel bridge on approach road to Khedum village was approved by NEC during March 2005 at a total cost of ₹ 1.91 crore. The work was allotted at 25 *per cent* above the estimated cost during February 2006 with the stipulation for completion within 12 months.

While 99 *per cent* of the work was completed at an expenditure of ₹ 1.66 crore till August 2010, physical verification (August 2010) revealed that there was no road on one side of the bridge for which the connectivity on both the sides of the bridge was not established as evident from the photographs below:

**Image – 1.1.19**



**Image – 1.1.20**



*Bridge without connectivity on the other end*

It was further seen that the Department had not initiated any action for establishing connectivity of the road. Resultantly, people had to carry agricultural and other essential products by headload through the available small log bridge. Thus, defective planning on the part of the Department resulted in unfruitful expenditure of ₹ 1.66 crore apart from failing to mitigate the hardships faced by the local people.



#### 1.1.9.9 Social Justice, Empowerment and Welfare Department (Women and Child Development Division)

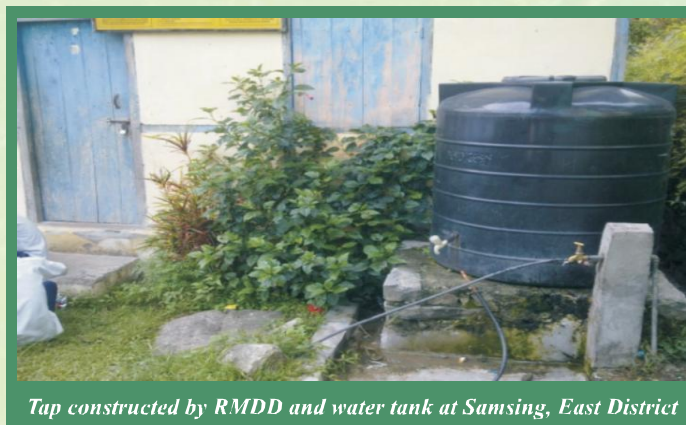
##### *Injudicious utilisation of fund*

The Department prepared a project for child development keeping in view the basic needs of ICDS centres in Sikkim viz., sanitation, hygiene and water supply comprising of one water storage tank of 1,000 litre and two coils of poly pipe to every ICDS centres. Total cost for water storage tank, two coils of poly pipe and transportation charges worked out to ₹ 1.35 crore. NEC sanctioned ₹ 27.40 lakh (including transportation charges at the rate of ₹ 198 for each centre) towards supply of water storage tank of 1,000 litres and two coil poly pipes to each of the 315 centres.

While no record in support of any survey and investigation before preparation of DPR could be produced to Audit, physical verification of 16 centres revealed the following:

- In seven centres, the scheme was implemented despite the existence of functional regular water supply tap constructed by RMDD;

Image – 1.1.21



Tap constructed by RMDD and water tank at Samsing, East District

- In two centres, tanks were non-functional;
- In three centres, the tanks were used for private purpose (i.e., by the Anganwadi Workers);
- In three centres, water was used only for sanitation purpose;
- In seven centres, only 274 mtrs of pipes were used out of 1,400 mtrs supplied;
- Irrespective of the availability of water in the centre and the distance of various ICDS centres from water source, tanks of same capacity and pipes of same length were provided.

The above was indicative of the fact that the scheme was implemented without a well thought out plan for judicious utilisation of the fund received from NEC and therefore



the objectives of the scheme have not been achieved in its totality.

The Department accepted (November 2010) the audit observation.

#### 1.1.9.10 Water Security and Public Health Engineering Department

##### *Infructuous expenditure and non-availing of concession*

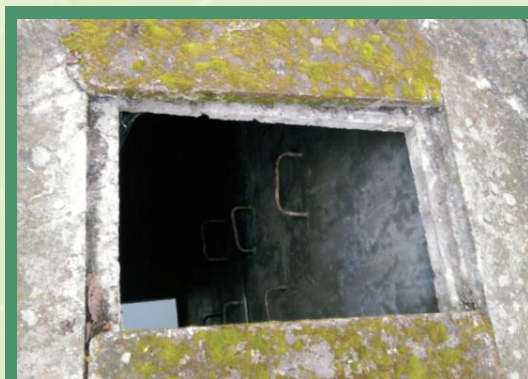
NEC sanctioned the project 'Augmentation of Kaluk-Rinchenpong Water Supply Scheme, West Sikkim' in February 2004 at an estimated cost of ₹ 3.50 crore with the objective to supply water to the projected population for a designed period of 25 years by drawing water from Hee Khola, which is about 17 Kms from the town. Cabinet approved the project in September 2004 and the work was awarded to three contractors with the stipulation to complete the work by March 2007.

Scrutiny of records revealed that there was a cost overrun of ₹ 47.37 lakh on DI pipes and fittings due to delay in execution of the scheme, reasons for which were attributed to illness of contractors. Despite the completion (June 2007) of project at an expenditure of ₹ 3.71 crore, supply of untreated raw water could be made only for a few weeks due to damage in the supply pipes.

Besides, the Union Ministry of Finance (Department of Revenue) exempted (September 2002) pipes needed for delivery of water from its source to a water treatment plant from payment of excise duty. The Department made no attempt to avail the exemption in respect of GI/DI pipes and associated fittings worth ₹ 2.14 crore purchased for delivery of water from source to treatment plants. Non-availing the concession led to a loss of ₹ 29.45 lakh to the Department. A physical verification was undertaken to assess the present status of the scheme, which revealed the following:

- No filter media (Baraka Stone and Rapid Sand Filter) has been installed till date for treating the water;
- Water supply is totally stopped due to damages of pipes at various stretches of joints.

Image – 1.1.22



Empty main reservoir

Image – 1.1.23



Rapid sand filter chamber without filter media



Thus, while the Department has not taken any action to make the project functional, defective planning, design and workmanship resulted in an infructuous expenditure of ₹ 3.71 crore. Further, the beneficiaries were deprived of the intended benefit of potable water supply.

The Department stated (November 2010) that corrective measures have been initiated for making the project functional.

#### 1.1.10 Monitoring and evaluation

The Nodal Department had not initiated suitable measures to streamline the monitoring system as would be evident from the following:

- **Release of fund:** Despite the DPERNECAD, being the nodal authority, for implementation of the programme, it has no information about the release of funds by NEC through FRED to the project implementing departments and expenditure incurred thereagainst;
- **Submission of returns:** Effective monitoring of any programme depends mainly on timely submission of reports and returns to the monitoring authorities. However, while the executing line departments failed to submit the progress reports, utilisation certificates, etc. in time to the nodal department of DPERNECAD, the nodal department also consequentially failed to submit the same to NEC in time;
- **Field inspection:** No field inspection was carried out by the DPERNECAD due to shortage of staff; and
- **Impact Studies:** No impact study about the status of implementation has been carried out by any agency.

#### 1.1.11 Conclusion

*DPERNECAD, the nodal Department for implementation of schemes funded under the NEC with the objective to attain balanced socio-economic development of the State, confined its function merely towards forwarding the proposals of schemes to the NEC and obtaining approval therefrom. As a result, schemes were taken up without proper survey and investigation and therefore, out of 25 schemes test-checked in audit, the objectives were not achieved in 11 schemes. Besides another four schemes were implemented without proper planning and monitoring resulting in achievement of objectives only partially. The monitoring on the part of both the DPERNECAD as well as the implementing departments was inadequate for gainful utilisation of the NEC funding. Evaluation was also never undertaken to assess the impact of implementation of the schemes in the State.*



**1.1.12 Recommendation**

- The nodal Department should insist for Survey and investigation while scrutinising the proposals received from implementing departments;
- The nodal Department should actively involve itself in the planning of the schemes instead of merely being a transmitting agency;
- The nodal Department should ensure achievement of the objectives for which NEC funding is obtained;
- Monitoring mechanism should be strengthened to achieve the desired objectives; and
- Impact of implementation of the schemes should be assessed at regular intervals.

## FOOD AND CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

**1.2 Public Distribution System in Sikkim**

*Public Distribution System (PDS) is a major component of the overall food management strategy of the Central Government for ensuring availability of foodgrain at affordable price and enhancing food security for the poor. The Food and Civil Supplies and Consumer Affairs Department (FCS&CAD) is the nodal Department for management of the PDS in the State. The Department did a commendable job in catering to 70,851 below poverty line beneficiaries and 4,30,547 above poverty line beneficiaries as of March 2010. Performance Audit of PDS however, revealed that the areas of concerns as pointed out in Comptroller and Auditor General's Audit Report 2005 and PAC's recommendation thereon was not acted upon especially in respect of identification mechanism for selection of BPL families and periodical review of BPL list; ensuring that the PDS commodities primarily wheat, reached the intended beneficiaries; reimbursement of Hill Transport Subsidy and differential cost of levy sugar, etc. Besides, non-lifting of allotted quantity of levy sugar; defects in issue and renewal of ration cards; defective price structure of food grains and lack of adequate monitoring mechanism to ensure flawless PDS in the state as highlighted below were noticed:*

**The Department neither reviewed nor updated the list of beneficiaries under BPL categories despite repeated reminders from GOI and State Government's claim of reduction of BPL from 41.43 per cent to 19.33 per cent leading to extra financial burden of ₹ 3.47 crore to the State exchequer.**

**(Paragraphs 1.2.8 and 9)**

**Issue of ration cards which is one of the most important documents under PDS for issue of essential commodities was stopped since August 2009. 45,928 BPL beneficiaries possessed both APL and BPL cards in defiance of norms.**

**(Paragraphs 1.2.11 and 12)**



**Erroneous inclusion of higher handling and storage charges led to extra financial burden of ₹ 40.10 lakh to the PDS beneficiaries.**

**(Paragraph 1.2.15)**

**The Department had not kept adequate vigil over lifting and distribution of iodised salt and *atta* by the agents. This restricted salt and *atta* to urban areas only. Short supply of 13,458.50 quintal (valuing ₹ 2.15 crore) of *atta* due to excess refraction availed by Mill owner led to undue benefit to the flour mill owner.**

**(Paragraph 1.2.19 and 20)**

**Distribution of sugar under PDS was characterised by low off take, overcharging of price by ₹ 125 per quintal and excess burden to the consumer on account of higher retail issue price.**

**(Paragraph 1.2.21 to 24)**

**Monitoring was deficient and needed strengthening as returns were not submitted by FPSs, quality control was not effective, meeting of Vigilance Committees not convened, absence of surprise check, etc.**

**(Paragraph 1.2.26 to 30)**

### **1.2.1 Introduction**

Implementation of a well targeted and properly functioning Public Distribution System (PDS) is a major component of the Central Government's overall food management strategy for ensuring availability of food-grain at affordable prices and enhancing food security for the poor. The Planning Commission of India projected (August 2000) 43,428 (41.43 *per cent*) households living Below the Poverty Line (BPL) in the State.

The Food and Civil Supplies and Consumer Affairs Department (FCS&CAD) is responsible for the control and distribution of essential commodities like foodgrain, superior kerosene oil, salt, sugar, etc. to the public through the Public Distribution System (PDS). The Department was catering to 70,851 families under BPL category and 4,30,547 card holders under Above Poverty Line (APL) category as of March 2010.

The FCS&CAD had been implementing a number of schemes under Targetted Public Distribution System (TPDS) *viz.*, Below Poverty Line (26,914), Mukhya Mantri Antyodaya Annadaan Yojana (9,914), Expanded Antyodaya Annadaan Yojana (6,600), Mukhya Mantri Khadya Suraksha Abhiyan (24,923) and Annapurna Scheme (2,500). Besides, free rice was being provided to 2,064 Welfare Institutions/ Nariniketan by the State Government.

The Department operates a revolving fund for purchase and distribution of rice and levy sugar under PDS. The Department deposits the required amount with the Food Corporation of India (FCI) for release of monthly allocation of essential commodities to the State and lifts the commodities from FCI godowns located at Rangpo (for North and



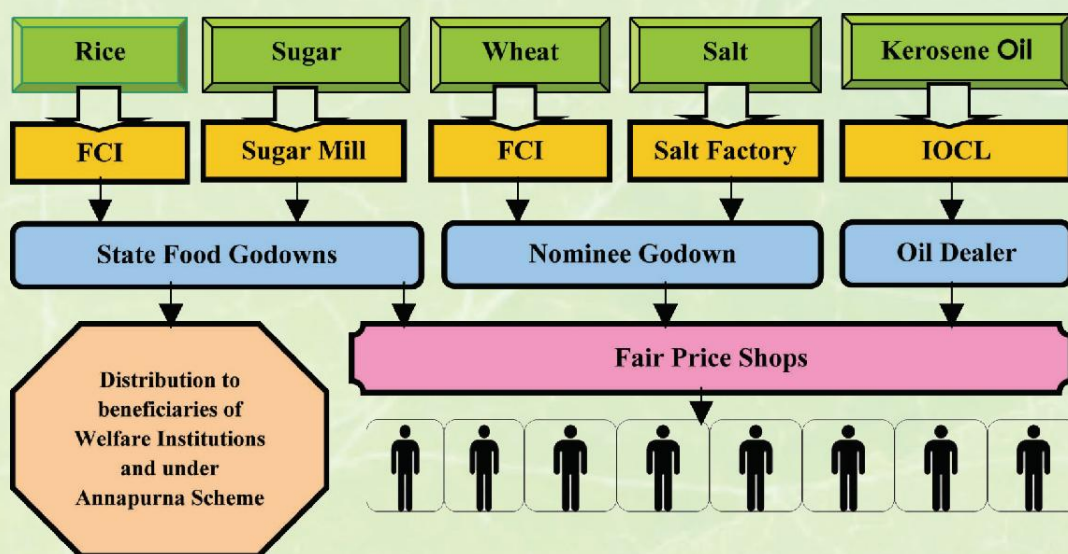
East districts) and Jorethang (for South and West districts) in the State for onward distribution to beneficiaries through food godowns and a chain of fair price shops (FPS) located all over the State.

### 1.2.2 Organisational setup

Commissioner-cum-Secretary, FCS&CAD is responsible for implementation of the PDS in the State. Special Secretary is in-charge of planning, administration and monitoring assisted by Joint Secretary (1), Deputy Secretary (1), Under Secretary (1), Deputy Director (1), Assistant Director (1). At District level, the implementation is entrusted to the Collectors with the assistance of District Civil Supply Officers (DCSOs) to ensure proper distribution of the essential commodities through a network of 1,414 FPSs manned by the rationing agents. These FPSs in turn sell the commodities to the beneficiaries at the prices fixed by the State Government.

Resource flow chart of PDS commodities to the beneficiaries in the State is shown below:

Chart – 1.2.1



### 1.2.3 Scope of Audit

Implementation of PDS in the State for the five year period (2001-02 to 2004-05) was reviewed (February-May 2005) by Audit and the findings were incorporated in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2005 which *inter alia* recommended (i) appropriate fixation of rates for issue of foodgrain to avoid excessive dependence on subsidy; (ii) strengthening of management of revolving fund to avoid its depletion; (iii) initiation of effective steps for obtaining reimbursement of expenditure on distribution of levy sugar from Food Corporation of India (FCI); and (iv) introduction of effective physical verification system.



While discussing the Audit Report, the Public Accounts Committee (PAC) recommended (March 2008) the following:

- Improvement of identification mechanism for selection of BPL families and periodical review of BPL list;
- Initiate effective steps to ensure that the PDS commodities especially wheat reached the intended beneficiaries;
- Pursue vigorously with the FCI for expeditious reimbursement of Hill Transport Subsidy and differential cost of levy sugar.

The records relating to implementation of the PDS in the office of the Commissioner-cum-Secretary, FCS&CAD, all the four DCSOs (including 27 food godowns) covering the period from 2005-06 to 2009-10 were test checked during June-July 2010. Physical verification of 219 (16 *per cent*) FPSs (out of 1,414) were also conducted based on simple random sampling without replacement method.

#### **1.2.4 Audit Objectives**

The Performance Audit attempted to assess the efficacy of PDS in the State and also to examine the status of corrective measures initiated by the Department on the Public Accounts Committee recommendations. Besides, audit also assessed whether:

- Utilisation of revolving fund was proper;
- Selection of beneficiaries under PDS was scientific;
- Benefit of PDS were extended to eligible families;
- Distribution arrangements were well managed; and
- Monitoring mechanism for effective control and implementation of PDS existed.

#### **1.2.5 Audit Criteria**

Audit findings were benchmarked against the following criteria:

- Guidelines for selection of beneficiaries under various schemes issued by Government of India;
- PDS (Control) Order, 2001;
- Issue rate of PDS items;
- Socio-Economic Survey Report 2006, Government of Sikkim;
- Instructions and circulars issued by GOI and State Government from time to time;
- Sikkim Financial Rules; and
- Prescribed monitoring and control mechanism.



### 1.2.6 Audit Methodology

The Performance Audit commenced with an entry conference (June 2010) wherein audit objective, methodology and criteria were explained to the Department. Records were checked and questionnaires issued to the Department for furnishing of data which was analysed in Audit with reference to original records to arrive at audit conclusions. At the conclusion of audit an exit conference was held (September 2010) and report finalised duly taking into account the points put forward by the Department.

### Audit findings

Sikkim is a deficit State in terms of foodgrain production. The State Government therefore, does not procure foodgrain from the farmers in the State under the decentralised procurement scheme. No buffer stock is maintained by the Department. Supply of foodgrain under PDS are obtained from FCI as per allocation made by the GOI for various categories of beneficiaries.

Major audit findings are discussed in the succeeding paragraphs:

### 1.2.7 Financial management

In order to facilitate the procurement and distribution of food-grain to the consumers in time without any financial difficulty, the Department operates a revolving fund in two Banks viz. State Bank of Sikkim and Sikkim State Co-operative Bank since 1975-76.

All transactions relating to payments to Food Corporation of India for procurement of rice and levy sugar and receipt of sale proceeds in food godowns were operated through these revolving fund accounts. Year-wise receipt and expenditure from the revolving fund is indicated below:

Table – 1.2.1

(₹ in crore)

Year	Opening Balance at the beginning of the year	Recoupment during the year	Expenditure incurred during the year	Closing Balance at the end of year
2005-06	0.76	30.76	30.53	0.99
2006-07	0.99	35.02	34.65	1.36
2007-08	1.36	36.14	35.77	1.73
2008-09	1.73	36.22	35.89	2.06
2009-10	2.06	38.17	38.44	1.79

Source: Departmental figures.

Mechanism for keeping detailed accounts under Revolving Fund was neither spelt out by the Department nor were the head-wise details of expenditure kept to ascertain the component-wise expenditure and assess their reasonability. Despite this being reported in the Comptroller and Auditor General's Audit Report for the year ended 31 March 2005 and the PAC recommendation thereon, the Department had not finalised (August 2010) the operating manual for revolving fund even after a lapse of more than nine



months of its preparation (January 2010) through a Chartered Accountant.

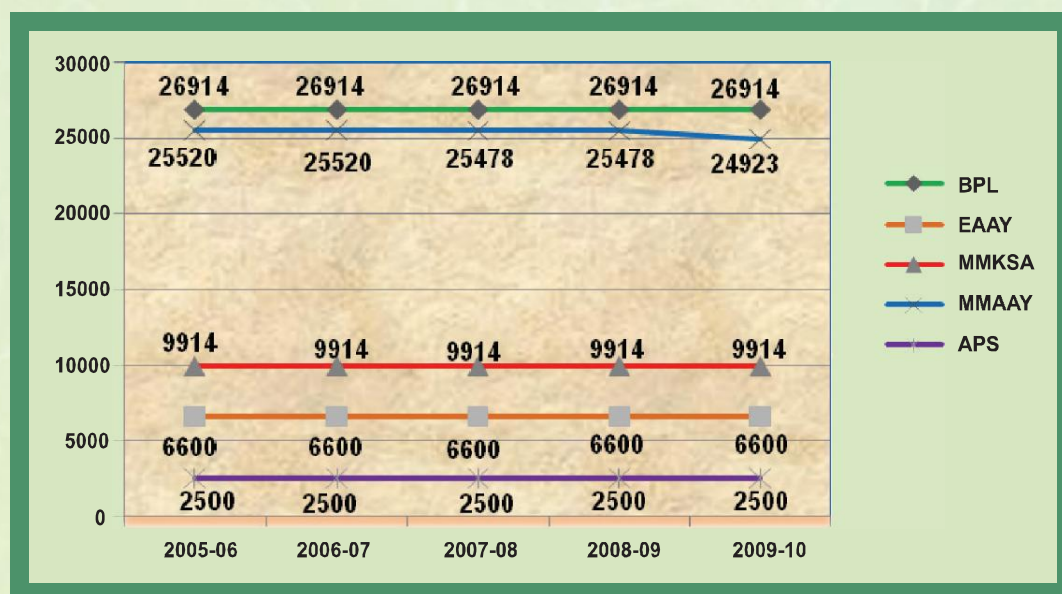
While accepting the fact, the Department stated (November 2010) that operating manual for Revolving Fund was under active consideration of the Government for approval.

### Identification of target groups

#### 1.2.8 Non-updation of BPL families and extension of benefit to ineligible families

PDS Control Order 2001 [Rule 1(1&2)] envisaged review of list of BPL families every year by the State Government for the purpose of deletion of ineligible families. This, however, was not done and the list of BPL families remained constant except in MMKSA where 555 families have been deleted as can be seen from the chart below:

Chart – 1.2.2



It was noticed that 70,851 families were receiving PDS benefits under different BPL schemes and the Department had never reviewed the beneficiary lists for deletion of ineligible beneficiaries despite assurances (March 2008) to the PAC for revision and updating of BPL families from time to time and repeated reminders by the GOI for finalisation of BPL lists based on inputs from Gram Sabhas. Even though the Department of Economics, Statistics, Monitoring and Evaluation (DESME), Government of Sikkim had prepared approved list of BPL families (21,618) in 2006, the Department did not pay any cognizance to it in restricting the number of BPL.

While accepting that there were deficiencies in identification of BPL beneficiaries, the Department stated (November 2010) that the identification process had been initiated by Rural Management and Development Department on a pilot basis for drawing up an authentic list as per the new guideline of GOI.



### **1.2.9      *Excess projection of BPL families and consequent financial burden on State exchequer***

The State Government projected 43,428 BPL families for the purpose of obtaining food-grain from the Government of India at subsidised rate. The GOI accordingly allocated rice at subsidised Central Issue Price (CIP) of ₹ 565 per quintal at the scale of 35 kg per family per month to the State for BPL (43,428) families.

Audit noticed that the State Government further subsidised the cost of rice from ₹ 565 to ₹ 365 per quintal for issue to the beneficiaries at a retail sale price of ₹ 4 per kg (inclusive of overhead expenditure) to 43,428 families. This resulted in avoidable payment of subsidy of ₹ 3.47 crore per annum during 2005-10. Had the Department restricted the BPL families to 21,618 (instead of 43,428) as per DESME report excess expenditure of ₹ 3.47 crore per annum on subsidy to ineligible beneficiaries could have been avoided.

While accepting that there were deficiencies in identification of BPL beneficiaries, the Department stated (November 2010) that the identification process on pilot basis as per the new guideline of GOI had been initiated by RMDD for preparation of an authentic beneficiaries list.

### **1.2.10      *Avoidable expenditure on the MMKSA Scheme***

Sikkim had been allocated 1,920 MT of rice per annum by the GOI for the APL beneficiaries at the central issue price (CIP) of ₹ 830 per quintal.

The State Government introduced a scheme, Mukhya Mantri Khadya Surakshya Abhiyaan (MMKSA), with the objective of extending the benefit of subsidised rice to an additional 24,923 beneficiaries belonging to the 'economically weaker families', over and above 43,428 families (26,914 BPL plus 6,600 EAAY plus 9,914 MMAAY). Since there was no provision in the GOI quota of BPL rice to accommodate this additional 24,923 beneficiaries, the State Government decided to divert APL rice allocated to the State, after bearing the cost difference of ₹ 520 per quintal. Since the Department was already extending undue favour to 21,810 excess families (total BPL- 43,428 *minus* DESME BPL figure - 21,618) who did not come under the ambit of BPL in terms of DESME survey, introduction of the MMKSA scheme for an additional 24,923 families entailed an avoidable expenditure of ₹ 2.31 crore on subsidising APL rice for the period 2005-10.

The Department stated (August 2010 and November 2010) that the implementation of the MMKSA, being a state sponsored scheme, was continued by the Department as per the policy decision of the Government. However, the fact remained that in view of extensive coverage of BPL families under various schemes under PDS, introduction of MMKSA led to an avoidable extra burden of ₹ 2.31 crore in extension of facilities to ineligible families.



### **1.2.11      *Abandonment of issue of ration cards***

PDS Control Order 2001 envisaged that the State Government ensure that eligible applicants were not denied a ration card under the PDS. The Department, however, had stopped issuing new ration cards from 04 August 2009 as the agency (M/s Shreya Traders) responsible for issuing ration cards abused the position by issuing ration cards to ineligible beneficiaries.

Audit scrutiny revealed that the work order for preparation of digitalised ration card (2<sup>nd</sup> Phase) was awarded (September 2006) to M/s Shreya Traders (agent) with the stipulation that the laminated ration cards in complete shape with digitised signature of the issuing authority should be provided to the beneficiaries by the agent. Taking advantage of this clause, the Agency issued fake/unauthorised ration cards which subsequently led to lodging of a criminal case against the firm by some private individuals. Besides, a number of errors such as typographical error in name and address, non-matching of photographs, etc were noticed in the APL ration cards issued by the agency. Thus, lackadaisical approach of the Department in not maintaining a strict vigil over the Agent led to printing and selling of fake/unauthenticated ration cards to ineligible beneficiaries and deprival of ration cards to *bona fide* citizens owing to suspension of issue of ration cards by the Department.

The Department while accepting the suspension of issue of ration cards informed (November 2010) that the ration cards with bio-metric technology having linkages with new unique identification project (UID) was under consideration to check against duplication and issue of bogus ration cards.

### **1.2.12      *Possession of dual ration cards (both BPL and APL)***

Sikkim Food Stuffs (Distribution) Control Order 1978 (amended Rule 18) stipulated issue of only one ration card to members of a household or establishment at any given point of time.

The provision was however not complied with, as 45,928 families possessed dual ration cards – both under BPL and APL category. As mentioned in preceding paragraph (1.2.8) as many as 70,851 families received benefits under different BPL schemes as against GOI's stipulation of 43,428 families, let alone the DESME's list of 21,618 families. The 70,851 families were again issued ration cards under APL category to enable them draw *atta*, sugar and kerosene oil and additional two kg rice.

The Department accepted the fact and informed (November 2010) that they would review the position.

### **1.2.13      *Non-deposit of ₹ 8.22 lakh towards Consumer Welfare Fund***

The State Government established (September 2000) the Consumer Welfare Fund (CWF) for providing financial assistance to the Voluntary Consumer Organisations



(VCO) to promote and protect the welfare of the consumers and strengthen the voluntary consumer movement, particularly in rural areas, as per the directions of the GOI. Accordingly, the Commissioner-cum-Secretary, FCS&CAD directed (August 2002) to credit ₹ 5 per card to CWF, out of ₹ 25 collected for preparation of APL ration cards.

Audit noticed that as against the mandatory collection of ₹ 21,52,735 on issue of 4,30,547 ration cards, only ₹ 13,30,250 was credited to CWF leaving a balance of ₹ 8,22,485 as of March 2010. The balance fund ₹ 8,22,485 was neither pursued by the Departmental authorities nor deposited by the Weights & Measures cell of the Department which impeded the strengthening of consumer movement in the State.

The Department, while accepting the fact informed (November 2010) that the amount would be deposited into CWF.

### Allotment, lifting and distribution of foodgrains

To enable the State Government to plan timely lifting of the allotted quantities of foodgrain and to make distribution cost effective, monthly allocation of foodgrain is made to the State for a complete financial year. Under the revised procedure, the State and the Food Corporation of India (FCI) were allowed a validity period of 60 days to arrange for lifting of the allotted foodgrain.

Year-wise allocation and lifting of foodgrain by the Department was quite satisfactory under PDS/TPDS for the period 2005-06 to 2009-10 as indicated below:

Table – 1.2.2

(In '000 MT)

Year	Allotment				Off-take				% of off-take		
	BPL	APL	AAY	Total	BPL	APL	AAY	Total	BPL	APL	AAY
2005-06	11.73	15.51	0.35	27.59	11.73	15.51	0.35	27.59	100	100	100
2006-07	11.77	21.10	0.35	33.22	11.77	20.57	0.35	32.69	100	97	100
2007-08	11.30	23.04	0.35	34.69	11.30	23.62	0.35	35.27	100	100	100
2008-09	11.30	22.11	0.35	33.76	11.30	22.11	0.35	33.76	100	100	100
2009-10	11.30	13.24	0.35	24.89	11.30	13.24	0.35	24.89	100	100	100

Source: Departmental figure

#### 1.2.14 Avoidable burden to GOI due to inclusion of extraneous component in pricing structure

The Union Ministry of Rural Development provided financial assistance till 2001-02 to State/UTs for implementation of the centrally sponsored “Aannapurna Scheme”. The scheme was transferred to the State Plan from 2002-03 onwards and funds were thereafter released as Additional Central Assistance by the Ministry of Finance. The scheme envisaged supply of 10 kg of foodgrains per month free of cost to senior citizens who were eligible for old age pension under the National Old Age Pension Scheme but were not receiving the same. The GOI, based on State Government proposal and pricing



structure released ₹ 22 lakh per annum for free distribution of rice to 2,500 beneficiaries during 2005-10.

Audit scrutiny revealed that the Department had included extraneous components in the pricing structure in order to obtain higher central assistance. This led not only to fixation of higher rate of rice but also an avoidable burden of ₹ 20.73 lakh to GOI on distribution of 1,500 MT of rice during 2005-10 on account of hire charges which were unwarranted. The extraneous items are indicated below:

Table – 1.2.3

(₹/per quintal)

Sl. No.	Description	Rate fixed in respect of APL/BPL	Rate fixed in respect of APS	Remarks
1	Bank interest on borrowed funds as per requirement.	5.00	7.09	Unwarranted since no capital investment of the Department.
2	Average transportation charges from FCI Depots to different food godowns.	16.00	46.36	Higher by ₹ 30.36 w.r.t charges approved by the Department in the APL, BPL and other schemes.
3	Average charges from different food godowns to Fair price shops	20.00	34.00	Unwarranted since rice distributed from food godown itself without routing to FPSs.
4	Loading and unloading charges per quintal	4.00	8.00	Higher by ₹ 4 w.r.t charges approved by the Department in respect of APL, BPL and other schemes.
5	Storage, handling, weighment, etc.	15.00	17.86	Unwarranted since transportation charges at sl. 4 above include loading/ unloading, etc.
6	Other operational expenses	5.00	25.00	Higher by ₹ 20 w.r.t charges approved by the Department in the APL, BPL and other schemes.
7	Transportation charges	20.00	25.00	Unwarranted since rice distributed at Food godown itself and transportation charges stands included at sl. 2 above.

The Department accepted the fact and stated (November 2010) that corrective measures would be initiated.

#### **1.2.15 Extra burden on PDS beneficiaries due to insertion of higher storage charges**

As against the applicable rate of 0.5 *per cent* of CIP towards storage, handling, weighment, shortage (godown shortage), etc the Department erroneously incorporated higher rate by ₹ 3.52 per quintal (ranging between 0.10 and 0.38 *per cent* of CIP) leading to extra financial burden of ₹ 40.10 lakh on issue of 11,391 MT of rice during 2005-10.

The Department stated (August 2010) that the discrepancies pointed out by Audit was noted for rectification.

#### **1.2.16 Inadequacy of quantity of APL rice**

According to the Indian Council of Medical Research, a person requires about 11 kg of cereals per month (or 330 gm per day). A family of five members would therefore, require 55 kg per month. Considering the monthly needs, the GOI raised monthly



allocation of APL rice to 35 kg per family from April 2002. The scale of quantity of rice admissible to the APL beneficiaries of Sikkim compared poorly with other States as shown below:

**Table – 1.2.4**

Sl. No.	Name of States	Scale of APL rice
1	Arunachal Pradesh	35 kg. per family per month
2	Karnataka	13 kg. per card holder
3	Jammu and Kashmir	11 kg. per head per month
4	Himachal Pradesh	12 kg. per head per month
5	Kerala	35 kg. per family per month
6	Delhi	25 kg. per card per month
7	Sikkim	2 kg. per card per month

As would be seen, while other States distributed APL rice ranging between 7 and 25 kg per card per month, the distribution in Sikkim was alarmingly low at two kg per card per month thus, depriving the consumers of the standard requirement.

Audit analysis of available quota of APL rice and its distribution revealed that the low distribution to APL beneficiaries was owing to (i) Department's failure to weed out the ineligible BPL beneficiaries; (ii) projection of higher number of BPL beneficiaries; and (iii) diversion of 8,818 quintals of APL rice per month to MMKSA scheme.

The Department stated (November 2010) that the emphasis was towards providing food security to the poor and rural population of the state as the APL category people can afford to get their requirement from the open market. The reply is not tenable as the distribution of 10 kg rice per family (considering five members in a family) to APL category was much less than the prescribed scale of 35 kg per family by GOI.

#### **1.2.17 Improper distribution of APL rice**

As of March 2010, the Department issued 4,30,547 APL ration cards all over the State and, therefore, the monthly requirement of APL rice, as per the scale fixed by the State Government, was only 1,03,332 quintals per annum. As against this, the Department procured 1,23,484 quintals of rice during 2009-10 which was in excess of requirement by 20,153 quintals. Reasons for procurement of excess APL rice and details regarding its subsequent distribution were not on record.

Audit scrutiny further revealed that management of allocation and distribution of APL rice was improper as it was not based on the number of card holders catered by the Food godowns as seen from the following table.



Table – 1.2.5

(In quintals)

Sl. No.	Name of Godown	No. of APL card holders	Requirement of qty. of rice (As per GOS's scale)	Quantity allocated	(+) Excess/ (-) Short supply	Closing Balance as on 03/10
1	Gangtok	67,642	16,234	14,364	(-) 1,870	Nil
2	Pakyong	20,207	4,850	6,130	(+) 1,280	Nil
3	Dikchu	8,888	2,133	3,351	(+) 1,218	53.24
4	Rhenock	11,176	2,682	4,060	(+) 1,378	Nil
5	Melli	12,909	3,098	4,590	(+) 1,492	92.99
6	Namchi	26,879	6,451	10,354	(+) 3,903	66.58
7	Sombaria	13,411	3,219	4,710	(+) 1,491	69.51
					(+) 8,892	282.32

Analysis revealed that against the requirement of 16,234 quintals of rice in case of Gangtok food godown, only 14,364 quintals of rice was allocated by the Department for onward distribution to 185 FPSs leading to short allocation and consequent non-distribution of rice to 64 FPSs during 2009-10. Conversely, in case of remaining six food godowns against the requirement of 38,667 quintals, the allocation during the year was 47,559 quintals resulting in excess allocation of 8,892 quintals. This was against the stipulation of Essential Commodity Act of equitable distribution of foodgrain to *bona fide* citizens.

The Department stated (November 2010) that the distribution of APL rice at Gangtok was low as APL card holders did not avail of PDS facilities regularly. The contention of the Department is not acceptable as it could not substantiate its claim through documentary evidence. Further, the Department did not furnish reasons for higher allocations in remaining six godowns in absence of which the misuse of 8,610 quintal of APL rice valuing ₹ 77.49 lakh could not be ruled out in Audit.

#### 1.2.18 *Unreasonable burden of transportation cost to the beneficiaries*

While fixing the price structure of BPL rice, average charges from different food godowns to FPS was estimated at ₹ 20 and retail sale commission, handling, shortage including toll tax was fixed at ₹ 15. However, in 15 FPSs it was seen that the dealers of FPSs are charging transportation cost ranging from ₹ 10 to ₹ 40 per family per month from the beneficiaries under MMAAY where free rice is to be distributed. This resulted in taxing the BPL beneficiaries and, therefore, the Department need to take effective steps to curb this practice.

While accepting the audit observation, the Department stated (November 2010) that revision of price structure as pointed out by auditors was under consideration by the Department.

#### 1.2.19 *Milling and distribution of APL wheat*

The GOI allotted whole wheat to the State Government at APL rate (₹ 610 per quintal)



under TPDS and permitted (December 2005) the North Eastern States including Sikkim for distribution of whole meal *atta* after converting it in Roller Flour Mills at the conversion ratio of 95 to 98 *per cent* from whole wheat into *atta*. The State Government nominated M/s Rangeet Associates Pvt. Ltd. for lifting, grinding and distribution of finished products to various FPSs across the State under PDS.

Audit noticed that the nominated flour Mill lifted 1,25,390 quintals of whole wheat from FCI godowns at Sikkim during 2005-10 for conversion into whole meal *atta*. As against the quantity of 1,19,120.50 quintal (after allowing maximum refraction upto 5 kg per quintal), the mill supplied 1,05,662 quintals of *atta* resulting in short supply of 13,458.50 quintal worth ₹ 2.15 crore (as per the prevailing open market price of ₹1,600 per quintal). The Department did not take any action for this short supply. The action of the Department to allow higher refraction ratio (16 *per cent*) was not only against the PAC's recommendation to ensure that mill owners should not extract any undue advantages out of the system but also resulted in undue benefit to the flour mill owner.

The Department contended (August 2010 & November 2010) that refraction upto 16 *per cent* was allowed in consideration of increased demand for finer quality of *atta* among the PDS consumers. The reply is not acceptable as even after allowing 16 *per cent* refraction ratio, the demand for PDS *atta* was very low as disclosed during physical verification of 83 FPSs (out of 216 checked). So much so that the FPS dealers were reluctant to lift PDS *atta* as there was no demand from the consumers owing to inferior quality (even after allowing 16 *per cent* refraction ratio) as compared to the open market *atta* supplied by the same Agency as shown in the photographs below.

Image – 1.2.1

PDS *atta* supplied by the Agency.

Image – 1.2.2

Open market *atta* supplied by the same Agency.

### 1.2.20 Irregular distribution of Iodised Salt under PDS

To increase nutritive value, especially for adolescent girls and pregnant women, Government of Sikkim introduced iodised salt as one of the essential commodities under Public Distribution System. The responsibility of lifting, transportation and distribution of iodised salt was assigned to M/s Hanuman Nolkha.



Scrutiny revealed that the Agency lifted 36,000 MT (7,200 MT per annum) of salt during 2005-10 and sold it in urban areas without even routing through Food Godowns and FPSs. The Department neither kept any vigil over the distribution of salt by the agency nor informed the intended beneficiaries about the availability of iodised salt under PDS through ration cards. Moreover, it never scrutinised the returns submitted by the Agent to ensure its uniform distribution to all parts of the State. Hence, the commodity which was to reach the remote FPSs at the rate prescribed by the Department remained restricted to urban areas only depriving the targeted beneficiaries particularly in the rural areas.

The Department while contending (November 2010) that they were keeping vigil over the lifting and distribution of iodised salt by the Agent, stated that the actual consumption of iodised salt was more in the rural areas. The reply is not tenable as the monthly statement submitted by the agent disclosed that the distribution of salt was restricted to urban centres, thus depriving the rural beneficiaries.

#### **1.2.21 Non-supply and irregular distribution of levy sugar**

As against GOI's allotment of 15,116.80 MT of levy sugar to the State during the period 2005-10 for distribution under PDS to targeted beneficiaries, the Department could lift only 10,525 MT (70 per cent). Lifting of lower quantity of levy sugar as compared to allotment and consequent low distribution under PDS deprived a large number of beneficiaries of the availability of sugar at affordable prices. Audit examination also revealed that a large quantity of levy sugar was allocated to individuals and others for ceremonies and festivals. Least priority was accorded to the targeted beneficiaries under PDS thereby violating the norms for distribution of levy sugar.

The Department accepted (November 2010) the observation.

#### **1.2.22 Overcharging for levy sugar**

The Department fixed the end retail price of levy sugar at ₹ 19.50 per kg after providing ₹ 4.32 per kg as transportation charges. Audit examination however, revealed that the Department paid only ₹ 3.07 per kg towards transportation charges but did not pass on the benefit of reduced transportation charge to the beneficiaries by correspondingly reducing the price of levy sugar. Thus, fixing of excess transportation and handling charges by ₹ 125 per quintal on levy sugar during 2005-10 resulted in extra financial burden to the beneficiaries to the tune of ₹ 65.53 lakh on consumption of 524.22 MT levy sugar. The overcharging of levy sugar defeated the very purpose of providing levy sugar to the beneficiaries at affordable price.

The contention (November 2010) of the Department that the higher transportation charges were provisioned to meet the exigency of lifting of sugar from the mill located at far flung places involving additional cost on transportation is not tenable as additional cost on transportation due to lifting of levy sugar from the sugar mill located at a distant



place occurred only once in the last five years.

### **1.2.23      *Extra burden to consumers due to higher retail issue price of levy sugar***

The Essential Commodity Act 1955 *inter alia* provides for regulating or prohibiting the supply and distribution of essential commodities for securing equitable distribution and availability at fair prices. GOI from time to time fixed uniform retail price applicable throughout the country and sale of essential commodities under PDS above the Retail Index Price (RIP), tantamounts to a punishable offence.

The FCI was, therefore, required to deliver the essential commodities to State Government at RIP minus the margin fixed for distribution of essential commodities. Losses, if any, in the distribution of levy sugar at RIP fixed by the GOI would be reimbursed to State Government by GOI through FCI on receipt of claims from respective State Governments.

Scrutiny of records revealed that the Department issued levy sugar to the consumers at rates ranging between ₹ 14.25 and ₹ 19.50 per kg against the RIP ranging between ₹ 13.50 and ₹ 14.45 per kg fixed by GOI for sale of levy sugar under PDS for the period April 2005 to March 2010. This led to an excess burden to consumers ranging between ₹ 0.75 and ₹ 5.25 per kg aggregating to ₹ 2.05 crore towards sale of 1,30,360 quintal of levy sugar during the period 2005-10 besides an additional subsidy burden of ₹ 28.70 lakh to the State Government as detailed in **Appendix- 1.1**.

The overburdening of consumers owing to non-adoption of uniform RIP was reflected in Comptroller and Auditor General's Audit Report, Government of Sikkim for the year ended 31 March 2005 on which the Public Accounts Committee (PAC) recommended (71<sup>st</sup> Report) for expeditious reimbursement of differential cost from FCI through vigorous persuasion to avoid overburdening of intended beneficiaries. The position however, remained unaltered and the Department continued to charge higher rate to the consumers.

The Department stated (August 2010) that it would be in a position to implement uniform price fixed by the GOI once the GOI agrees to bear the actual cost of transportation under Sugar Equalisation Price Fund. The reply is not tenable as the Department had not been able to work out and submit the price structure of Levy Sugar duly indicating the retailers' margin, actual transportation costs, etc. till date (November 2010) despite repeated reminders from GOI.

### **1.2.24      *Pending Hill Transport Subsidy***

The Union Ministry of Consumer Affairs, Food and Public Distribution introduced (August 1975) the Hill Transport Subsidy Scheme meant for predominantly hilly States with little or no railway connectivity and poor road communications. It was observed that reimbursement claims amounting to ₹ 1.67 crore were either pending recovery or were disallowed by the FCI, resulting in blocking up of funds. The pending hill subsidy claims with GOI was incorporated in Comptroller and Auditor General's Audit Report



for the year ended March 2005. In response to PAC, the Department had assured that the claims would be vigorously followed up for expeditious reimbursement. There was however, little improvement despite assurance to the PAC indicating inadequate follow up by the Department.

The Department stated (November 2010) that action had been initiated to obtain the reimbursement.

### **Functioning of the Fair Price Shops**

#### **1.2.25      *Deficiencies in functioning of Fair Price Shops***

As per PDS Control Order 2001, FPS agents are required to maintain records of ration card holders, stock registers of the foodgrain sold, display information on notice boards about entitlement of essential commodities, scale of issue, retail issue price, timings of opening and closing of the shops, stock of commodities, etc.

Audit verification revealed that (i) FPSs were not aware of exact number of APL cards under their control; (ii) samples of foodgrain were not displayed in any of the FPSs; (iii) FPSs did not have uniform rate board indicating all necessary details; (iv) FPSs did not display any information about timing for opening and closing of the shops, availability of stock, number of beneficiaries, etc. The Department had not kept any vigil to ensure display of the above by the FPSs and thus, discrepancy of price, quality and quantity of the foodgrain could not be ruled out.

The Department while accepting that the FPSs in small villages might not have kept the details of card holders as they personally know each one of them stated (November 2010) that the FPSs were opened everyday except for weekly off day.

### **Monitoring and Evaluation**

To ensure proper functioning of the scheme, the PDS control order emphasis the need for adequate monitoring through different mechanisms such as inspection of FPSs, formation of Vigilance Committees and prescription of periodical returns, use of computerised system to monitor the functioning of PDS at FPS level, etc.

#### **1.2.26      *Preparation and submission of returns***

The PDS Control Order, 2001 provided for a system of periodical (monthly) reporting from fair price shop to district authorities, from district authorities to State Government and from State Government to Central Government. These returns relate to vital data such as number of ration cards attached to FPS, opening stock with FPS, allocation for the month and quantity actually received and distributed, etc.

Audit examination however, revealed that no such reports were furnished at any level. In the absence of returns from FPSs, the correctness of information furnished by the district authorities to the State Government and from State Government to the Central



Government was doubtful. Further, the Department had submitted the Utilisation Certificates (UCs) to GOI for the years 2005-06 to 2007-08 during July 2008 only after being reminded. The Department had also delayed submission of the UCs for the year 2008-09 by two months.

Such lackadaisical approach by the Department towards 'returns', which is a manifestation of quantum of services rendered, also reflects the absence of seriousness towards effective evaluation of the service delivery.

#### **1.2.27      *Quality Control***

One of the primary objectives of PDS is that the foodgrain distributed to consumers are of good nutrient quality and are fit for human consumption. As per PDS (Control) Order 2001, the representative of the State Government or their nominees and the FCI shall conduct joint inspection of the stock of foodgrain intended for issue to ensure that the stock conforms to the prescribed quality specifications. PDS Control Order also provided that FCI shall issue to the State Government sealed samples of the stock of foodgrain supplied to them for distribution. However, Department could not furnish any evidence regarding collection and analysis of samples.

The Department stated (June 2010) that the Deputy Director posted at Siliguri was responsible for verification of the quality of foodgrain before dispatch to various godowns of the State. The reply was not tenable since the Commissioner-cum-Secretary had expressed dissatisfaction over the quality of rice during inspection of Jorethang godown during October-November 2009. Further, during physical verification of Jorethang Food godown, audit noticed that the FCI had supplied outdated rice (crop year 2006-07) during July 2010.

Absence of quality control mechanism not only violated the provision but also denied the beneficiaries of quality foodgrain.

#### **1.2.28      *Vigilance***

According to PDS (Control) Order 2001, meeting of the Vigilance Committees on the PDS at the State level chaired by the Minister, FCS&CAD, District level by Zilla Adhakhya, Block level by Concerned Zilla Sadhashya and Panchayat level by Panchayat President are required to be held on a regular basis for monitoring the PDS including the functioning of FPSs.

Audit examination disclosed that the monitoring mechanism envisaged in the PDS (Control) Order was not established. Though the Vigilance Committees were belatedly (September 2008) constituted at all levels, no meeting of Vigilance Committees were held at any level during review period.

Thus, deficient monitoring system not only resulted in absence of controls at various levels but also left ample scope for diversion of foodgrain as reflected in paragraph 1.2.10 above.



### **1.2.29 Delay in computerisation of PDS operation**

The PDS Control Order 2001 (annexure to rule 6(6)), envisaged upon the State Government to ensure monitoring of the functioning of the PDS at the fair price shop level through the computer network installed in the District NIC centre. For this purpose computerised codes was to be issued to each FPS in the district. Accordingly the Government of Sikkim through M/s Wipro Limited had prepared (September 2006) a Detailed Project Report (DPR) on entire<sup>3</sup> food sector at an estimated cost of ₹ 7.8 crore on the assumption that the entire cost of the project would be borne by the GOI. The Government of India, however, stated that the funding commitment under the project would be in the ratio of 75:25. Having no means to mobilise the State share of ₹ 1.95 crore, the project prepared by M/s Wipro Limited was abandoned. The State Government again prepared (October 2008) another DPR through M/s Amtron for partial<sup>4</sup> implementation costing ₹ 4.91 crore and submitted (November 2009) to the North Eastern Council (NEC) for funding. However, no commitment has yet been given by NEC.

Thus, due to the lackadaisical approach of the Department and failure to commit 25 *per cent* of State share, the project implementation of the computerisation of PDS operation remained unachieved till date. So much so, that the Department had not launched even its official website as of November 2010 to make available general information to the public.

### **1.2.30 Absence of surprise checks and monitoring over the functioning of FPS**

Enforcement Cell of FCS&CAD was responsible for surprise checks and monitoring of function of FPSs. The Department however had not formulated any manual/guidelines for carrying out surprise check of quantum of card holders in each FPS, penalty for malpractice of PDS commodities and training for maintenance of records by the dealers of FPSs.

Audit scrutiny further revealed that out of four districts, the Cell conducted test checks in the East District and once in North District leaving other two districts (West and South District) unattended completely during the last five years. Even where surprise checks were conducted, no follow up action was initiated for corrective measures.

The Department stated (June 2010) that due to shortage of manpower and non-availability of conveyance, surprise checks could not be carried out.

### **1.2.31 Internal Audit**

Internal audit being an independent entity within the Department, examines and evaluates the level of compliance to the departmental rules and procedures so as to provide an independent and reasonable assurance to senior management on the adequacy of the risk management and internal control framework in the Department. In

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<sup>3</sup>FCI => Food Godown => Fair Price Shops.

<sup>4</sup>FCI => Food Godown (1<sup>st</sup> Phase)



Sikkim, the Directorate of Internal Audit under the overall control of Finance Department is entrusted with the responsibility to examine and evaluate the activities of all departments and PSUs of the State Government. The Directorate, however, had not carried out even a single inspection during 2005-10 of FCS&CAD. In the absence of which, reduction of the risk of committing errors and irregularities and thereby an effective internal control was not ensured.

### **1.2.32 Evaluation/Impact assessment**

The Department had not conducted any evaluation or impact study to assess the extent to which the various schemes intended to ensure availability of subsidised foodgrain to the targeted beneficiaries have been achieved. Due to absence of such evaluation/assessment reports, the Department was unable to bring any improvement on the prevailing system, which was marred by various irregularities as reflected in above paragraphs.

### **1.2.33 Conclusion**

*PDS is one of the most important functions of the State Government which helps in providing food security to a large number of consumers. The implementation of PDS in the state however, was characterised by absence of review of list of BPL families, excess projection of BPL families under various schemes over and above GOI's projection, highly subsidised rice to BPL beneficiaries leading to financial burden on State exchequer. While the issue of new ration cards were stopped since August 2008, 45,928 families possessed dual ration cards both under BPL and APL category. The Department had included extraneous components in the pricing structure in order to obtain higher Central Assistance which led to an avoidable burden of ₹ 20.73 lakh on GOI during 2005-10.*

*The distribution of rice, wheat and sugar was less than the norms. Allocation of rice was much less at two kg per card per month as against the allocation of 7 and 25 kg in other states. Lifting of lower quantity of levy sugar deprived a large number of beneficiaries of the availability of sugar at affordable prices. The distribution of foodgrains (APL rice) by the Department was also flawed as it was not based on number of cards catered by the Food godowns. The Department failed to keep a vigil over the functioning of agents responsible for milling wheat for conversion into atta and lifting and distribution of salt as the agent availed higher refraction ratio of 16 per cent in case of wheat and salt was distributed to urban centres only. Corrective action as per the recommendations of the Public Accounts Committee on the Comptroller and Auditor General's Audit Report was not initiated as the aberration in respect of appropriate selection of BPL families and periodical review of BPL list; ensuring the delivery of PDS commodities especially wheat to the intended beneficiaries; expeditious reimbursement on account of hill transport subsidy and differential cost of levy sugar continued as of March 2010. Monitoring was lax leading to non-documentation by FPSs, absence of mandatory checks by Vigilance Committees, departmental officers and Special Area Officers. Thus, the functioning of TPDS in Sikkim was left much to be desired.*



#### 1.2.34 Recommendation

- The Government should conduct survey to identify and categorise households in AAY, BPL and APL families and distribute the ration cards accordingly.
- A unique ration card should be issued to all the APL beneficiaries duly cancelling all the existing ration cards with sufficient space for monthly entry for atleast five years so as to invalidate the existing bogus ration cards.
- The Department should fix the responsibility of all the field Officers/officials with respect to monitoring, quality checking and proper accounting of foodgrain.
- The Government should consider setting up laboratories for testing foodgrain to ensure fair average quality.
- The Government should critically review the functioning of fair price shops in a time bound programme.

### FOOD SECURITY AND AGRICULTURE DEVELOPMENT DEPARTMENT

#### 1.3 Macro-Management of Agriculture

*Macro-Management of Agriculture was launched in 2000-01 with the objectives of promoting high yielding varieties, encouraging value addition in farm output, increasing farmers' income and assisting employment generation through work plans by the State. A performance review of the implementation of the scheme revealed deficiencies in planning, absence of prescribed strategies required to achieve the growth rate of four per cent per annum, inordinate delay in release of fund to the implementing agencies and non-realisation of beneficiary contribution on distribution of agricultural inputs. Despite substantial financial support and technological intervention by the Government, productivity of two major crops (wheat and maize) declined from 1,602.79 to 1,125.00 and 1,664.85 to 1,500.00 kg per hectare. The area under cultivation remained almost static over the last five years though there was 113 per cent increase in purchase of six principal seeds during 2009-10 as compared to 2005-06. The Department was performing fairly well in the activities of the programme under NWDPRRA except non-recovery of loan of ₹ 53.03 lakh given to self help group from revolving fund. Farmers were not provided the requisite training for raising of seedling by the RVP Division. There was lack of monitoring and evaluation of the programme. Consequently, the objectives of the programme remained largely unachieved. Significant points noticed were as under:*

**The Annual Work Plan (AWP) neither indicated the expected outcomes nor set any benchmarks against which the performance of the scheme could be evaluated.**

**(Paragraph 1.3.7.2)**



**Agricultural growth showed a declining trend and declined from 5.50 per cent in 2005-06 to 1.47 per cent in 2006-07, (-) 6.17 per cent in 2007-08, 4.58 per cent in 2008-09 and 1.86 per cent in 2009-10.**

**(Paragraph 1.3.7.3)**

**No standard criterion for selection of beneficiaries was adopted to assess the extent of assistance to be rendered to the small and marginal farmers.**

**(Paragraph 1.3.9.1)**

**The RVP Division was inconsistent in utilisation of earmarked project fund. Seedlings raised in the nursery were not utilised for plantation in project area.**

**(Paragraph 1.3.9.5)**

**There was lack of monitoring and evaluation system in the Department to oversee the performance of the district level officers as well as activities of the beneficiaries in the State.**

**(Paragraph 1.3.10)**

### **1.3.1 Introduction**

The Macro Management of Agriculture (MMA) was launched as a Centrally Sponsored Scheme (CSS)<sup>5</sup> in 2000-01 by the Government of India (GOI) by integrating 27 components of various schemes for the accelerated growth of Agriculture. However, with the launching of the Technology Mission for Integrated Development of Horticulture in 2005-06, 10 components pertaining to horticulture development were taken out of the purview of this scheme. The major components under the MMA, being implemented in the State fall under the following categories: (i) Integrated Cereal Development Programme in rice based cropping system areas, (ii) Integrated Cereal Development Programme in wheat based cropping system areas, (iii) Integrated Development Programme for Pulses and Oilseeds, (iv) National Watershed Development Project for Rainfed Areas, (v) Soil conservation in catchments of River Valley Projects and flood prone rivers, (vi) Reclamation and Development of Alkali and of acidic soils, (vii) Balanced and Integrated use of fertiliser and pesticides, (viii) Promotion of agricultural mechanism among farmers, and (ix) Intensified Extension and Training.

The MMA aimed at all round development of agriculture through Annual Work Plans (AWPs) prepared by the State. The objectives of the scheme include:

- Reflection of local needs/crop/region specific/priorities, etc.;
- Optimum utilisation of scarce financial resources;

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<sup>5</sup> 100% CSS

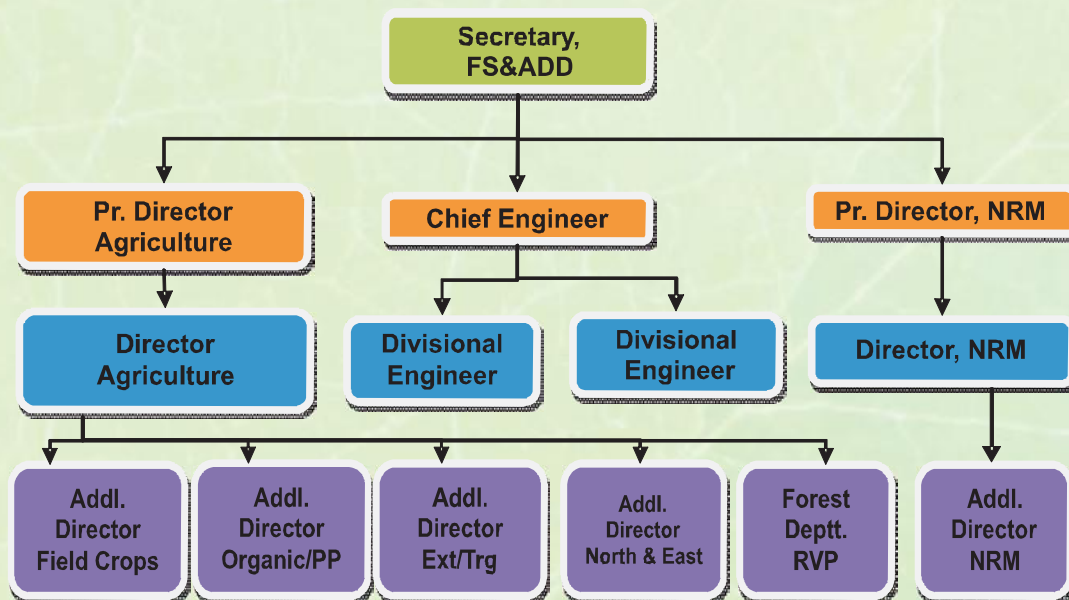


- Maximising of returns; and
- Removal of regional imbalances

### 1.3.2 Organisational setup

The Food Security and Agriculture Development Department (FS&ADD) is the nodal department for implementation of the scheme. The organisational setup of the Department is as under:

Chart – 1.3.1



The Forest Department implements River Valley Project and Flood Prone River (RVP & FPR) component of the scheme. To ensure coordination between the two implementing departments, a Standing Committee was set up on 26 June 2001 comprising of the Additional Chief Secretary, Principal Secretary, Finance Revenue & Expenditure Department, Principal Chief Conservator of Forest and Secretary FS&ADD under the chairmanship of the Chief Secretary, Government of Sikkim.

### 1.3.3 Scope of Audit

The Performance review of MMA for the period 2005-10 was conducted between April and July 2010 through a test check of records at FS& ADD head office Gangtok, three out of four districts of FS & ADD in the State and at RVP Division of Forest, Environment and Wildlife Management Department (FE&WMD) Gangtok. Stratified statistical sample was used in selection of watershed areas of three districts under the scheme NWDPRA. Physical verification of 12 selected watersheds and 117 vermin compost pits and distribution of dolomite to the farmers were carried out with departmental officers and photographs taken as corroborative evidence to support audit contention. Out of a total expenditure of ₹ 92.80 crore incurred on the scheme during



2005-10, six programmes<sup>6</sup> involving expenditure of ₹ 64.87 crore (70 per cent) were selected for audit based on materiality and impact on agricultural growth.

#### 1.3.4 Audit Objectives

The main objectives of the performance audit were to examine and evaluate whether the:

- Planning was adequate and effective to ensure achievement of the objectives;
- Targets fixed for maximising the agricultural productivity in the State were realistic and fully achieved;
- Financial management was efficient and effective;
- Programme implementation was economic, efficient and effective;
- Procurement of agriculture equipment and its utilisation was made as per scheme guidelines;
- Monitoring and internal control mechanism was in place and effective.

#### 1.3.5 Audit Criteria

The above objectives were benchmarked against the following criteria:

- Scheme guidelines ;
- Annual work plans;
- Notifications/ Circulars issued by the GOI and the State Government from time to time;
- Sikkim Financial Rules; and
- Prescribed monitoring mechanism and evaluation.

#### 1.3.6 Audit Methodology

The performance review commenced with an entry conference (April 2010) with the Secretary, FS&ADD and departmental officers wherein audit objectives, scope, criteria and methodology were discussed. Audit conclusions were drawn after a scrutiny of records, analysis of available data, joint physical verification of assets and beneficiary survey, etc., which were discussed with the representatives of the Department in an exit conference (30 September 2010).

<sup>6</sup>National Watershed Development Project for Rainfed Areas (₹ 15.96 crore), Soil conservation in catchments of River Valley Project and flood prone rivers (₹ 7.49 crore), Integrated Cereal Development Programme (₹ 12.61 crore), Balanced and Integrated use of fertiliser and pesticides (₹ 24.60 crore), Reclamation and Development of Alkali and of acidic soils (₹ 2.71 crore) and Promotion of agricultural mechanism among farmers (₹ 1.50 crore).



## Audit findings

### 1.3.7 Planning

#### 1.3.7.1 *State policy*

The State Government did not frame the State policy of Agriculture reflecting specific needs and requirement of the State relating to selection of appropriate variety of seeds based on soil testing report, developing superior seed plan, strengthening the irrigation system in the agricultural land before and during crop production period, etc. to enhance the agricultural growth and food security.

The Department stated (September 2010) that the State has decided to convert the whole State into an organic State by 2015 and therefore, road map and approach paper for the same is under process.

#### 1.3.7.2 *Preparation of Annual Work Plans*

The MMA scheme provides flexibility to the States to develop and pursue programmes on the basis of their regional priorities and to finalise their sectoral allocation accordingly. The MMA envisaged that Annual Works Plans (AWPs) should (i) include the physical and financial targets; (ii) enumerate the expected outcomes, year wise, under each scheme; (iii) contain a concrete action plan to achieve these targets and outcomes; and (iv) comprehensively set benchmarks/parameters against which the performance under the scheme could be evaluated. Audit scrutiny revealed that the Department did not adhere to the provision of the guidelines except incorporating the physical and financial targets.

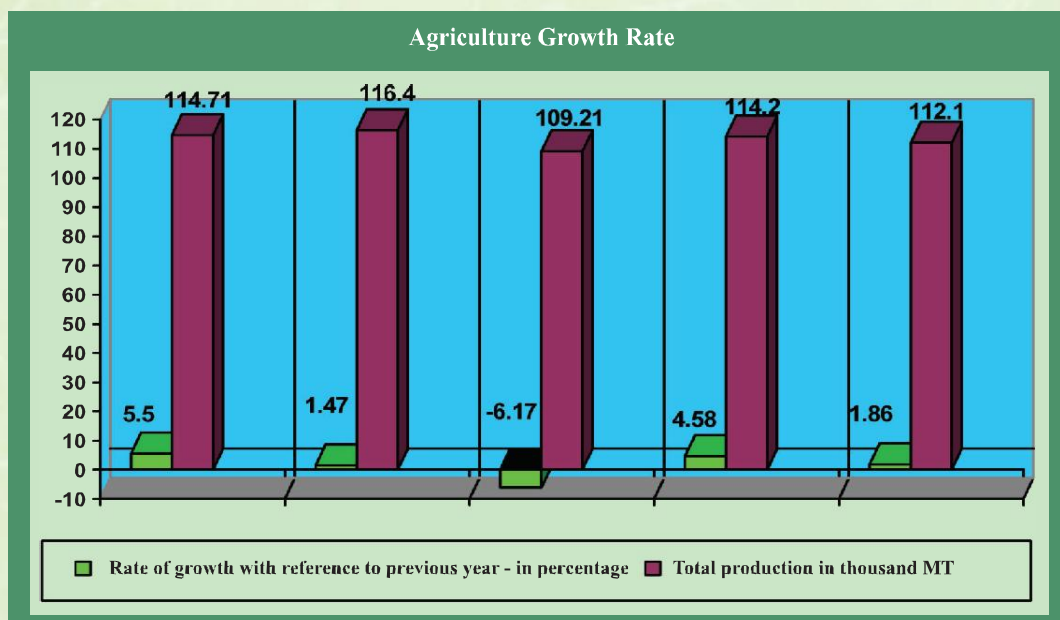
The Department stated (September 2010) that the work plan of MMA were prepared on the basis of perspective State Agricultural Plan. Reply is not tenable as the expected outcomes, concrete plan to achieve the targets and the benchmark to evaluate the same, stipulated by MMA were not adhered to in preparation of AWPs which was meant to be a planning and guidance document outlining priorities and strategies in implementation of the scheme.

#### 1.3.7.3 *Trend of Agriculture Growth Rate*

The Department was required to formulate schemes in line with the National Agriculture Policy, 2000 to attain the growth rate of four *per cent* per annum. As per the annual progress report of the Department, crop production growth with reference to the respective preceding years during the period from 2005-06 to 2009-10 are as given in the Chart below:



Chart - 1.3.2



Source : Annual Progress Reports of the FS&ADD

As would be seen from the above chart, growth rate declined from those attained in 2005-06 and fell below four *per cent* during all the subsequent years except in 2008-09. Though the MMA envisaged accelerated growth by maximising the production both during good and bad crop years, the efforts were insufficient in attaining the requisite growth rate.

The Department stated (September 2010) that late on-set of pre-monsoon considerably delayed the sowing of kharif crop which affected growth rate of productivity and there was prolonged severe drought in the years which also affected the productivity of rabi crops.

### 1.3.8 Financial management

Sikkim being a part of the North Eastern States, receives 100 *per cent* central assistance for implementation of MMA in the State. The first installment of the funds are released during April and the second installment during October to March each year depending upon 60 *per cent* utilisation of available funds.

The details of budget provision, funds released by the Government of India (GOI) and expenditure incurred during the period from 2005-06 to 2009-10 were as follows:



Table - 1.3.1

(₹ in crore)

Year	Total funds available	Expenditure		Saving(-)/Excess(+) (Per cent with ref. to col. 2)
		During the year	During March of the year (Per cent with ref. to col. 2)	
1	2	3	4	5
2005-06	14.52	13.74	10.68 (74)	(-) 0.78 (5)
2006-07	20.78	18.25	13.95 (67)	(-) 2.53 (12)
2007-08	25.88	23.46	17.38 (67)	(-) 2.42 (9)
2008-09	20.92	17.86	14.22 (68)	(-) 3.06 (15)
2009-10	20.52	19.49	12.95 (63)	(-) 1.03 (5)
Total		92.80	69.18	

Source: Appropriation Accounts and figures collected from the Departments

Above table shows savings of 12 and 15 *per cent* during the years 2006-07 and 2008-09. Besides, funds ranging between 63 and 74 *per cent* were spent by the Department during March of each year for implementation of the programme. This is indicative of rush of expenditure at the end of the year to exhaust scheme funds without proper planning and monitoring.

The Department stated (September 2010) that some of the major activities of the programme such as bench terracing, water harvesting were implemented during January/February and bills for execution of activities were paid in March. Moreover, the purchase bills against supplies are generally raised by State Co-operative Supply and Marketing Federation Limited (SIMFED) during the month of February- March. As such the payments were released in March.

The fact, however, remains that materials are supplied by the SIMFED on receipt of 50 *per cent* advance from the indenting departments. Besides, payments for works<sup>7</sup> executed during a particular year were paid in the subsequent years.

#### 1.3.8.1 Delay in release of funds

As per scheme guidelines, the State Government was required to take timely action for getting the first instalment of fund (50 *per cent* of annual allocation) during April of each year and funds received from GOI were to be released to the implementing authorities within two weeks. But due to delay in submission and approval of AWP for the years 2005-10, funds totalling ₹ 50.89 crore were released late by GOI as first installment. The delays ranged from 7 to 77 days. Similarly, after the receipt of the funds, the Department released funds totalling ₹ 24.60 crore to the implementing authorities after delays ranging from 78 to 330 days as detailed in **Appendix- 1.2**. Delay in obtaining funds from the Centre and further delay in its release to the implementing authorities delayed the overall implementation of programme activities at the field level.

<sup>7</sup> Like land terracing, construction of drainage lines, water harvesting tank, etc.



The Department stated (September 2010) that funds are released only after completion of the programme. The contention of the Department is not acceptable as implementation of programme activities without funds at the field level was not logical.

### 1.3.8.2 *Loss of Central assistance*

MMA guidelines stipulate that only 10 *per cent* of the total unspent balance will be allowed to be carried forward to the next financial year and savings above 10 *per cent* would be deducted from the release of first installment during the next fiscal. During the financial year 2008-09, the GOI released ₹ 18.50 crore for implementation of MMA. Out of the fund received, the Department could utilise only ₹ 15.61 crore during the year and ₹ 2.89 crore was surrendered for revalidation from GOI. It was seen that the GOI had revalidated ₹ 1.85 crore after deducting ₹ 1.04 crore. This resulted in loss to the State Government amounting to ₹ 1.04 crore.

### 1.3.8.3 *Misreporting and overstatement of utilisation of funds*

MMA being a year specific programme, the State Government is required to furnish the utilisation certificates (UCs) to the GOI for that particular year, on the basis of which funds for the subsequent year is released. During the years 2005-10, the utilisation of funds under MMA is given in the table below:

**Table - 1.3.2**

(₹ in crore)

Year	Total funds available	Funds shown to have been utilised	Yearwise unspent balance reported to GOI	Yearwise transfer on 31 March	Total unspent balance noticed in Audit( 4+5)
1	2	3	4	5	6
2005-06	14.52	13.74	0.78	3.59	4.37
2006-07	20.78	18.25	2.55	2.95	5.50
2007-08	25.88	23.46	2.25	5.34	7.59
2008-09	20.92	17.86	2.89	6.37	9.26
2009-10	20.52	19.49	0.86	6.35	7.21

Source: Departmental records

It is evident from the above that the reporting on utilisation of funds was inclusive of the funds transferred to the districts for implementation of the programme on the last day of the respective years. Since the funds transferred on the last day of the financial years, even if received, cannot be utilised on the same date, the UCs furnished by the Department to the GOI were not based on factual position and resulted in misreporting and overstatement of utilisation ranging between ₹ 2.95 crore and ₹ 6.37 crore during the years 2005-06 to 2009-10.

### 1.3.8.4 *Non-adjustment of Abstract Contingent bills*

According to financial rules, amounts drawn under Abstract Contingent (AC) bills are required to be adjusted by submission of Detailed Countersigned Contingent (DCC) bills within 90 days from the date of drawal to the Controlling Officer (CO) for



countersignature and onward transmission to the Accountant General (Accounts & Entitlement).

However, FS& ADD did not submit DCC bills against the drawal of ₹ 3.71 crore between 2002-03 and 2009-10 under AC bills drawn for the purpose of purchase of seeds and agricultural equipment for distribution to the farmers and Government farms, etc. as detailed in the table below:

Table - 1.3.3

(₹ in crore)

Year	Outstanding AC Bills	Amount outstanding
2002-03	05	0.59
2003-04	04	0.27
2004-05	12	0.37
2005-06	04	0.04
2006-07	05	0.85
2007-08	04	0.23
2008-09	04	0.74
2009-10	05	0.62
<b>Total</b>	<b>43</b>	<b>3.71</b>

Source: Appropriation Accounts and VLC data

This indicated serious deficiency in control over expenditure as the entire amount of ₹ 3.71 crore remained unadjusted for periods ranging from three months to nine years.

The Department stated (September 2010) that advance of ₹ 2.52 crore had already been settled and the balance of ₹ 1.19 crore could not be adjusted for want of detailed contingent bills. The Department needs to take urgent measures to ensure that DCC bills are submitted as per rules as the non-submission of DCC bills could lead to cases of misappropriation.

#### 1.3.8.5 Reconciliation of expenditure figure

It was the responsibility of the Department to reconcile the expenditure figure with those booked by the Accountant General. The departmental figure of expenditure for the year 2007-08 was more than those booked by the Accountant General by ₹ 19.41<sup>8</sup> lakh which had not been reconciled as of September 2010. Thus, a key control for ensuring accuracy of accounts could not be verified by audit.

The Department stated (September 2010) that reconciliation of expenditure was done and figures of Accountant General has been accepted as correct. However, fact remains that the amount of ₹ 19.41 lakh should either have been surrendered during the year or included in the opening balance of the subsequent year. But the Department has done neither of the above.

<sup>8</sup>Departmental figure : ₹ 2,365.46 lakh – Accountant General's figure : ₹ 2,346.05 lakh = ₹ 19.41 lakh



### 1.3.9 Programme Implementation

#### 1.3.9.1 Integrated Cereal Development Programme (ICDP)

The aim of ICDP is enhancement of production and productivity of major crops on a sustainable basis. This is to be done through adopting proper selection of beneficiaries for distribution of seeds and developing superior seeds so that the dependence on purchase of seeds from other States is reduced. During 2005-10, expenditure of ₹ 9.52 crore was incurred by the Department on procurement of seeds, ₹ 2.24 crore on demonstration, and ₹ 2.19 crore on miscellaneous expenditure.

Audit scrutiny revealed the following irregularities in implementation of the programme:

##### ➤ *Selection of beneficiaries*

Prospective small and marginal farmers holding required quantity of land were to be selected as beneficiaries of the Scheme.

Scrutiny of records revealed that no standard criteria for selection of beneficiaries was adopted and the programme was being implemented without any survey.

While accepting the audit observation the Department stated (September 2010) that in future a cluster approach would be adopted and beneficiaries would be selected within the cluster prior to implementation of the programme.

##### ➤ *Non-preparation of plan for distribution of certified seeds*

Development of genetically superior seeds passes through a four stage process (nuclear seeds breeder seeds- foundation seeds – certified seeds) for distribution to the farmers. Since, the entire process of multiplication of breeder seeds to certified seeds takes three agricultural seasons, preparation of a long term plan is essential.

During 2005-10, the Department did not prepare any seed plan for the development of superior seeds for ICDP in order to increase the agricultural yield in the State through local seeds.

The Department stated (September 2010) that plan for distribution of certified seeds could not be prepared due to non-availability of breeder and foundation seeds suitable for the State from the Seed Development Agencies. However, based on varietal/adaptive trials conducted in the Government farms, the high yielding varieties of crops suitable to the agro-climatic conditions are being multiplied and distributed to farmers as certified seeds. But the fact remains that these locally certified seeds accounted for only 15 per cent and the remaining 85 per cent were procured from other states thereby defeating the objective to reduce the dependence on seeds from outside.



➤ **Purchase of seeds**

For sustainable Agriculture Development in Sikkim, emphasis is given for production and certification of seeds within the State as procurement of seeds from outside the State was expensive. During audit, it was noticed that in respect of six<sup>9</sup> principal seeds, the Department had purchased 466 tonnes seeds from outside the State during 2009-10 which was 113 *per cent*<sup>10</sup> more than the seeds purchased during 2005-06. This shows that the State is still dependent on other states in respect of procurement of seeds. This increase was despite the fact that there was a decrease of 7 *per cent* cultivable area<sup>11</sup> under urd, one *per cent* under rice, wheat and maize and marginal increase (one *per cent*) of cultivable area under oilseeds. Furthermore, the production of above crops remained almost static.

While accepting the observation, the Department stated (September 2010) that the matter is being examined.

➤ **Non-realisation of cost of seeds from the beneficiaries**

Under ICDP, for Accelerated Maize Development Programme (AMDP), the farmers were entitled to financial assistance of 50 *per cent* of the cost of seeds or ₹ 1,200 per quintal whichever is less. During 2008-09 and 2009-10, the Department procured 4,580.58 quintal of seeds valuing ₹ 3.53 crore and distributed the same to the farmers without realising cost of seeds as prescribed in the guidelines. This resulted in undue financial benefit of ₹ 1.76 crore<sup>12</sup> to the farmers.

The Department stated (September 2010) that small and marginal farmers of the State are very poor and unable to pay cost of seeds. The seeds were distributed free of cost under demonstration, minikit programme after obtaining approval from the State Government. The reply is not tenable as the action of the Department was contrary to the guidelines.

➤ **Area under crop cultivation and foodgrain production**

Analysis of production and productivity data with reference to area covered revealed that yield per hectare declined in 2009-10 for wheat, maize, and barley by 30, 10, and 11.03 *per cent* respectively compared to 2005-06. Similarly, crop production in absolute terms also fell from 11,471 MT to 10,305 MT, recording a decline of 10.16 *per cent*. Further, although cultivatable area under cereals increased during 2009-10 compared to previous year, production decreased substantially. The cultivatable land under pulses also decreased during 2009-10 compared to 2005-06. No detailed investigation into the

<sup>9</sup>Rice, Wheat, Maize, Rapeseed, Mustard and Soybean

<sup>10</sup>Seeds purchased: 218.60 tones during 2005-06 and 466 tones during 2009-10. Percentage of difference  $(100 \times (466 - 218.60) / 218.60) = 113 \text{ per cent}$

<sup>11</sup>In terms of thousand hectares

<sup>12</sup>Lower value of ₹ 1.76 crore (50 *per cent* of ₹ 3.53 crore) and ₹ 2.99 crore (cost @ ₹ 1,200 per qtls  $(₹ 1,200 \times 4,580.58 \text{ qtls})$ )



reasons for decrease in production had been conducted by the Department. Besides, overall performance during 2005-10 was not encouraging in agriculture productivity. Details are given in **Appendix-1.3**.

*In sum, even after spending ₹ 13.95 crore during 2005-10, the ICD Programme instead of enhancing production and productivity of major crops has in fact reduced both production and productivity due to improper selection of beneficiaries and lack of effective planning and implementation of the programme.*

#### **1.3.9.2 Integrated Nutrient Management and Balanced use of Fertilisers**

Under this component of MMA, emphasis was laid on popularising the use of micro nutrient and promotion of organic farming amongst farmers to check decrease in organic contents of soil due to high cropping intensity. Since Sikkim was declared as an organic State in 2003, the State Government decided to eliminate the use of chemical fertiliser and switch over completely to rural compost, vermin-compost, bio-fertilisers, soil amendments and other similar sources of nutrition to sustain the crop production.

Irregularities noticed during audit are given below:

##### **➤ Non-maintenance of data**

The Department had not maintained any data relating to the area actually brought under organic farming and organic produce of agriculture in the State. In the absence of this data impact of the programme could not be gauged in audit.

##### **➤ Vermin composting**

In 2005-06, the Government of India (GOI), introduced Vermin Composting in the farmer's field through Earthworm Eco-Technology with an aim to maintain the fertility of soil, to carry out successful high yielding integrated sustainable organic farming and to reduce the use of chemical fertilisers and pesticides. During 2005-10, ₹ 9.23 crore was spent for construction of 19,376 vermin compost pits<sup>13</sup>.

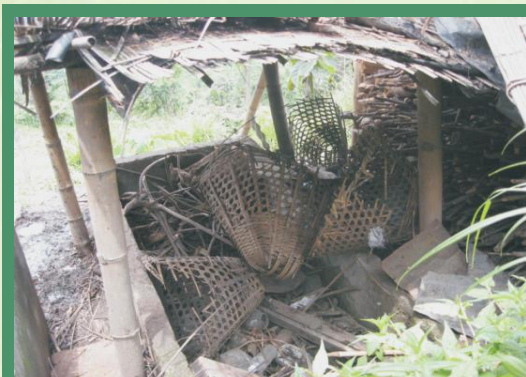
Audit scrutiny revealed that:

- The 4,700 pits constructed during 2005-09 were not functional due to faulty planning in construction of pits i.e., not making provision of small water barricades along the sidelines of the pits to restrict the entry of harmful insects like ants, etc. Physical verification of 117 vermin compost pits by the audit team alongwith the departmental officers revealed that 50 pits were damaged due to its improper use and lack of knowledge relating to its proper maintenance. Few photographs showing the non-maintenance is given below:

<sup>13</sup> 1,000 nos. in 2005-06, 6,750 nos. in 2006-07, 7,286 nos. in 2007-08, 4,000 nos. in 2008-09 and 340 nos. in 2009-10.



**Image – 1.3.1**



*Unused vermin compost pit in Ringhem  
Nampathang, North District*

**Image – 1.3.2**



*Dismantled vermin compost pit in  
Dentam, West Sikkim*

- Further, output (production) of vermin compost from the pits was not recorded as the farmers were not instructed to keep the records of production to ensure the success of the programme. Besides, neither any action was taken by the Department to ascertain how far the farmers had been benefited by the programme nor any evaluation had been undertaken to ascertain the impact of the programme in improving soil conditions and crop production.

The Department stated (September 2010) that on completion of the vermin compost pits training to the farmers were given regarding feeding of earthworms and harvesting process. After this the field functionaries like Field Assistants, Village Level Worker and Inspector of the Department frequently visited the compost pits. Moreover, it stated that farmers would be instructed for proper recording of harvested compost. Reply is not tenable as training records and reports of the field functionaries could not be furnished by the Department and the condition of the pits have been highlighted in the photographs above which negated the points put forward by the Department.

➤ ***Doubtful payments of cash incentive to farmers***

The Department drew ₹ 20 lakh during March 2006 for distribution as cash incentive at the rate of ₹ 2,000 to 1,000 farmers for construction of vermin compost pits. However, only 18 cases of acknowledgement receipt of cash incentive given to the farmers could be produced to audit. Moreover, in 11 out of the 18 cases, amount of incentives disbursed to the farmers were not mentioned. In the absence of acknowledgement receipt and proper recording of amount, the authenticity of cash incentive to the farmers could not be vouchsafed in audit.

The Department stated (September 2010) that acknowledgement of receipt of cash incentives were misplaced during scrutiny of the same at head office, Gangtok.

*Thus, vision of the State Government for converting the whole State into an organic State by 2015 suffers from the flaw of improper demonstration programme, non-*



*assessment of area actually brought under organic farming, lack of proper training to farmers for culture of vermin composting.*

### 1.3.9.3 Reclamation of acidic soil programme

Reclamation of acidic soil programme was introduced by GOI with the main objectives of reducing soil acidity and increasing microbial activity which are optimum for crops. The acidic soil was to be reclaimed with dolomite for improving soil fertility.

The year-wise targets and achievement of reclamation of acidic soil during 2005-10 was as under:

**Table - 1.3.4**

Year	Target(Area in hectare)	Achievement(Area in hectare)	Shortfall (-)/Excess (+)	Expenditure (₹ in lakh)
2005-06	1,600	1,447	(-) 153 (10)	40.00
2006-07	800	538	(-) 262 (33)	39.95
2007-08	1,600	1,250	(-) 350 (22)	50.00
2008-09	1,280	1,250	(-) 30 (2)	79.03
2009-10	2,500	2,500	Nil	62.00
<b>Total</b>	<b>7,780</b>	<b>6,985</b>	<b>(-) 795</b>	<b>270.98</b>

Source: Figures compiled from the Departmental records  
Figures in brackets show percentage

It would be seen from the above that the overall shortfall in achievement during the period from 2005-10 ranged between 2 and 33 *per cent*. Reasons for shortfall were not on records.

#### ➤ *Unnecessary expenditure due to excess use of dolomite in the farmers' field and non-realisation of farmers' contribution*

According to the norms prescribed by the GOI (July 2008), the requirement of dolomite for soil amendment was three to four quintals per hectare and cost is to be shared between GOI and the beneficiaries in the ratio of 2:1. Scrutiny of records revealed that to reclaim 3,750 hectares of land in all the four districts of the State the Department procured and distributed 2,520 MT dolomite during 2008-10<sup>14</sup> instead of 1,500 tones (i.e. four quintals x 3,750 ha) as per norms fixed by GOI. This resulted in extra and avoidable expenditure of ₹ 36.24 lakh (i.e. 2,520 – 1,500 x ₹ 3,552.50) incurred by the Department towards excess consumption of 1,020 MT dolomite. The excess consumption of dolomite beyond norms on the land invites the risk of damage to the cultivatable land. Further, the Department did not realise farmers' contribution of ₹ 29.84 lakh<sup>15</sup> from the beneficiaries in the ratio of 2:1 as envisaged in the revised guidelines.

The Department stated (September 2010) that GOI recommended 3-4 quintals of

<sup>14</sup> 940 MT in 2008-09 and 1,580 MT in 2009-10

<sup>15</sup> ₹ 3,552.50 x 2,520 MT/3 = ₹ 29.84 lakh



dolomite per hectare to be applied in furrow method. In Sikkim, 20 quintals per hectare is being applied as recommended by the Indian Council for Agricultural Research (ICAR), Tadong. Contention of the Department is not acceptable as during interview with the beneficiaries it was confirmed that dolomite was supplied by the Department without being demanded by them. Besides, consumption norm of dolomite per hectare was also not explained to the beneficiaries thereby inviting the risk of excess use in the field having adverse impact on the land. Moreover, guidelines of ICAR could not be produced to audit.

*Thus, inspite of spending ₹ 2.71 crore the Department could not achieve the target fixed by itself and the scientific assessment of the requirement and the consumption of dolomite could not be vouchsafed by Audit due to the absence of records.*

#### **1.3.9.4 Implementation of National Watershed Development Project for rainfed areas**

The National Watershed Development Project for Rainfed Areas (NWDPA), a Centrally Sponsored Scheme (CSS) was in operation in Sikkim since 1990-91. From 2000-01 its implementation was subsumed into MMA and GOI also brought out (October 2000) new Guidelines called Watershed Area Rainfed Agriculture System Approach (WARASA). The broad objectives of the NWDPA were:

- Conservation, development and sustainable management of natural resources including their use;
- Enhancement of agricultural productivity and production in a sustainable manner;
- Restoration of ecological balance in the degraded and fragile rainfed ecosystem;
- Reduction in regional disparity between irrigated and rainfed areas; and
- Creation of sustained employment opportunities for the rural community including the landless.

The revised common guidelines of Watershed Development Project (WDP) were applicable from 1 April 2008 to all WDPs under Departments/ Ministries of Government of India concerned.

#### **➤ Programme implementation**

The main activities to be undertaken for watershed development were (a) basic survey such as contour survey, soil classification, land capability, etc.; (b) soil and moisture conservation measures like bench terracing in hilly terrain, drainage line treatment with combination of vegetative and engineering structure; (c) construction of water



harvesting tanks, fish ponds; (d) plantation/afforestation works, raising of horticulture species, etc.

During audit it was seen that the Department had drawn up an action plan and progress report for the execution of NWDpra works and had performed fairly well in the areas of activities undertaken. However, the Detailed Project Reports (DPRs) were prepared by Project Implementation Agencies (PIAs) instead of Watershed Committees (WCs), thereby denying peoples participation.

#### ➤ ***Targets and Achievements***

According to the work plan, 32 watershed projects with a target area of 18,302 hectares was to be treated over a period of five years from 2002-03 to 2006-07. But the projects were completed beyond the scheduled date of completion and extended up to 31 March 2008.

Though the Department showed completion of year-wise earmarked physical target within due date, scrutiny of financial achievement revealed that at the end of 2006-07, the financial progress of the 32 projects was only ₹ 7.61 crore<sup>16</sup> (77 per cent) against total sanctioned estimated cost of ₹ 9.84 crore resulting in 23 per cent shortfall and even after the projects were finally completed on 31 March 2008, only an area of 16,000 hectares (87 per cent) was treated against the sanctioned target area of 18,302 hectares.

The Department stated (September 2010) that watershed projects were completed within September 2007 as it could be extended for a period of six months beyond the closing date of the project. Hence, there was no shortfall in achieving target. Reply regarding completion of project was not verifiable as there was no documentation to show the completion of projects within September 2007. Further, reply did not indicate the reasons for restriction of watershed areas to 16,000 hectares.

#### ➤ ***Delay in release of funds***

As per paragraph 9.4 (71) of Common guidelines, funds should be released to PIAs and the WCs within 15 days of the receipt of funds from GOI.

Scrutiny of records, however, revealed that during 2005-10 the entire sum amounting to ₹ 16.28 crore meant for implementation of scheme were released to the PIAs and WCs at the end of each financial year. This considerably affected the implementation of schemes as 32 Micro watersheds under 10<sup>th</sup> Plan which were to be completed by the end of 2006-07 were actually completed in 2007-08. Similarly, year-wise activities of 32 new watershed projects started from 2007-08 were always taken up in the following year resulting in non-completion of scheme activities within the stipulated time frame as envisaged in the approved work plan.

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<sup>16</sup> ₹ 9.60 crore – ₹ 1.99 crore = ₹ 7.61 crore



The Department stated (September 2010) that this has been the regular practice for release of funds at the end of financial year for making payments to the beneficiaries and suppliers but assessed that the present practice would be discontinued henceforth.

➤ **Corpus Fund**

As per Watershed Area Rainfed Agriculture System Approach (WARASA) guidelines a Corpus fund was to be created keeping one *per cent* of approved project cost along with another one *per cent* contribution from State Government and beneficiaries for maintenance of assets created under the project after the project life was over. However, it was seen from the records that contribution towards Corpus fund had never been made by the State Government.

The Department stated (September 2010) that the State Government could not make any contribution due to fund constraint.

➤ **Revolving funds to the self help groups**

According to the guidelines, Self Help Groups (SHGs) may use 7.5 *per cent* of the project fund for livelihood support system towards improving the income from existing livelihood. The funds shall be provided by the WAs/WCs to SHGs. The SHG shall provide the above amount to concerned members (as individual loans) against a specific action plan. The members shall repay this amount to their SHG within 12 months along with the normal rate of interest. Later, the SHGs would retain a part of the interest portion with them and refund the principal amount and the remaining part of interest to the WAs/WCs account. The maximum amount to be given to a SHG at a time should not be more than ₹ 25,000. The following facts were observed in this regard:

- Revolving funds of ₹ 28.84 lakh pertaining to the year 2009-10 was released (May 2010) by the Department to the PIA, East district. It was noticed that the funds were not released (August 2010) to the WC which resulted in delay in implementation of livelihood support system.
- During the tenth five year plan, the Department released a total amount of ₹ 72 lakh to 32 watersheds for creating watershed wise revolving fund in favour of the different SHGs through WAs/WCs. It was, however, noticed that WAs/WCs failed to recover the loan amount of ₹ 53.03 lakh from the members of SHGs as of September 2010 for revolving it to other mature groups under the watershed.

The Department stated (September 2010) that at the beginning of implementation there was no clear guidance for recovery of loan from SHGs. As such, loan was given without precondition for return. After the receipt of guidelines, action has been initiated to recover the loan and the amount of recovery would be handed over to the new committee.



### ➤ **Maintenance of assets**

As per the WARSA guidelines after the watershed period is over, the communities assets created under the watersheds should be transferred to the WC. It was seen from the records that 10 watersheds in the West district and 4 out of 11 watersheds in the East district pertaining to the period from 2002-03 to 2006-07 and completed during 2007-08 were handed over to WCs in April 2008 and in February 2009 respectively. Three watersheds completed during 2007-08 in the North District had not been transferred to the committees. As a result, objectives of guidelines relating to maintenance of the assets in 10 watersheds<sup>17</sup> were defeated.

The Department stated (September 2009) that assets created along with watershed fund would be handed over to the committees.

*Thus, though the activities undertaken were executed fairly well, the implementation of NWDPRA were beset with shortcomings like short achievement of targets, delay in release of programme funds, non-recovery and non-utilisation of revolving funds and non transfer of assets created under saturated watersheds to the committees.*

#### **1.3.9.5 Implementation of River Valley Project and Flood Prone River**

The Centrally Sponsored Programme of Soil Conservation in Catchment of River Valley Project and Flood Prone River (RVP & FPR) Teesta catchments was in operation in the State through MMA since 2003-04. RVP Division of Forest, Environment and Wildlife Management Department (FE&WMD), Government of Sikkim implements the project as Watershed Projects for which the fund is transferred by FS & ADD as approved in the Annual Work Plan (AWP). The main objectives of the scheme were:

- (a) Prevention of land degradation by adoption of a multi disciplinary integrated approach of soil conservation and watershed management in catchment areas;
- (b) Improvement of land capability and moisture regime in the watersheds;
- (c) Promotion of land use to match land capability;
- (d) Prevention of soil loss from the catchments to reduce siltation of multipurpose reservoirs and enhance the in-situ moisture conservation and surface rain water storages in the catchments to reduce flood peaks and volumes of runoff.

### ➤ **Implementation of projects**

During the performance audit of MMA, the records relating to implementation of RVP & FPR were test checked in the office of the Divisional Forest Officer (DFO), RVP Division, Gangtok. The RVP division took up one project<sup>18</sup> during 2003-04, one<sup>19</sup> during 2007-08 and two<sup>20</sup> during 2008-09 for execution. As per the AWP, the

<sup>17</sup> East district: 7 out of 11 watersheds, North District: 3

<sup>18</sup> Tb3g Reshi Khola watershed.

<sup>19</sup> Tb4c Bhutey Khola watershed,

<sup>20</sup> Ta3a Khani Khola watershed and Tb4f Changey Khola watershed



completion period of one project was in 2007-08, one in 2010-11 and other two projects in 2011-12 and 2012-13 respectively. Scrutiny of records and physical verification of two projects revealed that RVP Division has performed well relating to the terracing works in forest areas and beneficiary land, seedling plantation in forest areas and construction of water harvesting tanks and surface water storage. However, the following was noticed:

- The funds transferred by FS&ADD to FE&WMD during 2005-10 for implementation the projects were as below:

Table - 1.3.5

(₹ in lakh)

Year	Fund released by FS & ADD	Amount Revalidated	Total	Expenditure	Saving
2005-06	100.00	Nil	100.00	100.00	Nil
2006-07	200.00	Nil	200.00	78.00	122.00
2007-08	140.00	122.00	262.00	227.88	34.12
2008-09	220.50	34.12	254.62	254.17	0.45
2009-10	245.00	0.45	245.45	245.45	Nil
<b>Total</b>	<b>905.50</b>	<b>156.57</b>		<b>905.50</b>	

Source: Annual Progress Report furnished by Forest and FS & AD Departments

Above table shows that FE&WMD was not consistent in utilization of year-wise earmarked funds affecting the progress of projects (details in **Appendix-1.4**) as enumerated in the succeeding paragraphs.

- The schedule for completion of 'Project Ta3g Reshi Khola watershed of the West district' which started during 2003-04 for completion during 2007-08 was extended till 2009-10. Even at the end of 2009-10, the financial and physical target for the project activities fell short by 13 *per cent* and 16 *per cent* respectively.
- In respect of Tb4c Bhutey Khola watershed project which is scheduled for completion in 2010-11, the physical progress (65 *per cent*) was not commensurate with the financial progress (79 *per cent*) at the end of 2009-10.
- Similarly, while Ta3a Khani Khola watershed and Tb4f Changay Khola watershed are targeted to be completed in 2011-12 and 2012-13 respectively, the financial achievements showed 47 and 57 *per cent* against the physical achievements of only 34 and 36 *per cent* up to 2009-10.

➤ **Non-promotion of Kisan nurseries**

Paragraph 7.5.3 of RVP & FPR guidelines stipulates that Kisan Nurseries should be created near the site of plantation in order to bring down the cost of saplings and to train the farmers in raising plantations. Audit observed that during 2005-08 no efforts were



made by the RVP Division to raise Kisan Nursery and all the seedling valuing ₹ 56.38 lakh were purchased from private nurseries outside the plantation area in contravention to the provision in the guidelines.

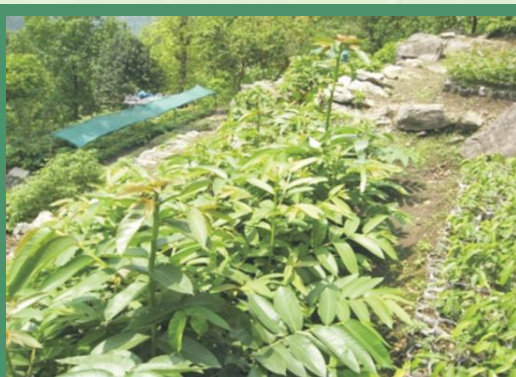
➤ ***Non-utilisation of seedling raised in nursery in plantation area***

Under RVP & FPR, the RVP Division started maintaining two nurseries namely Bhaghay Salaingay Nursery (one hectare) and Gaidhara Nursery (two hectare) since May 2008.

**Image – 1.3.3**



**Image – 1.3.4**



As per records 7.96 lakh seedlings were raised in the nurseries as of March 2010. It was noticed that the Division purchased seedling worth ₹ 56.38 lakh from private Nurseries during the period and seedling raised in its own nurseries were distributed to farmers free of cost. Had the seedlings so raised been utilised in the plantation area, the cost of seedlings amounting to ₹ 15.92 lakh<sup>21</sup> could have been saved.

➤ ***Corpus fund***

As per programme guidelines, corpus fund of two *per cent* consisting of one *per cent* from the programme and balance one *per cent* from the State Government and the beneficiaries on 50:50 basis, was to be created for the purpose of maintenance of assets created in the watersheds for the benefit of the community at large. Audit observed that no contribution was obtained from either the State Government or the beneficiaries. It was further seen that the corpus fund of ₹ 0.60 lakh created out of the project fund during 2004-05 was not carried forward to 2005-06 as the same was expended in the same year towards muster roll payment of aero forestry plantation. As a result, maintenance of the project was not carried out. In the absence of maintenance, long term benefit of the project is questionable.

*Thus, though the Department performed well relating to the terracing works in forest areas and beneficiary land, seedling plantation in forest areas and construction of water*

<sup>21</sup> Minimum cost ₹ 2 per seedling. Hence, cost of 7.96 lakh seedlings = ₹ 15.92 lakh



harvesting tanks and surface water storage, the inconsistency in utilisation of funds, non-promotion of Kissan Nurseries and non-utilisation of seedlings raised in the Nurseries impacted achievement of the desired results.

### 1.3.9.6 Implementation of Agriculture Engineering

Under MMA, Agriculture Engineering is mainly related to farm mechanisation. Farm mechanisation is an important element for enhancing the productivity by providing efficient farm implements and their judicious utilisation. The outlay and expenditure of funds in respect of implementation of farm mechanisation relating to MMA in the State during 2005-10 is enumerated in the table below:-

**Table - 1.3.6**

(₹ in lakh)

Year	Financial	
	Target	Achievement
2005-06	50.00	49.69
2006-07	49.20	23.28
2007-08	72.84	45.49
2008-09	00	00
2009-10	32.00	32.00
<b>Total</b>	<b>204.04</b>	<b>150.46</b>

Source: Departmental figure

- The above table reveals that against the target amounting to ₹ 2.04 crore, an amount of ₹ 1.50 crore was only spent for its implementation;
- Neither financial nor physical target was fixed for the year 2008-09 which led to non-implementation of programme during 2008-09.

The above fact revealed that the Department had not been attaching importance to the implementation of farm mechanisation in the State. Besides, the following facts were also noticed:

- As per the project proposal of 2005-06, six rice haulers, six oil expellers, six wheat grinders and six seed driers were procured by the Department at a cost of ₹ 29.33 lakh for establishment of Agro Service Centers in the farmers fields. As envisaged in the proposal, two numbers of each machine were installed at Government Farms. The remaining machines were to be provided to farmers at 50 per cent subsidy. Apart from that, 400 seed bins were also procured for distribution to the farmers at 50 per cent subsidy. Scrutiny of records, however, revealed that the Department realised subsidy amounting to ₹ 0.32 lakh only leading to non-realisation ₹ 9.99 lakh which was in contravention to guidelines.
- During 2007-08, the Department purchased (March 2008) 32<sup>22</sup> sets of

<sup>22</sup>The cost of one set of equipments was ₹ 1,18,035.



Agriculture equipment at a cost of ₹ 38.00 lakh for establishment of Agro service centers. Out of the above 32 equipment, one equipment was installed in the farm and 31 equipment were distributed to the farmers. As per guidelines, the subsidy per equipment was 25 per cent of the cost of equipment. The remaining 75 per cent of the cost of equipment was to be borne by the beneficiaries. Scrutiny of records revealed that the subsidy amount at the rate of ₹ 10,000 was realized from the farmers instead of ₹ 88,528 (75 per cent of the cost of equipment). This resulted in short realisation of Government money amounting to ₹ 24.34 lakh (₹ 27.44- ₹ 3.10 lakh).

The Department stated (September 2010) that the subsidy for rice hauler, oil expeller, wheat grinder and seed drier issued to the farmers were realised at the rate of ₹ 0.08 lakh each in cash and for the other 32 equipment issued to the farmers subsidy was realised at ₹ 0.10 lakh and the remaining amounts for both the cases were adjusted against the expenditure incurred by the beneficiaries for construction of sheds and connection of electricity for keeping the equipment. The reply is not justifiable as there was no mention in the guidelines that establishment of shed and arrangement of electricity was the responsibility of GOI.

- During 2008-09, no provision had been kept for the Agriculture Engineering in the approved work plan. However, it was seen from the records that the Department procured high tech Agro Sprayer and kits amounting to ₹ 16.82 lakh diverting the whole fund earmarked for Farmer's Field School (FFS) under Plant Protection without the approval of GOI. This not only resulted in non-implementation of organising campaign to promote bio-control segment of integrated pest management technology through FFS but also lacked planning in implantation of farm mechanisation.
- GOI sanctioned ₹ 32 lakh for implementation of Agriculture Engineering in 2009-10. Supply order for equipment was issued (March 2010) to the Sikkim State Cooperative Supply and Marketing Federation Limited (SIMFED) and entire amount of ₹ 32 lakh was paid as advance. It was noticed that the Department did not implement the programme as of July 2010 due to non-supply of equipment by the SIMFED.

The Department stated (September 2010) that on receipt of equipment from SIMFED programme would be implemented during 2010-11. The fact remained that programme pertaining to the year 2009-10 had not yet been implemented (September 2010).

*Thus, it is evident from the above facts that the Department was lackadaisical in implementation of farm mechanisation which led to non-achievement of financial targets, non-compliance with provision of the guidelines and delay in implementation of programme.*



### 1.3.10 Monitoring

Regular monitoring of the scheme, both at the Central and the State level, is a pre requisite for achieving optimum results. To achieve this objective, it has been decided to strengthen the Management Information System (MIS) at the Central as well as at the State/District levels for online monitoring of the performance under the scheme. It is also mandatory for the States to have concurrent evaluation of the implementation of the Revised MMA Scheme. Audit observed that the Department did not issue any instructions prescribing norms such as periodicity, objectives, type of reports to be issued and follow up action, etc. in connection with field visit of the crops in order to exercise an effective control over the beneficiaries and also to enhance the yield of crops and other activities of the programme as envisaged in the guidelines. Besides, the Department failed to evaluate the impact of the programme.

### 1.3.11 Internal Audit

Internal audit is an independent appraisal of the control mechanism in the Department. The responsibility of carrying out internal audit of the Department was assigned to Finance, Revenue and Expenditure Department (Director of Internal Audit). It was however, noticed that Director of Internal Audit had not inspected records of the FS&ADD during any of the years under review. Consequently, lacunae in the internal control system were not brought to the notice of the Department to initiate corrective measure.

### 1.3.12 Conclusion

*Despite incurring expenditure of ₹ 64.87 crore in the six programme under MMA test checked, the Department has not been able to achieve the basic objective of increasing crop production and productivity rate. The yield of various crops in the State was less than the norms fixed by the GOI and area under cultivation also remained almost static over the last five years. Improper planning and delay in commencement of various components of the programme resulted in persistent savings between ₹ 0.78 crore and ₹ 3.06 crore at the end of the years. Delay in release of funds led to activities of the programme spilling over to the next year resulting in non-completion of schemes within the stipulated time frame. Attention was not paid for selection of beneficiaries, maintaining data relating to the area actually brought under organic farming and organic produce and production of organic manure through vermin compost pits. Training for raising of seedling under RVP&FPR to the farmers was not achieved. Due to lack of monitoring and evaluation of the programme activities, the extent of benefit derived by the beneficiaries could not be assessed.*

### 1.3.13 Recommendation

The following recommendations are made for streamlining the implementation of the programme:



- Timely release of funds and their proper utilisation should be ensured;
- Government should fix production target of crops and ensure achievement of the same;
- Dependence on purchase of seeds from outside the State should be reduced;
- Criteria should be notified before selection of beneficiaries for carrying out demonstration in the farmers' field;
- Ensure beneficiaries contribution prior to release of Government assistance/subsidy towards implementation of scheme; and
- Programme monitoring and evaluation as prescribed under the guidelines need to be strictly adhered.







# CHAPTER – II

## Audit of Transactions (Civil Departments)







## CHAPTER – II

### AUDIT OF TRANSACTIONS (CIVIL DEPARTMENTS)

#### Misappropriation/Loss

#### COMMERCE AND INDUSTRIES DEPARTMENT

##### 2.1 Loss of Central assistance due to non-completion of growth centre

**Even after incurring an expenditure of ₹ 15.30 crore over a period of nearly seven years, the Department failed to complete the Growth Centre (GC) with all its requisite infrastructure and facilities congenial for industrial growth within the prescribed time limit and resultantly had to forego the GOI assistance of ₹ 7 crore towards creation of industrial infrastructure required for attracting industries to the State.**

With the objectives of (i) attracting industries in backward areas, (ii) generating entrepreneurial and employment opportunities, (iii) providing filter water to the surrounding villages, (iv) upgrading housing dwellings, and (v) strengthening the village amenities such as schools, training centres, primary health centres, etc., the Department of Commerce and Industries submitted a detailed project report (February 2003) to the Government of India (GOI) for establishing industrial Growth Centre (GC) in Samlik - Marchak of East district. The project, as approved (November 2003) by GOI, was estimated at ₹ 31.76 crore<sup>1</sup> (GOI: ₹ 15 crore and State: ₹ 16.76 crore) for completion and making it functional within March 2009, failing which no fund will be released by the GOI. While the GOI released ₹ 8 crore<sup>2</sup> (January 2004 to August 2008), the State Government belatedly released ₹ 8.66 crore (August 2006 to September 2009).

Scrutiny of records (September 2009) revealed that out of ₹ 16.66 crore released by GOI and State Government, ₹ 15.30 crore was spent towards purchase of land (₹ 7.68 crore), fencing (₹ 1.09 crore), construction of road (₹ 2.02 crore), water facility (₹ 3.17 crore) and power facility (₹ 1.35 crore). However, due to delayed and short release of fund by the State Government and consequential non-completion of the GC with all its requisite infrastructure and facilities congenial for industrial growth within the prescribed time limit (March 2009), the GOI did not release the balance fund of ₹ 7 crore. The Department also failed to justify the reasons for delay in completion and pursue the matter with GOI as well as the State Government for release of the balance funds for completion of the GC and making it functional.

<sup>1</sup> The amount includes (i) Land and site development, (ii) Industrial infrastructure, and (iii) Contingencies.

<sup>2</sup> ₹ 5 crore (first installment in January 2004) + ₹ 1 crore (second installment in December 2005) + ₹ 2 crore (third installment in August 2008).



The Department stated (October 2009) that an approach road has already been constructed as a basic infrastructure for the GC alongwith proper water facility and fencing of the area. It was also stated that the infrastructure on the land allotted were being developed in the GC area. Reply of the Department is not tenable as the joint physical verification conducted by Audit in the presence of departmental officers and information obtained from the Department revealed (June 2010) that out of nine entrepreneurs to whom sites have been allotted during 2007-2009, only one has started production in its partially completed factory building. It was also seen during physical verification that works of road construction and water supply have only been partially completed.

Thus, even after the expiry of nearly seven years, since the approval (November 2003) of the project, the Department failed to complete the GC with all its requisite infrastructure and facilities congenial for industrial growth, within the prescribed time limit (March 2009), and resultantly had to forego the GOI assistance of ₹ 7 crore towards creation of industrial infrastructure required for attracting industries in the State. Even after incurring the expenditure of ₹ 15.30 crore, the objective of industrial development in the State remained largely unachieved.

In a further reply the Department stated (September 2010) that the matter was pursued vigorously to get the release of the fund from the Government of India for completion of the project in time. However, as intimated by the Union Ministry of Commerce and Industry, Government of India has closed down the scheme in question and have directed the Development Commissioner under Micro, Small and Medium Enterprises to take further necessary action for release of balance fund for completion of the project. Fact remained that the project could not be completed as yet.

## SIKKIM STATE CO-OPERATIVE SUPPLY & MARKETING FEDERATION LIMITED

### 2.2 Loss on interest free advances

**Failure of SIMFED to charge and realise interest on release of advances resulted in a loss of ₹ 29.96 lakh.**

The primary and essential objectives of engaging SIMFED for procurement of material on behalf of the State Government departments are to ensure timely procurement and supply of quality material at the most economical rates. For the purpose of procuring material from the private suppliers, the SIMFED was releasing advances which were to be adjusted against supply of material and realisation of interest at rates, which varied from 10 to 18 *per cent*, as approved by the SIMFED itself.

Scrutiny of records revealed that during 2008-09, SIMFED released an aggregated amount of ₹ 8.91 crore as advances to various suppliers for procurement of material



ordered by Government departments without imposing any interest. This was despite the approval of SIMFED itself for charging interest on the advances released. Due to not charging interest on advances of ₹ 8.91 crore, the SIMFED had to sustain a loss of ₹ 29.96 lakh (calculated at the minimum rate of 10 *per cent*) towards interest receivable from 15 suppliers for the intervening period of payment and adjustment ranging from 14 to 409 days as detailed in **Appendix – 2.1**.

While accepting the observation, the management stated (November 2009) that according to the policies adopted by the SIMFED, interest was being charged only on advances paid to the suppliers from the working capital of SIMFED and not on the advances released from the funds received from the Government departments. It was however assured that interest on advances will be charged from the year 2009-10. The contention of management is not tenable as SIMFED had levied interest on all the advances released during the period prior to 2008-09. Further, irrespective of whether the advances were paid from the working capital or the funds received from the Government departments, SIMFED was expected to safeguard the financial interest of the Government, failure of which resulted in a loss of ₹ 29.96 lakh.

#### Undue favour

### RURAL MANAGEMENT AND DEVELOPMENT DEPARTMENT

#### 2.3 Excess payment to the contractors due to erroneous adoption of rate

**Due to adoption of erroneous rate for stone spalls in Analysis of Rate, there was an excess expenditure of ₹ 33.79 lakh.**

The Rural Management and Development Department (RMDD) adopts the rate specified in the Schedule of Rates (SOR) framed by the Sikkim Public Works Department (SPWD) for execution of works under the Pradhan Mantri Gram Sadak Yojana (PMGSY). However, for the item of works not specified in the SOR of SPWD, the RMDD analyses and fixes the rates on the basis of the analysis specified by the Ministry of Rural Development, Government of India.

Scrutiny revealed that during execution of PMGSY phase V works, the RMDD erroneously adopted the rate of stone spalls at ₹ 1,200 per cum instead of ₹ 120 per cum for execution of 'Stone Masonry Work in Cement Mortar (1:5)'. This resulted in fixation of rate at ₹ 2,012.04 per cum instead of at ₹ 1,372.75 per cum. Further, for construction of 'Reference Pillar/Back Pillar' and 'Laying of boulder apron laid in wire crates with 4 mm GI wire', the rate of stone spalls was adopted at ₹ 300 per cum instead of ₹ 120 per cum which resulted in higher fixation of rates for boundary pillar/reference pillar at ₹ 16,785.48 per km instead of ₹ 15,933.09 per km and laying of boulder apron laid in wire crates with 4 mm GI wire at ₹ 653.84 per cum instead of ₹ 613.09 per cum. Audit scrutiny further revealed that while executing similar item of works under stages I to IV, the Department adopted the rate of stone spalls at ₹ 120 per cum.



Thus, due to adoption of erroneous and higher rates than the applicable ones, the RMDD incurred an excess expenditure of ₹ 33.79 lakh<sup>3</sup> towards execution of stone masonry work (3,986.02 cum), reference/ boundary pillar (326.90 km) and providing & laying apron in wire crates (13,569.54 cum) during February 2008 to September 2009 as detailed in the **Appendix – 2.2**.

The matter was reported to the Department/ Government (January 2010); their reply was awaited (October 2010).

#### Avoidable/Excess Payment

### LAND REVENUE AND DISASTER MANAGEMENT DEPARTMENT

#### 2.4 Excess payment on land acquisition

**Payment of solatium beyond the provision of Land Acquisition Act 1894 to the willing land owners towards acquisition of land resulted in an excess payment of ₹ 61.82 lakh.**

Section 23(2) of the Land Acquisition Act 1894 stipulates that the court while determining the amount of compensation to be awarded under the Act, shall award *solatium*, a sum of 30 *per cent* on market value of land in consideration of the compulsory nature of the acquisition. In *Lily Ghosh v State of WB AIR 1979 Cal 329*, it was held that “the principle behind payment of *solatium* was to satisfy the land owners who showed disinclination to part with their land. But where the land owner willfully offers his land for acquisition at an agreed market value, he cannot claim any *solatium*”. Again in *Narain Das Jain v Agra Nagar Mahapalika (1991) 4 SCC 12*, the court reaffirmed that “*solatium* is money comfort quantified by the statute, and given as a conciliatory measure for the compulsory acquisition of the land of the citizen, by a welfare State such as ours”.

Scrutiny of records revealed (February 2010) that for providing land to various agencies, as and when required, through the creation of a Land Bank, Government approved the acquisition of land, as identified by the Committee set up (April 2007) for the purpose, at Taza Block (6.4920 hectares) and Martam Block (5.9380 hectares) under East District. Accordingly, the District Collector, East (DCE) assessed (February and March 2008) the compensation at ₹ 278.72 lakh (6.4920 hectares at ₹ 154.18 lakh plus 5.9380 hectares at ₹ 124.54 lakh) which included 30 *per cent solatium* of ₹ 61.82 lakh (₹ 34.20 lakh plus ₹ 27.62 lakh) intended for compulsory acquisition. The entire assessed amount of ₹ 278.72 lakh was transferred during 2008-09 to the DCE for disbursement to the landowners. However, since the land owners were willing to sell

<sup>3</sup>Masonry work of ₹ 25,48,223 + Reference/Boundary Pillar work of ₹ 2,75,915 + Providing & Laying Boulder Apron of ₹ 5,54,371 = ₹ 33,78,509



their land, as verified and certified by the committee constituted for the purpose, the payment of 30 *per cent solatium* was against the provision of the Land Acquisition Act 1894 and resulted in an excess payment of ₹ 61.82 lakh.

The matter was reported to the Government/Department (April 2010); their reply was awaited (October 2010).

## 2.5 Excess payment on land acquisition

**Due to erroneous computation of prevailing market rates of land, the Department made an excess payment of ₹ 16.86 crore to the land owners.**

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

Scrutiny of records revealed (February and July 2010) that while assessing the compensation for acquiring 5.9380 hectares (6,39,161.03 sq. ft.) of land at Martam in East District at an expenditure of ₹ 1.25 crore (inclusive of solatium, standing properties and other charges), prevailing market rate as calculated by the District Collector, East (DCE) was erroneously computed (February 2008) at ₹ 14.18 per sq. ft. as against the actual average prevailing market rate of ₹ 7.93 per sq. ft. calculated in Audit on the basis of land deals executed by private parties during the same period. Similarly, while assessing the compensation, in six cases in South District involving acquirement of 134.472 hectares of land (1,44,74,446.38 sq. ft.) at an expenditure of ₹ 29.35 crore (inclusive of *solatium*, standing properties and other charges), the prevailing market rates as calculated by the District Collector, South (DCS) was erroneously computed (July 2008 to June 2010) at rates varying from ₹ 9.37 per sq. ft. to ₹ 343.96 per sq. ft. as against the corresponding actual market rates varying from ₹ 1.76 per sq. ft. to ₹ 121.29 per sq. ft. as noticed from the transactions entered into by private parties during the same period. The erroneous computation of market rates of land by the DCE and DCS resulted in an excess payment of ₹ 16.86 crore to the land owners on acquisition of 140.41 hectares of land as detailed in the **Appendix – 2.3.**

The matter was reported to the Government/Department (April 2010, July 2010); their reply was awaited (October 2010).

## 2.6 Excess payment towards acquisition of land

**Failure of the Department to rectify the erroneous assessment of land compensation resulted in an excess payment of ₹ 62.91 lakh towards acquisition of land.**

For acquisition of land required by Government departments and other



organisations/bodies, etc., land compensation is assessed by the Land Revenue and Disaster Management Department (LRDMD), as per the prevailing Government rate notified by the Department, from time to time. In the event of land owners not agreeing to part with their land, acquisition of land is effected as per the provision of the Land Acquisition Act 1894.

Scrutiny of records revealed (February 2010) that for construction of Khelgoan, the Sports and Youth Affairs Department (SYAD) approached (February 2005) the LRDMD for acquisition of land. Accordingly, the District Collector, East (DCE) assessed (March 2007) the amount of compensation towards acquisition of 4.3360 hectares of land at Resithang under Luing Block of East District at ₹ 238.36 lakh (at the rate of ₹ 35.73 per sq.ft. *plus* cost of standing properties, 30 *per cent solatium* and other charges, etc.) under Section 4(1) of the Land Acquisition Act 1894. The compensation of ₹ 238.36 lakh as assessed by DCE was approved and financial sanction accorded by the Government in March 2007. In the meantime, the DCE reviewed (May 2007) the earlier assessment and reassessed the amount of compensation at ₹ 175.45 lakh. The reason for reassessment was that while the earlier assessment at the rate of ₹ 35.73 per sft was intended for land situated within 100 ft from the roadside, the main part (4.0380 hectares) of the land assessed (4.3360 hectares) was situated beyond 100 ft from roadside and was therefore to be assessed at ₹ 25.07 per sq.ft. However, the revised assessment was not accepted by the Additional Secretary on the plea that the value of land as assessed by the DCE in March 2007 had already been approved and financial sanction accorded by the Government. It was further seen that although the compensation amount was released by the SYAD to LRDMD in September 2007 (₹ 175 lakh) and November 2009 (₹ 67.57 lakh, including ₹ 4.21 lakh to be paid for additional acquirement made in June 2009) for subsequent payment to the land owners, the Secretary did not take any initiative in the financial interest of the State to appraise the Government about the over assessment and requirement for revision of the amount assessed to avoid overpayment.

Thus, due to assessment of compensation at rates higher than the market rate by DCE at initial stage and failure of the Department to rectify the erroneous assessment resulted in an excess payment of ₹ 62.91 lakh on acquisition of land.

The matter was reported to the Government/Department (April 2010); their reply was awaited (October 2010).



## Infructuous/Wasteful expenditure

WATER SECURITY AND PUBLIC HEALTH  
ENGINEERING DEPARTMENT

## 2.7 Irregular implementation of the Greater Rangpo Water Supply Scheme

**Absence of planning and coordination in implementation of the Greater Rangpo Water Supply Project led to inordinate delay in completion of the scheme, cost escalation of ₹ 72.60 lakh and wasteful expenditure of ₹ 52.67 lakh.**

The Ministry of Development of North Eastern Region (DONER) sanctioned (December 2006) ₹ 17 crore and released ₹ 16.50 crore (January 2007-February 2008) to the Water Security and Public Health Engineering Department (WSPHED) for implementation of the project 'Augmentation of Water Supply for Greater Rangpo in East Sikkim'. The project was to be completed by December 2008 on the basis of 90 per cent grants and 10 per cent loan from the Government of India.

The project comprising of two major components, civil works relating to construction of various structures and procurement of pipes and fittings, envisaged tapping water from the Rangpo Khola about 24 kms upstream from the water treatment plant located at Rangpo. While the civil works component<sup>4</sup> of the project was put to tender in March 2007, supply orders for pipes and fittings were simultaneously placed during February-March 2007. Before completion of the civil works and supplies, the Department moved (December 2007) a proposal for major revision of the project, which *inter alia*, incorporated shifting of the intake point to a location further 12.90 kms upstream of the original site. The need for shifting the intake was stated to be due to construction of one ongoing hydropower project (Chuzachen Project by the developer "Gati Infrastructure Private Limited" (GIPL)) due to which the water for the Greater Rangpo project could not be sourced from the original site. The revised cost of the project was worked out to ₹ 24.26 crore which exceeded the original sanctioned cost (₹ 17 crore) by ₹ 7.26 crore. The WSPHED submitted the revised project to the DONER through the State Planning and Development Department in July 2008 for additional sanction. The DONER indicated the possibility of additional sanction in the ratio of 50:50 to be borne between the GOI and the State Government in February 2009. Pending receipt of additional funding from the GOI, the project had been stalled as of August 2010.

It was noticed in audit that the development of the Chuzachen Hydropower Project had

<sup>4</sup>(i) Construction of intake works, sedimentation tank, river diversion and protective works – ₹ 52.67 lakh, (ii) Track cutting, earthwork excavation and protective works at Kms 15 to 24, RCC casing work and construction of approach footpath to intake – ₹ 78.73 lakh, (iii) Construction of steel bridge, jhora crossing, track cutting, earthwork excavation and protective works to clear water mains, distribution mains and allied works – ₹ 1.03 crore, (iv) Construction of RCC reservoirs and Staff quarters – ₹ 1.12 crore, (v) Track cutting, earthwork excavation, protective works to river at 0 to 10 Kms – ₹ 55.27 lakh.



been awarded to the GIPL by the State Government in November 2003. The power project envisaged utilisation of water from the Rangpo and Rongli rivers. The major infrastructure such as dam, surge shaft, tunnels, power house, etc. had been identified by GIPL in 2003-04 and the public hearing through advertisement in newspapers had been conducted in September 2004. Despite the fact that the Chuzachen Power Project, expected to be commissioned by December 2010, was being actively developed much before commencement of the Greater Rangpo scheme on the same river from which the water for the Greater Rangpo project was proposed to be tapped, the WSPHED did not coordinate with the Energy and Power Department (under whose aegis the power project was being developed) to ensure availability of water for the scheme and to identify the location of the intake site. Due to this lapse on the part of the WSPHED, the project required major revision entailing additional expenditure of ₹ 7.26 crore of which 10 per cent amounting to ₹ 72.60 lakh accounted for cost escalation due to time overrun. The civil works relating to construction of intake, protective works, diversion, etc. executed at the source at ₹ 52.67 lakh was rendered wasteful as the intake and allied structures constructed at the initial project site became redundant due to shifting the intake location further upstream.

Thus, absence of proper planning and coordination in the implementation of the Greater Rangpo water supply scheme led to inordinate delay in completion of the scheme, cost escalation of ₹ 72.60 lakh and wasteful expenditure of ₹ 52.67 lakh.

The matter was reported to the Department/ Government (February 2010); their reply was awaited (October 2010).

## DEPARTMENT OF ECONOMICS, STATISTICS, MONITORING AND EVALUATION

### 2.8 Infructuous expenditure

**Barely within six months of the completion of a comprehensive Socio-Economic Survey and pending approval of the report thereon from the Government, decision of the Government to conduct another survey to determine the population of Limboo and Tamang in the State led to duplication of work with consequential infructuous expenditure of ₹ 50 lakh.**

The Department of Economics, Statistics, Monitoring and Evaluation (DESME) carried out (December 2005 to March 2007) a Socio-Economic Census covering every citizen above the age of five years in the State at a total cost of ₹ 2.50 crore (including printing of report). The unique photographic database was to be used extensively for planning and other future projects of the State Government. The final report of the survey was submitted (December 2007) to the Government for approval. Pending approval from the Government, 7,260 copies of the report (2,729 copies) and ward profile (4,531 copies)



were printed (March 2007 and March 2008) at an expenditure of ₹ 54 lakh.

Scrutiny of records (December 2009) revealed that barely six months after the submission of report to the Government, the State Government, apparently not being satisfied with the earlier Socio-Economic Census, again decided (June 2008) to conduct another survey to determine the population of Limboo and Tamang communities primarily for determining their population for additional reservation of seats in the State Legislature. The work was entrusted (May 2008) to the DESME for completion within 100 days. An expenditure of ₹ 50 lakh was incurred from the Contingency Fund (₹ 20 lakh in June 2008 and ₹ 30 lakh in July 2008) as there was no budgetary provision for the work. The work commenced in July 2008 and was completed in November 2008. The report submitted in December 2008 awaited approval of the Government (December 2009).

Since the latest data on population alongwith other detailed information of every community, including Limboo and Tamang, in the State was available in the earlier Socio-Economic Census Report presented to the Government in December 2007, there was no need to conduct another survey for ascertaining the population status of Limboo and Tamang in the State. It was further seen that data obtained in the survey conducted in 2008 (Limboo: 57,708 and Tamang: 39,558) did not vary much with those obtained in the earlier survey (Limboo: 56,650 and Tamang: 39,457). Thus, while the necessity and utility of the earlier survey conducted and reports printed at an expenditure of ₹ 2.50 crore could not be established as yet, the subsequent survey resulted in an infructuous expenditure of ₹ 50 lakh.

The Department stated (August 2010) that the reports were submitted under the instruction of the Government and they were not intimated about the reasons for non-utilisation of the data obtained from the Socio-Economic Census. They further stated that they were also not aware about the utilisation of these data for any welfare of Limboo and Tamang communities.

## LABOUR DEPARTMENT

### 2.9 Infructuous expenditure

**The Department incurred an infructuous expenditure of ₹ 33 lakh towards the preparation of a defective and incomplete list of household child labours which included names of 30 children aged 14 years and persons aged 19 years, 20 years and 58 years.**

National Child Labour Project (NCLP), a Central Plan Scheme, aims at suitably rehabilitating the children withdrawn from employment thereby reducing the incidence of child labour (working children below 14 years of age) in the project area.

In pursuance of instruction from the Planning Commission, Government of India (GOI)



towards the expansion of NCLP Scheme to cover the entire country within the 11<sup>th</sup> Plan, the Union Ministry of Labour and Employment (MLE) requested (March 2007) the State Government to suggest the names of reputed and independent agencies/institutions of Sikkim for immediately conducting an intensive child labour survey in all the districts of the State for an objective assessment of the child labour situation. The information was to be sent within the extended period of 15 May 2007.

Instead of furnishing the requisite information to the MLE, with the approval of the Chief Minister (January 2008), the Labour Department entrusted the task to Department of Economics, Statistics, Monitoring and Evaluation (DESME) at an estimated cost of ₹ 51.25 lakh. An amount of ₹ 33 lakh was drawn (March 2008) and transferred (June 2008) to DESME. While no time limit was stipulated for completion of the work, the DESME intimated (February 2009) the Labour Department about the total utilisation of ₹ 33 lakh and forwarded the provisional report about identification of 213 child labours in the State. The Department, not satisfied with the coverage and completeness of survey, asked (February 2009) the DESME to conduct a resurvey on the position of child labour in the State. While the resurvey has not been conducted (June 2010), in the absence of any supporting evidence (estimate, reasonability of rate/ remuneration, enumerators engaged, period of engagement, remuneration paid, payee's receipts, bills raised, vouchers prepared, etc.), the expenditure of ₹ 33 lakh stated to have been incurred on identification of child labours in the State could not be vouchsafed in Audit. Further, against 16,457 child labours recorded under Census 2001, identification of only 213 numbers was abysmally low as compared with the corresponding expenditure (₹ 15,493 per identification). Audit scrutiny also revealed that the list of identified child labours contained the names of only household child labours and included 30 children aged 14 years and three persons aged 19 years, 20 years and 58 years indicating total lack of knowledge of the enumerators on the subject. Further, while the expenditure on a defective survey necessitating a resurvey and having served no purpose, was an infructuous one, the response of the Department towards the directives of Planning Commission and Union Ministry was indicative of its lackadaisical approach towards the social evil of child labour in the country.

While accepting the observation, the Department stated (August 2010) that the survey work entrusted to DESME was undertaken with the approval of the Government. It was further stated that the revised report submitted by DESME had also not shown any improvement over the earlier report. Fact remained that the Department failed to identify the child labours for taking a time bound future course of action towards eradication of child labour in the State in pursuance of a national policy.



**Blocking/Diversion of Fund****LAND REVENUE AND DISASTER  
MANAGEMENT DEPARTMENT****2.10 Improper implementation of Scheme and blocking up of fund**

**Despite improper and partial implementation of Land Bank Scheme intended for providing land to the landless beneficiaries, the Department continued to release fund to the district collectorates resulting in blocking up of fund of ₹ 135.21 lakh intended for providing land to 184 beneficiaries.**

The State Government launched the Land Bank Scheme in 1997-98 on 13 August 1997, for providing land to the sukumbasis (landless people) for cultivation and construction of residential houses. Under the scheme, each landless beneficiary (sukumbasi) is provided with a small plot of land measuring not less than half an acre at a cost of ₹ 0.26 lakh in rural areas. The area of land to be provided was revised (2008-09) from 1,000 to 2,000 sqm and the financial implication revised from ₹ 0.53 lakh in 1999-2000 to ₹ 1.05 lakh in 2008-09. Land provided under the scheme was first to be registered and mutated in the name of the State Government and thereafter, the Department should execute a deed of settlement, in the form of a lease deed, between the State Government and the beneficiaries for a period of ninety nine years. The lessees should not transfer the leased property by way of sale or mortgage or gift or other mode of transfer, failing which the lease would be terminated and lessee evicted from possessing the land. Scrutiny of records (February 2010) revealed the following:

- Since the inception of scheme in 1997-98 to 2009-10, the Government approved and sanctioned ₹ 812.58 lakh for acquisition and distribution of land to 1,318 identified landless beneficiaries and accordingly, transferred the fund to District Collectorates (East: ₹ 197.10 lakh, South: ₹ 284.71 lakh, West: ₹ 287.72 lakh and North: ₹ 43.05 lakh) for implementation of the scheme;
- As of August 2010, against 1,318 beneficiaries identified, the District Collectorates could distribute the land to 1,134 beneficiaries (86 *per cent*) at an expenditure of ₹ 675.80 lakh. The shortfall in achievement was stated (August 2010) to be non-availability of land;
- 55 beneficiaries identified during 1997-98 and 1998-99 in respect of East district and 129 beneficiaries identified during the period 2004-05 to 2009-10 in respect of East, South and West districts were not provided the land despite availability of unspent balance of ₹ 136.78 lakh already received for the purpose;
- Despite the transferred funds remaining unutilised for the years upto 1998-99, the Department continued to transfer funds to District Collectorates without ensuring the availability of land and utilisation of funds already released;



- While during the initial years of implementation period 1997-98 to 2004-05, registration (497 cases) pertaining to East and South districts were made in the name of the Department without any settlement of lease with the beneficiaries, the subsequent registration involving 328 cases (East: 154 and South: 174 cases) were made directly in the names of beneficiaries without any amendment in the Scheme guideline and Government's order/notification thereof;
- The entire registration of 309 cases pertaining to the period 1997-98 to 2009-10 in respect of West district were made in the name of beneficiaries.

Thus, the Department failed to provide land to 14 *per cent* of the landless people involving ₹ 135.21 lakh. Further, due to absence of monitoring mechanism, the Department could not ensure proper utilisation of land even to those beneficiaries to whom land have been distributed. Besides, ₹ 1.37 crore was also locked up in the process.

The matter was reported to the Government/Department (April 2010); their reply was awaited (October 2010).

## HUMAN RESOURCE DEVELOPMENT DEPARTMENT

### 2.11 Irregular diversion of works contingency

**Incurring expenditure of work contingency, in contravention of codal provision, resulted in diversion of ₹ 44 lakh.**

In terms of Paragraphs 191 and 192 of the Sikkim Public Works Code, the items of expenditure to be met out of the provision against contingencies are (i) employment of watchman to guard material at site and tools and plant belonging to Government, temporary sheds and amenities provided to workers in the case of departmental works; (ii) unforeseen items of work; and (iii) expenses due to increase in rates.

Under Rural Infrastructure Development Fund (RIDF XIV), financed by NABARD, the Human Resource Development Department (HRDD) executed the work “Construction of Government Degree College at Rungdung, East” at an estimated cost of ₹ 15.57 crore which included a provision for contingency of ₹ 46.49 lakh. The work relating to construction of buildings was awarded (February 2009), after invitation of tender, to the lowest bidder at 10 *per cent* below the estimated cost with stipulation to complete within 24 months. Accordingly, work commenced in February 2009 and ₹ 56.67 lakh was incurred as of March 2010.

Scrutiny of records revealed (March 2010) that an expenditure of ₹ 44 lakh out of the contingency provision of ₹ 46.49 lakh was irregularly incurred on repair of vehicles, purchase of vehicle, purchase of computers and accessories, payment of salaries/ wages/ allowances of work charged and muster roll employees involved in various



maintenance/ other official activities of the Department not connected with the work. This resulted in an irregular diversion of ₹ 44 lakh from the provision made under works contingency.

The matter was reported to the Department/Government (July 2010); their reply was awaited (October 2010).

## General

# CIVIL DEPARTMENTS

## 2.12 Outstanding Inspection Reports

1,583 paragraphs included in 665 Inspection Reports in respect of Civil Departments and 180 paragraphs included in 67 Inspection Reports in respect of Autonomous Bodies issued upto 2009-10 were pending settlement as of March 2010.

Audit Committee Meetings were being held on a regular basis to settle the outstanding audit paragraphs. Six Audit Committee Meetings were held during 2009-10 wherein 43 Inspection Reports and 174 paragraphs were discussed out of which 67 paragraphs were settled.

## 2.13 Follow up action on earlier Audit Reports

The reports of the Comptroller and Auditor General of India are presented to the State Legislature and stand referred to the Public Accounts Committee (PAC). The Government departments are to submit *suo moto* Action Taken Notes on all Audit paragraphs, Performance Audits and comments on State Finances to the PAC. The PAC discusses the paragraphs/Performance Audits/comments on State Finances through detailed examination after which a report containing their observations and recommendations is presented to the Vidhan Sabha.

As at the end of 2009-10, Audit Reports for the period upto the year 2006-07 were discussed and recommendations made and Audit Report 2007-08 was under discussion.







# CHAPTER – III

## Integrated Audit







## CHAPTER – III

### INTEGRATED AUDIT

#### 3.1 Sikkim Public Works Department (Roads & Bridges)

*Road network is the only means of communication in Sikkim and is therefore the backbone of all economic and social activities. Keeping in perspective the role of road infrastructure in stirring economic and social development in the State and the State Government's commitment to transform Sikkim into an ideal State comparable to the best in the country, Audit undertook an integrated audit of the Sikkim Public Works (Roads & Bridges) Department (RBD) in May-July 2010. The functioning of the Department was evaluated against the backdrop of the Government's Mission and the SPW(R&B) Department's mandate. It was seen in audit that the Department had so far created 2,053 kilometres length of road network and constructed 198 bridges of various sizes besides ensuring smooth flow of traffic round the year by keeping the roads clear of blockades resulting from landslides and other natural calamities in the State's mountainous terrain, which was appreciable. Several areas of deficiencies were, however, noticed in the functioning of the Department, such as, non-incorporation of the Government's Mission into the functioning of the Department, non-formulation of State Road Policy, absence of master plan of communication conforming to the Government's Mission, absence of perspective planning, unrestrained sanction of projects without availability of funds leading to huge pending liabilities, lax project management and quality control, violation of codal provision and terms and conditions of contract leading to loss to Government. Major findings are highlighted below:*

**Although the State Government envisaged developing Sikkim economically at par with the best in the country by 2015, the RBD had neither incorporated the Government's mission into its functioning nor formulated any Road Policy till date. Non-existence of policy on road and grant of right of way to private companies led to loss of ₹ 5.49 crore to the State.**

**(Paragraph 3.1.7)**

**Due to indiscriminate sanction of projects without any master plan of communication, the Department had a huge committed liability of ₹ 341.77 crore for which there was no financial resource to make payments to the contractors.**

**(Paragraph 3.1.8.1)**

**There were delay in completion of projects ranging from 1 to 10 years due to defective DPRs, non-availability of funds, failure to obtain timely clearances and award of works to incompetent contractors.**

**(Paragraph 3.1.8.2)**



Despite registration of a large number of contractors under the Department (one contractor for every 26 citizens), the level of competition in the bidding process was very poor indicating cartelization by contractors.

(Paragraph 3.1.10.1)

Quality control was not accorded due priority as the mandatory tests prescribed in MORTH and PWD (manual) was not carried out.

(Paragraph 3.1.11)

### 3.1.1 Introduction

The Sikkim Public Works Department (SPWD) is the oldest Department of the State. The SPWD is in existence since the merger of Sikkim with India in April 1975 and has been entrusted with creation and maintenance of all Government infrastructures - roads & bridges, buildings, water supply systems, etc. Later, new departments like Buildings & Housing, Water Security and PHED, Irrigation and Flood Control, etc. were carved out of the SPWD to cater to the increased workload and specialised nature of work while the functions relating to creation, maintenance and operation of roads and bridges were retained by the SPWD. The SPWD has since been re-christened as the Sikkim Public Works (Roads and Bridges) Department.

The main function of the Roads and Bridges Department (RBD) were, *inter alia*, to (i) plan and develop road network throughout the State; (ii) maintain the existing road network for smooth flow of both passengers and goods traffic; (iii) upgrade the existing road network and bridges through modification of bridges, replacement of old and weak bridges, widening / improving the grade as well as strengthening the surface of different roads.

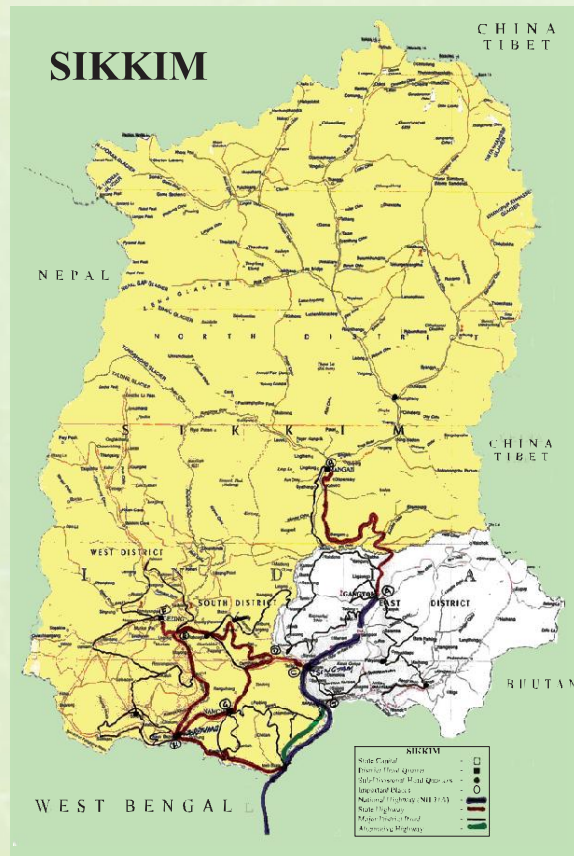
#### Mandate of the RBD

- To conduct business in respect of all items relating to Roads and Bridges;
- Control of road reserves, right of roadway;
- Preparation, control and implementation of Master Plan of communication;
- Highway road regulation;
- Land use control for areas affecting public road;
- Procurement and maintenance of construction material and stores for Government and public supplies;
- Control of rest houses and their compounds pertaining to the Roads and Bridges only;
- Departmental Manual, Accounting Code and Public Services - Statutory Rules of the services with which the Department is concerned.

Sikkim had a road network of 2,053.55 Kms (black topped – 1,400.86 kms WBM/Earthen – 652.69 kms) and 198 bridges (RCC-95, Steel-74, Suspension-26 and Pre-stressed – 3) at the end of March 2010. During the five year period 2005-10, the Department had added a net length of 147.55 kms of road network to its inventory of assets and converted 395.86 Kms of existing WBM / earthen roads into black topped category. Since the Department had not maintained year-wise statistics of creation of bridges, the number of bridges created during the period 2005-10 could not be ascertained in audit. The year-wise position of creation of road network by the Department during the years 2004-05 to 2009-10 is given in **Appendix-3.1**.



Road network possessed by the Department is shown in the map below:

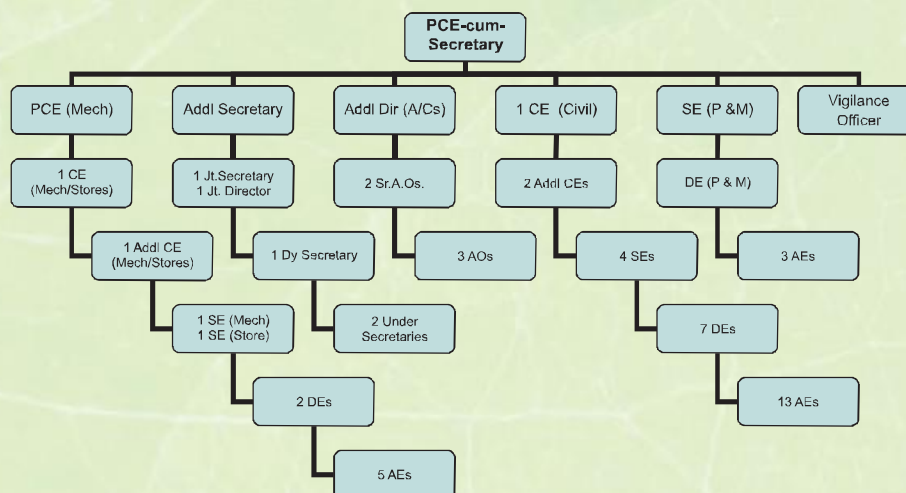


Source : Website of the Department

### 3.1.2 Organisational Structure

The RBD is headed by a Principal Chief Engineer-cum-Secretary and assisted by a number of engineers and other officers as depicted in the organisational chart below.

Chart - 3.1





### 3.1.3 Audit Methodology and Coverage

The functioning of the RBD during the period from 2005-06 to 2009-10 was examined in audit. Audit commenced (May 2010) with an entry conference with the Secretary of the Department. Records maintained at the Departmental headquarters at Gangtok were examined followed by test check of records in all the Circle offices – North-East circle at Gangtok, South circle at Namchi and West circle at Gyalshing. Sixty works (out of 182<sup>1</sup>) were selected for scrutiny by simple random sampling without replacement duly following stratified sampling based on probability proportionate to size<sup>2</sup>. Joint physical inspection of 10 projects (out of 60 selected projects) was also conducted in the presence of the departmental officers and the findings and photographs obtained from the physical inspection suitably incorporated in the report. Audit concluded with an exit conference (August 2010) with the Secretary of the Department.

### 3.1.4 Audit Objectives

Audit was taken up with the objective of examining and assessing:

- The adequacy and efficacy of the planning process;
- Efficiency, economy and effectiveness of execution of the Department's mandated activities;
- Adequacy and effectiveness of quality control practices;
- Efficacy of asset and human resources management; and
- Adequacy and effectiveness of monitoring mechanism.

### 3.1.5 Audit Criteria

The audit observations were benchmarked against the following criteria:

- National best practices.
- Norms stipulated by the Ministry of Road Transport and Highways (MORTH).
- Indian Road Congress (IRC) specifications.
- Sikkim Public Works Manual & Code.
- Sikkim Financial Rules.

### Audit findings

Audit findings are enumerated in the succeeding paragraphs:

<sup>1</sup> Out of total of 253 (231 sanctioned during 2004-10 + 32 sanctioned prior to 2004-05), records relating to 182 were produced to Audit for examination.

<sup>2</sup> The entire population of 182 works was divided into 4 strata on the basis of value. Stratum 1 – Works upto ₹ 1 crore, Stratum 2 – Works above ₹ 1 crore upto ₹ 3 crore, Stratum 3 – Works above ₹ 3 crore upto ₹ 5 crore and Stratum 4 – Works above ₹ 5 crore. 60 works were finally selected from the 4 strata in the ratio 6:7:8:9 (12 works from the 1<sup>st</sup> stratum, 14 from 2<sup>nd</sup> stratum, 16 from 3<sup>rd</sup> stratum and 18 from the 4<sup>th</sup> stratum).



### 3.1.6 Budgetary control and management

The budget size and the corresponding expenditure during the five year period 2005-10 in respect of the RBD were as under:

Table – 3.1

(₹ in Crore)

Year	Original provision	Supplementary provision	Final grant	Actual expenditure	Savings	Surrender
2005-06	122.95	5.99	128.94	80.76	48.18 (37)	30.06
2006-07	170.45	6.03	176.48	81.99	94.49 (54)	86.62
2007-08	187.12	4.43	191.55	94.26	97.29 (51)	97.31
2008-09	197.04	44.97	242.01	185.07	56.94 (24)	50.09
2009-10	174.54	6.46	181.00	115.18	65.82 (36)	2.21

Source: Detailed Appropriation Accounts.

Figures in brackets represent percentage

The above table indicates that the year-wise expenditure was always substantially lower than the budget provision leading to huge savings ranging between 24 (2008-09) and 54 (2006-07) *per cent* of the final grant. The saving was not anticipated by the Department in time and instead was surrendered at the fag end of the respective years. As a result, the allocated funds were neither utilised by the Department nor could be transferred to other Departments of the State Government for being effectively used.

#### 3.1.6.1 Unnecessary supplementary provision

As would be noticed from the above table, the Department obtained supplementary provision ranging between ₹ 4.43 crore (2007-08) and ₹ 44.97 crore (2008-09) during the period 2005-10 but could not utilise the same in full. In fact, the actual expenditure in all the five years (2005-10) was less than even the original provision indicating that the supplementary provision was obtained unnecessarily without ensuring its utilisation. This was indicative of unsound budgetary management in the Department.

#### 3.1.6.2 Large savings in Capital sector

A segregation of expenditure between revenue and capital sectors revealed that major portion of savings occurred in capital sector primarily owing to non-completion of works in time by the contractors denoting weak contract management. While the percentage of savings in the Revenue sector was in the range of 5 to 28 *per cent* of the budget provision, the savings in the capital sector was large and hovered between 39 and 64 *per cent*. Details are shown below:



Table – 3.2

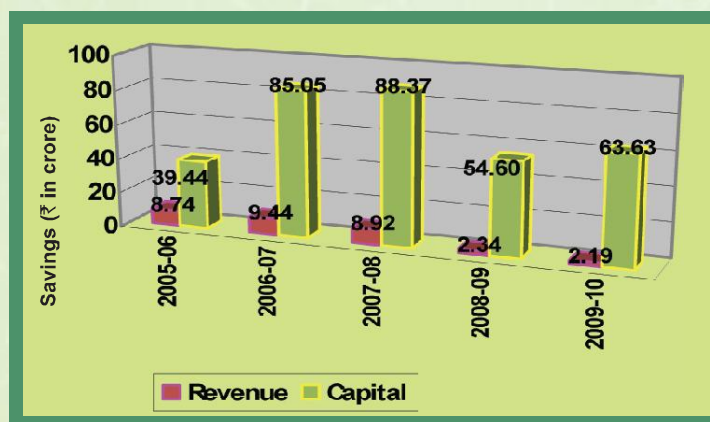
(₹ in crore)

Year	Budget Provision		Expenditure		Savings	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2005-06	30.83	98.11	22.09	58.67	8.74 (28 )	39.44 ( 40)
2006-07	39.88	136.61	30.43	51.55	9.44 (24)	85.05 (62)
2007-08	40.11	151.45	31.19	63.08	8.92 (22)	88.37 (58)
2008-09	36.92	205.09	34.58	150.49	2.34 (06)	54.60 (27)
2009-10	42.29	138.71	40.10	75.08	2.19 (05)	63.63 (46)
<b>Total</b>	<b>190.03</b>	<b>729.97</b>	<b>158.39</b>	<b>398.87</b>		

Source: Detailed Appropriation Accounts. Figures in brackets represent percentage

A graphical representation of the savings in revenue and capital sector is given below:

Chart - 3.2



While the savings on revenue sector were comparatively lower and declined progressively with time indicating improvement in budgetary management in this area, the savings in the capital sector were substantially high and there was no sign of improvement in the trend over the five year period (2005-10).

### 3.1.7 Policy and Planning

Road transport, being the only means of communication<sup>3</sup> in the State, is an important infrastructure for economic and social development of the State. It was therefore imperative for the Department to have a well laid down policy for providing equitable, adequate and high quality roads within the State. This was more so keeping in view the Government's mission to transform Sikkim into an ideal State comparable to the best in the country by 2015. Scrutiny of records, however, revealed the following:

#### 3.1.7.1 State Road Policy not framed

The Department had not formulated a State Road Policy till date even after 35 years of

<sup>3</sup> Although there is one helicopter service which plies off and on between Gangtok and Bagdogra, its service is generally availed by the VVIPs and patients in critical condition referred outside the State for medical treatment who can afford the cost. Hence its benefit cannot be derived by the people in general.



its existence. Even the policies and practices followed in other States of the country were not studied to examine their suitability for adoption. The activities undertaken by the Department were thus devoid of long term policy perspective. Absence of policy also led to loss of ₹ 5.49 crore on grant of right of way (ROW) to Telecom Operators as the Department granted permission to lay optical fibre cables (OFC) over a stretch of 219.422 Kms along the State roads without levying ROW charges although the telecom operators were willing to pay such charges in addition to the cost of laying of OFC.

### 3.1.7.2 *Perspective Plan and Master Plan*

The Department had not prepared any perspective plans / master plan relating to road connectivity for long term sustainability of the economic and social upliftment of the State and its people. Absence of long-term planning led to defective implementation of projects as detailed below:

#### ➤ *Wasteful expenditure on abandonment of road*

The Department undertook (January 2005) the project 'Upgradation of Ranka-Burtuk-Gangtok Road (Km 14<sup>th</sup> to 21<sup>st</sup>)' at a cost of ₹ 6.42 crore (revised) under the Non-lapsable Central Pool of Resources (NLCPR) with stipulation to complete the project by March 2009. After expenditure of ₹ 4.95 crore on the project, the work was stopped (November 2008) on the ground that a new alternate double lane highway (Construction of two-lane Gangtok Bypass under SARDP-NE Phase 'A' in the State of Sikkim) was being constructed along the same alignment which would render the present project redundant. The alternate double lane highway was being undertaken since 2009 at a cost of ₹ 116 crore with stipulation to complete by March 2012 in all respects. Thus, absence of long-term perspective planning led to wasteful expenditure of ₹ 4.95 crore on abandonment of the earlier project. A photograph of the abandoned incomplete road is given below.

Image - 3.1



#### ➤ *Unplanned execution of State Transport Infrastructure Development Fund*

The State Government introduced (2008-09) the Scheme 'State Transport Infrastructure Development Fund' under the State Plan with a project outlay of ₹ 35.89 crore without



any clear cut objective and plan. Seven works were sanctioned under the scheme for which ₹ 5.22 crore was initially provided in the budget for the year 2008-09. While none of the works were completed (the progress ranged between 0 and 30 *per cent*), no further funds were provided in the budgets of the subsequent years indicating lack of planning. A few photographs of the roads under construction under the STIDF scheme are given below:

**Image – 3.2**



**Darap-Nambu Road**

**Image – 3.3**



**Road to Upper / Lower Chuchen**

➤ ***Absence of plan for EAP and ACA funded projects***

Out of the plan allocation (2009-10) of ₹ 38.36 crore for the Department, funds of ₹ 5.51 crore was earmarked by the State Government to be spent on externally aided projects (₹ 3 crore) and on special programmes (₹ 2.51 crore) earmarked by the Planning Commission as additional central assistance (ACA) to the State. Test check of records, however, revealed that there were no such specific plans or works projects with the Department against which the earmarked funds could be utilised. The entire amount of ₹ 5.51 crore was therefore surrendered at the end of the financial year.

Similarly, for the financial year 2010-11, out of the plan allocation of ₹ 87.08 crore for the Department, funds of ₹ 39.30 crore were earmarked for externally aided projects (₹ 5 crore), ACA (₹ 3.30 crore) and one time ACA (₹ 31 crore). As of August 2010, the Department had no specific plan or programme to apply the earmarked funds. In all likelihood, the entire allocation would have to be surrendered by the close of the financial year.

Considering the huge committed liabilities of the Department and the stressed resources of the State, absence of specific plans for utilising the allocated ACA of ₹ 44.81 (₹ 5.51 + ₹ 39.30) crore was indicative of absence of proper planning and management of resources in the Department.

➤ ***Demarcation of area of operation***

Clear demarcation of area of operation of the Roads and Bridges Department was fundamental to planning of road construction. This was even more pertinent considering



the fact that three other Organisations in addition to the Roads and Bridges Department were involved in construction of roads / bridges in the State – the Rural Management and Development Department (RMDD) which deals with construction of roads under the PMGSY, the Urban Development and Housing Department which has been entrusted with construction and maintenance of roads in the urban areas and the Border Roads Organisation which deals with construction and maintenance of National Highways and roads of strategic importance used by the defence forces exclusively in the border areas of the State. It was however, seen in audit that there was no clear demarcation of area of operation of the RBD and as a result, none of the departments could frame rules for imposition of levies in respect of use of roads and road reserves by various agencies for laying of cables, ducts, and for advertisement hoardings.

### 3.1.8 Project management

Appropriate project management is one of the important areas for ensuring equitable, adequate and high quality roads within the State. To achieve this, the Department was required to observe proper procedure of project planning, prepare shelf of schemes, prioritise implementation and ensure timeliness of execution for expeditious completion and utilisation of assets for public use. The status of sanction and execution of projects by the Department as analysed in audit is enumerated below.

#### 3.1.8.1 Sanction of projects

The position of year-wise sanction of projects by the Department during 2005-10 under capital outlay was as under:

Table – 3.3

(₹ in crore)

Year	Const. of Roads & Bridges	Const. of guest houses	Repair/ maintenance /restoration	Addl. Sanction for higher tender premium / change in scope of work	Compensation		Total Sanction
					Land	Damage	
I	II	III	IV	V	VI	VII	VIII
2005-06	55.18	0	2.73	4.09	1.36	0.08	63.44
2006-07	89.69	0.11	1.41	13.36	2.71	0.08	107.36
2007-08	96.82	2.17	0.38	4.29	7.39	0.16	111.21
2008-09	213.15	3.25	4.63	12.95	11.09	0.34	245.41
2009-10	21.64	0	0.97	0.62	0.08	0.05	23.36
Total	476.48	5.53	10.12	35.31	22.63	0.71	550.78

Projects were sanctioned from the Capital outlay of the Department without any plan or prioritisation and without considering the huge financial liabilities of projects ongoing from earlier periods. The sanction of projects under the capital outlay was increased from ₹ 63.44 crore in 2005-06 to ₹ 245.41 crore in 2008-09 – a fourfold enhancement resulting in huge committed liabilities which increased from ₹ 72.17 crore in 2006-07 to ₹ 341.77 crore in 2009-10. The spiralling committed liabilities compelled the



Department to drastically curtail projects to an all time low of ₹ 23.36 crore in 2009-10. Thus, the earlier indiscriminate sanction of projects severely constrained future creation of new assets by the Department.

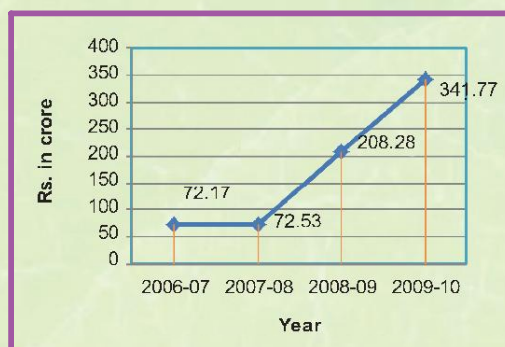
➤ **Additional burden to State exchequer due to cost enhancement:** The additional expenditure sanction of ₹ 35.31 crore (mentioned under column V of Table-3.3) over and above the original sanction under the capital outlay was due to (i) change in the scope of works and (ii) higher tender premium resulting in cost escalation. The change in scope of work was due to defective DPRs prepared without adequate field survey and investigation while the additional cost on tender premium was due to failure to incorporate likely cost escalation over and above the cost included in the DPRs (which were based on SOR 2002 / 2006 and hence outdated) and lack of competition in the tender process leading to high tender premiums. As additional cost over and above the approved DPRs was not borne by the central agencies which funded the maximum number of projects in the State, this cost further burdened the State exchequer which was already tottering under huge committed liabilities.

➤ **Irregular utilisation of capital outlay:** Sanction of ₹ 10.12 crore on repair and maintenance works of temporary nature from the capital outlay earmarked for creation of long lasting assets constituted irregular utilisation of resources. Similarly, sanction of ₹ 71 lakh for damage compensation<sup>4</sup> from the capital outlay for road / bridge construction was unnecessary and irregular leading to erosion of capital funds as compensation for any damage to land or property contiguous to the site of work was to be borne by the contractors and not the Government, in terms of the standard terms and conditions of contract.

#### ➤ **Staggering committed liabilities**

The unplanned and indiscriminate sanction of projects led to huge committed liabilities over the period 2005-10 as depicted in the graph below:

Chart – 3.3



<sup>4</sup>The Department had paid (June'07/March'08) damage compensation of ₹ 24.13 lakh in case of two works as of August 2010. Construction of Road from Zingla to Martam 2.36 km (₹ 11.16 lakh - out of total assessed damage of ₹ 20.51 lakh); and Construction of Road from Rongli to Talkharka, Phase - II (₹ 12.97 lakh - out of total assessed damage of ₹ 18.61 lakh).

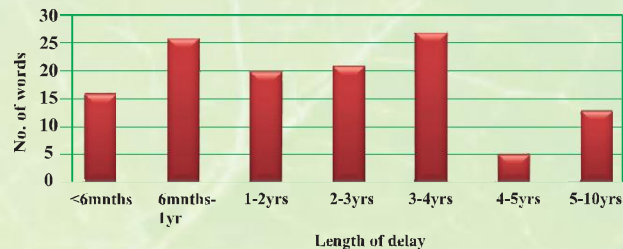


The liabilities increased by 374 *per cent* from ₹ 72.17 crore to ₹ 341.77 crore over a period of four years (2006-10), which was very high. The liability of ₹ 341.77 crore<sup>5</sup> at the end of 2009-10 for ongoing and completed works had to be defrayed by 2012-13 in terms of the schedule of completion of the works. This required a provision of ₹ 115 crore per year, not taking into account any new works that would be sanctioned during the intervening years (2010-13). Against this requirement, the plan allocation for works under the capital sector for the Department for 2009-10 and 2010-11 was only ₹ 13 crore (*average*), which was appallingly low compared to the existing liabilities. Thus, the Department tottered under the weight of huge outstanding liabilities arising out of indiscriminate sanction of projects without availability of equivalent resources in the budget. Unless the Government takes urgent and drastic steps to arrest the crisis, the situation would soon become unmanageable.

### 3.1.8.2 Timeliness of execution of projects

A total of 128 projects stipulated to be completed within March 2010 were examined in audit. Out of 128 projects, 32 had commenced prior to the review period (during 2000-05) of which 25 works were still incomplete recording a delay of 5 to 10 years. Similarly, 70 works (out of 96) commenced between 2005-10 and scheduled for completion within March 2010 were still ongoing recording a delay ranging between one month and five years. A pictorial representation of the delay in completion of projects is given below:

Chart – 3.4



A few photographs alongwith details of the incomplete works as analysed in audit are given below:

Image - 3.4



*Name of work:* Bridge over Teesta at Gor, North Sikkim

*Sanctioned cost:* ₹ 4.95 crore

*Expenditure:* ₹ 4.12 crore

*Date of commencement:* January 2006

*Scheduled date of completion:* January 2007

*Contractor:* Samdup Lepcha

*Reasons for delay:* Delayed by more than 3 years due to delay in obtaining forest clearance; change of site of bridge construction; change of scope of work not factored in the original DPR; delay in supply of steel parts and consequent delay in launching of the bridge; lax contract management and inexperienced contractor.

<sup>5</sup> This includes state plan schemes and state's share of centrally sponsored schemes also.



**Image - 3.5**



*Name of Work:* Pakyong – Karthok Road Km 1 to 4

*Sanctioned Cost:* ₹ 2.87 crore

*Expenditure:* ₹ 0.93 crore

*Date of Commencement:* March 2005

*Scheduled Date of Completion:* July 2006

*Contractor:* P.N.Kazi

*Reasons for delay:* Work delayed by over 4 years due to non-availability of funds in the State plan; non-availability of bitumen in the stores, lax contract management

**Image - 3.6**



*Name of Work:* Strengthening, drainage & carpeting & construction of 30m span bridge along Assam-Pakyong Road Km 7<sup>th</sup> to 15<sup>th</sup>

*Sanctioned Cost:* ₹ 7.51 crore

*Expenditure:* ₹ 5.14 crore

*Date of Commencement:* November 2006

*Scheduled Date of Completion:* May 2008

*Contractor:* S.K. Agarwal

*Reasons for delay:* Delayed by more than 2 years due to revision of original scope of work (defective DPR); lack of funds to meet revised cost; lax contract management.

**Image - 3.7**



*Name of Work:* Construction of steel bridge over Takchamchu River

*Sanctioned cost:* ₹ 4.77 crore

*Expenditure:* ₹ 4.11 crore

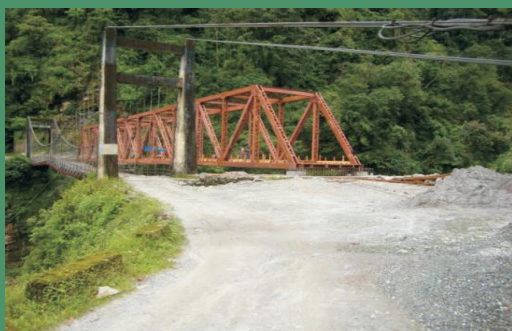
*Date of Commencement:* January 2006

*Scheduled Date of Completion:* October 2006

*Contractor:* Mrs. Meera Rai

*Reasons for delay:* Delayed by more than 3 years due to change of scope of work, delay in preparation of design by the contractor's consultant, difficulty of transportation of materials to worksite; heavy rainfall causing flash floods in the river resulting in slow progress, inexperienced contractor.

**Image - 3.8**



*Name of Work:* Strengthening, drainage and carpeting of Ralang Phamtam Road km 14<sup>th</sup> to 26<sup>th</sup> and replacement of two existing bridges over Bermelli and Chill Khola

*Sanctioned Cost:* ₹ 12.83 crore

*Expenditure:* ₹ 3.04 crore

*Date of Commencement:* November 2006

*Scheduled Date of Completion:* May 2008

*Contractor:* N.T.Bhutia

*Reasons for delay:* Delayed by over 2 years due to scope revision, difficulty to supply material at site, landslides, lax contract management, etc.



Image - 3.9



*Name of Work:* Truckable Road from 10<sup>th</sup> mile to Tingmoo village

*Sanctioned cost:* ₹ 4.68 crore

*Expenditure:* ₹ 2.07 crore

*Date of Commencement:* April 2006

*Scheduled Date of Completion:* April 2007

*Contractors:* Nim Sherpa, Sonam Bhutia, Lhendup Kaleon, Bala Limboo.

*Reasons for delay:* Work delayed by over 3 years due to scope revision not factored in the original DPR, delay in obtaining forest clearance/land acquisition, inexperienced contractors, lax contract management.

Image - 3.10



*Name of Work:* Bridge over Kaw Khola, South Sikkim

*Sanctioned cost:* ₹ 1.64 crore

*Expenditure:* ₹ 0.75 crore

*Date of Commencement:* November 2006

*Scheduled Date of Completion:* November 2008

*Contractor:* S.S.Dhakal

*Reasons for delay:* Work delayed by over 1 year 8 months. Although the bridge portion is complete, the approach road on either end of the bridge is still incomplete due to which the bridge could not be put to use indicating lax contract management.

Image - 3.11



*Name of work:* Goshkhan Dara Bridge over River Teesta at Singtam, East Sikkim

*Sanctioned cost:* ₹ 13.37 crore

*Expenditure:* ₹ 9 crore

*Date of commencement:* January 2007

*Scheduled date of completion:* June 2008

*Contractor:* M.P. Agarwal

*Reasons for delay:* Delayed by more than 3 years due to change of bridge design; change in scope of work not factored in the original DPR; delay in supply of steel parts and consequent delay in launching of the bridge; lax contract management; lack of adequate experience/technical knowledge in handling large bridge projects by the contractor/Department.

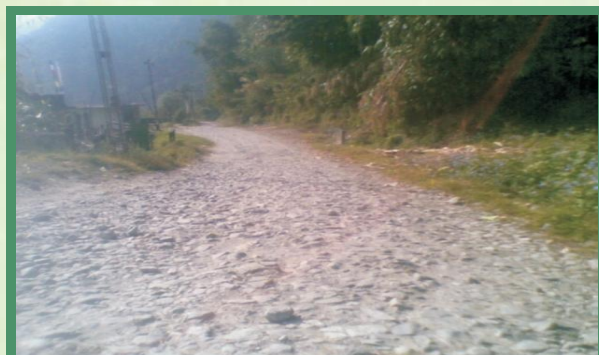
Besides the above, the following further points were also noticed:

➤ The Department had assessed requirement of 760 drums of bitumen for the work 'Upgradation of Ranka-Luing-Burtuk Road' sanctioned (2004-05) under the NLCPR scheme. Against this requirement, 576 drums bitumen had been purchased in October 2005 for ₹ 18.36 lakh from the STCS, of which only 130 drums had been issued to the work while the balance 446 drums (₹ 14.22 lakh) were diverted for another work executed in and around Gangtok under the State Plan. As of June 2010, even after more than four years of the diversion, the bitumen had not been returned to the work. Due to non-availability of bitumen, the work although originally scheduled to be completed by



July 2006 remained incomplete as shown in the photograph below:

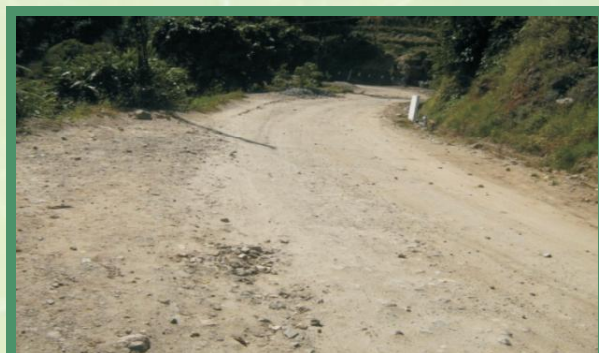
**Image - 3.12**



**Ranka-Luing-Burtuk Road**

➤ The work 'Surface improvement/carpeting including drainage works on Pelling Dentam Road Km 1<sup>st</sup> to 17<sup>th</sup> valued at ₹ 13.56 crore had commenced in March 2005 and was scheduled to be completed in August 2006 but was still incomplete (June 2010) even after more than three years of the scheduled completion date due to failure of the Department to supply bitumen from the stores. Photograph of the incomplete road is given below:

**Image - 3.13**



**Pelling Dentam Road**

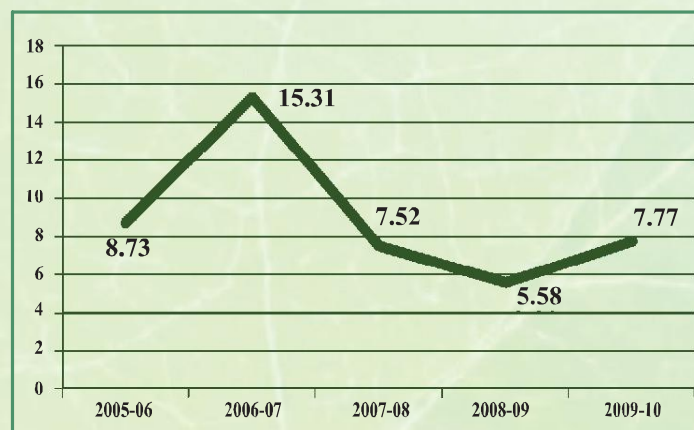
Thus, it would be seen that the works remained incomplete owing to a combination of factors. The most pervasive reasons for the delay were defective DPRs resulting in change in scope of work during execution, failure to obtain timely forest/land clearances, participation of inexperienced individuals as contractors indicative of poor contract management and non-availability of resources in the State plan to meet the revised cost. Failure to provide timely supply of bitumen and steel parts from the stores were other reasons which caused delay in completion of almost all projects. Absence of a system in the Department to monitor the progress of works with the help of project management tools like PERT and CPM with a view to ensure timely completion also affected the projects.



### 3.1.9 Maintenance of existing assets

While the Department had a large number of new projects under construction relating to creation of assets, regular maintenance of the existing assets was not concomitant with the increase in the size of infrastructure created over time. Maintenance and upkeep of the created assets remained largely neglected as would be noticed from the meager and erratic funds provided for actual repair and maintenance of road network (minor works) under the maintenance head. The year-wise funds provided under minor works for actual maintenance was ₹ 8.73 crore, ₹ 15.31 crore, ₹ 7.52 crore, ₹ 5.58 crore and ₹ 7.77 crore respectively during 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10 as shown in the graph below:

Chart – 3.5



As would be noticed the expenditure on maintenance of road works during 2005-10 was erratic – it was maximum at ₹ 15.31 crore in 2006-07 and minimum at ₹ 5.58 crore two years after in 2008-09. With the increase of road network every year, the maintenance expenditure on road works could only be expected to increase. This was, however, not the case in the Department. This indicated that maintenance of the existing road works was not a priority for the Government as no concerted effort was made to preserve the created infrastructure.

### 3.1.10 Contract Management

The Department engaged contractors for execution of all works relating to construction of roads and bridges. Only the regular maintenance works were taken up departmentally. In order to manage the road and bridges projects economically and efficiently, it was imperative that due diligence was exercised in selection of the contractors, transparency was maintained in award of works, rates and estimates were diligently framed, time and cost overrun avoided and the project execution monitored closely to ensure timely and quality finish. Shortcomings in contract management led to a number of projects remaining incomplete beyond the scheduled date of completion as highlighted in previous paragraph (3.1.8.2). Besides, following were also noticed:



### 3.1.10.1 Low participation in bidding despite large number of contractors

In terms of SPW Manual 1983 (revised in September 2009), contractors were registered in six categories (Class IAA, IA, IB, IIA, IIB and Class III) in the Departmental headquarters at Gangtok and class IV category (lowest category) in the respective divisional offices. As on date of audit, in all, there were 21,387 contractors belonging to various categories *i.e.* IAA (74), IA (483), IB (379), IIA (308), IIB (792), III (760) and IV (18,591) which translated to one contractor for every 26 citizens. In spite of having such a huge number of registered contractors, the level of participation in almost all the bids (90 per cent) floated during 2005-10 was only three in each case (the minimum required for making a tender valid). This indicated that majority of the registered contractors were non-serious / unqualified players who used their registration for cartelization of the tenders and not for actual participation in the bids. The following facts further elucidate the audit observation:

- Out of 20 Class IAA contractors whose credentials were checked in audit, seven did not possess requisite tools and plants<sup>6</sup> to make them eligible for registration in Class IAA; six had double registration – as individual contractors and also as partners/directors in different companies in contravention to Rule 6 (d) of the SPW Manual; five had not executed the mandatory three works valuing over ₹ one crore in the last five years; and three did not possess mandatory three years experience in the Class IA category.
- Similarly, out of 85 class IA contractors test checked by audit, 72 had no requisite work experience of having executed three works of value ₹ 50 lakh each in the last five years; none of the 85 class IA contractors possessed tools and plants<sup>7</sup> required to be qualified for Class IA; 14 class IA contractors had been upgraded from Class IB within 14 days to 2 years without having served the mandatory three years in Class IB; 30 class IA contractors had been directly upgraded from Class III / Class IIA categories without having undergone experience in the intervening stages, on the recommendation of the MLAs/Ministers/CM. Even the application fees for registration /upgradation of contractors were not realised appropriately. In 11 cases of renewals in Class IIA to IA categories, old rates of renewal fees were applied leading to short realisation of ₹ 0.81 lakh. In 46 cases of upgradation, there was short-realisation of ₹ 2.40 lakh due to application of old rates of upgradation fees.
- No qualifying criteria, whatsoever, relating to experience, basic knowledge of works execution and financial strength was prescribed for registration to Class IV category. This gave rise to entry of a huge number of individuals in the profession of

<sup>6</sup>Minimum ownership required for T&P – 3 trucks / tippers, 1 vibratory roller 8/10 ton capacity, 3 concrete mixers of full bag capacity.

<sup>7</sup>Minimum ownership – 3 trucks / tipper, 3 concrete mixers, 3 vibrators (two needle), 2 road rollers, 2 bull dozers, etc.



works contracting right from the entry grade, without possessing any professional knowledge. As on date of audit, there were 18,591 contractors registered in Class IV category.

The Department had not taken any steps till date to evaluate the situation and restrict registration of contractors with a view to register only the serious players thereby enhancing competition in the bidding process for obtaining more economical rates. The Department also, till date, had not devised any measures to eliminate the unqualified non-serious players and thereby reduce the unseen and hidden costs loaded in the works.

### ***3.1.10.2 Transparency in invitation of tenders***

Advertisements of tenders for all works were published through the Information and Public Relations Department only in local newspapers. No publicity for any work was done through national newspapers – even for works like bridge design and construction which required technical know-how of a higher order. Even the official news bulletin 'Sikkim Herald' was mostly by-passed and the Notices Inviting Tenders (NITs) were published in little known local papers. This restricted wide circulation and dissemination of information about the works among the potential serious bidders. Hence, competitiveness in the tenders and equality of opportunity were denied. Although the Roads and Bridges Department has a dedicated site in the World Wide Web within the State Government website ([www.sikkim.gov.in](http://www.sikkim.gov.in)), NITs were never published in the website. The concept of e-tender was therefore a distant dream in the State.

### ***3.1.10.3 Irregularities in cost analysis, estimation, award and execution of works***

In order that the rates worked out for different items of works are reasonable, the Department is required to do a detailed analysis of the quantities of labour, material and other overheads required for execution of a unit quantity of each item of work. After the rates are worked out, the same are compiled in the schedule of rates of the Department which is used for preparation of the estimates. Once the work estimates are prepared, other related expenditure on the works such as contingency charges, charges for quality control and departmental charges (in case of works executed on behalf of other agencies) are included in the estimate at fixed percentages of the estimated cost to arrive at the actual cost of work. The works are thereafter taken up after obtaining administrative approval and financial sanction and completing the tender formalities. Audit of the Department revealed that there was lack of due diligence in determining rates of items of works, framing of estimates and award of works leading to excess costing and loss as depicted in the paragraphs below:

#### ***➤ Inflation of volume and consequent cost inflation of masonry works:***

One of the important items of work executed by the Department in road and bridge construction is protective works in stone masonry and cement concrete i.e. plum concrete or coursed rubble stone masonry (CRSM). Test check of records revealed that



for execution of one cubic metre of CRSM in 1:4:8 cement concrete mix, the Department projected use of 0.84 cum of stones, 0.30 cum of cement concrete mix and 0.071 cum bond stones<sup>8</sup> making the total volume 1.211 cum (instead of restricting it to 1 cum) and accordingly reckoned the rate of the item in the Schedule of Rates. Reckoning of 1.211 cum as 1 cum led to cost inflation of the item of work by ₹ 216<sup>9</sup> per cum in SOR 2002 and ₹ 276<sup>10</sup> per cum in SOR 2006. Thus, failure to exercise due diligence in working out the analysis of rates of the item of work 1:4:8 CRSM resulted in inflation of the quantities of basic inputs by as much as 21.1 per cent leading to cost inflation and consequent excess expenditure of ₹ 3.40 crore in the execution of 1,27,952.1 cum CRSM works.

➤ **Non-realisation of departmental charges**

SPWD Manual (Paragraph – 35.1 to 35.7) states that departmental charges<sup>11</sup> at nine per cent of the estimated cost of works should be levied to meet the establishment cost, pension contribution, T&P charges, etc. for all works executed by the Department on behalf of other organisations, private agencies, Central Government Departments, etc. Test check of records revealed that in all the 13 deposit works (₹ 21.56 crore ) taken up during 2008-10 on behalf of various private agencies like the Vodafone Essar South Ltd., Tata Tele Services Ltd., Himgiri Hydro Energy Pvt. Ltd., etc.; the Department had not levied the departmental charges leading to loss of ₹ 3.01 crore to the Government. The Departmental officers had no authority to override the Government rules and regulations notified for executing works and exempt the private agencies and other organisations from paying the mandatory departmental charges.

➤ **Loss on supply of bitumen from stores**

The Department purchased bitumen (through the STCS) and issued the same to the works. The purchase rate of bitumen from the STCS was almost always higher than the rate of issue of bitumen agreed with the contractors due to time overrun in execution of the works which led to loss of ₹ 67.91 lakh during 2005-10 due to cost escalation resulting from the time overrun. With a view to avoid the cost escalation and the delay in completion of works, the Department may consider awarding all works on turn-key basis where it is the sole responsibility of the contractors to arrange all the material for the works.

<sup>8</sup> 7 bond stones of size 45cmx15cmx15cm was specified for use in 1 cum CRSM (= 0.071 cum).

<sup>9</sup> ₹ 1,244 instead of ₹ 1,028 in SOR 2002, difference = ₹ 216 per cum

<sup>10</sup> ₹ 1,584.73 instead of ₹ 1,308.73 in SOR 2006, difference = ₹ 276 per cum

<sup>11</sup> Upto 10 September 2009, the rate of departmental charges was 13.75 per cent of the estimated cost of work in terms of the SPW Code 1983. With effect from 11 September 2009, the SPW Manual 2009 prescribed establishment cost at 9 per cent of the value of work (No rates of T&P, Pension Contribution and Audit & accounts charges were prescribed in SPW Manual 2009).



➤ ***Irregular utilisation of contingency provision of works***

The provision for contingency expenses (three *per cent* of estimated cost) is incorporated within the cost of the work with a view to meet any unforeseen/incidental expenditure arising during the course of execution of work which is generally not covered under the main estimate of the work. The contingency charges provided for a work is meant to be spent only on items which are incidental to the work.

Test check of records revealed that the Department irregularly utilised ₹ 38.03 lakh of contingency charges in respect of various centrally funded schemes and projects funded by other organisations on items not related or incidental to execution of the particular works. The details are shown below:

Table – 3.4

(₹ in lakh)

Name of work	Contingency diverted	Items on which used
1. Upgradation, Carpetting, extension & providing drainage & protective works on Marchak Tumlabong Road Km 1 <sup>st</sup> to 13 <sup>th</sup> in East District.	17.52	Foreign travel of departmental officers
2. Improvement of SBS Road Km 1 <sup>st</sup> to 11 <sup>th</sup> & Construction of 2 bridges at Upper Dzongu.		
3. Strengthening, carpeting, protective works, drainage on approach road to Ringthem Gumpa Km 1 <sup>st</sup> to 3 <sup>rd</sup> , Mangan.		
4. Upgradation, Protective works, drainage & carpeting on Gor Santok Road Km 1 <sup>st</sup> to 8 <sup>th</sup> , Lower Dzongu.		
5. Improvement of SBS Road Km 1 <sup>st</sup> to 11 <sup>th</sup> & Construction of 2 bridges at Upper Dzongu.	16.37	Purchase of vehicles
6. Surface strengthening upgradation & carpeting of Pakyong, Karthok, Duga Busty Road		
7. Upgradation, Carpetting, extension & providing drainage & protective works on Marchak Tumlabong Road Km 1 <sup>st</sup> to 13 <sup>th</sup> in East District.	4.14	Meeting hotel charges, helicopter fare and photography
<b>Total fund diverted</b>	<b>38.03</b>	

This indicates that the contingency provision incorporated in the works estimate were either not required or much in excess of actual requirement giving scope to the departmental officers for misutilisation of funds on various unauthorised activities. This statement was corroborated by the fact that (i) Department kept no contingency provision in the deposit works executed on behalf of private organisations like the Vodafone, Tata, etc. and still managed to execute the works successfully; (ii) entire contingency charges of ₹ 48.20 lakh was irregularly included within the contract value of the work 'Goshkhan Dara Bridge over River Teesta at Singtam' and paid to the contractor.

### 3.1.11 Quality control

Existence of an effective Quality control mechanism in the Department is of paramount



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

### **3.1.11.1 National best practices on Quality control**

The Ministry of Road Transport and Highways (MORTH) envisaged that the contractor shall set up a field laboratory with adequate equipment and personnel in order to carry out all requisite quality tests at his own cost. Various important quality control tests have been prescribed by MORTH for road construction to be carried out at regular intervals and at the required frequency (**Appendix – 3.2**). Audit examination revealed that quality tests as stipulated by the MORTH were not carried out by the Department. This was despite the fact that majority of the projects executed by the Department were central funded which prescribed adherence to Quality Specifications issued by the MORTH.

### **3.1.11.2 Stipulation of Public Works manual not complied**

The Department had no prescribed mechanism to ensure regular and effective quality control checks till September 2009. In September 2009 the revised Sikkim Public Works Manual 2009 was notified which incorporated some broad guidelines relating to quality control checks and quality assurance in works execution, which however was not adhered by the Department as of March 2010 as indicated below:

**Table – 3.5**

<b>Stipulation in the PW Manual</b>	<b>Status of Compliance as of March 2010</b>
<i>Detailed procedure to be laid down for ensuring quality control by the construction staff (Divisional Engineer, Assistant and Junior Engineers and the Contractors)</i>	No such detailed procedures had been laid down by the R&B Department for observance by the construction team.
<i>The engineer-in-charge should ensure that only materials conforming to IS standards and approved by the competent authority were used in the works. All test on materials as far as practicable were to be carried out at the construction site in a field laboratory set up under the control of the DE. At least one lab should be established in each Division.</i>	No detailed quality control tests were done on different aspects of works execution as prescribed by MORTH. No action initiated so far to establish quality control labs in the worksites or the executing divisions.
<i>No payment for works to be made unless bills were supported by quality control report.</i>	Bills were released to the contractors without mandatory quality control report.
<i>Guard file with copies of all quality inspection reports were to be maintained at all worksites. The SE (QA), SE (Circle), ACE, CE and PCE-cum-Secretary should invariably review and sign the Guard file of earlier inspections, inspection registers, Site Order Books, Registers of tests carried out, etc.</i>	No such Guard files were maintained in any of the work sites and hence the review of the quality inspections by the higher authorities could not be assured.



<i>At least ten mandatory visits were to be conducted by the head of Quality Assurance Team (SE, Quality Assurance) to different work sites every month for quality checks with portable equipment procured for the purpose.</i>	No notification had been issued so far for constitution of the QA team. Details of quality tests carried out at the worksites by any QA team were not available. No portable equipment had been purchased for quality checks to be carried out in the work sites by the QA team.
<i>The Public Works Department Specifications delineating detailed specifications of each item of work to be referred while carrying out quality control checks.</i>	The R&B Department had not so far brought out any State specific specifications giving detailed specifications of the various items of works to be carried out in the field. Even the rudimentary specifications incorporated in the Analysis of Rates and the Schedule of Rates for various items of works were yet to be properly followed.
<i>Establishment of Central Quality Testing Laboratory at the Departmental Headquarters with appropriate and qualified manpower to be engaged to run the lab.</i>	Although a Quality testing laboratory was established at Tadong, Gangtok with some basic testing facilities, the lab was neither fully equipped nor made fully functional.

### 3.1.11.3 Partially functional laboratory

It was further seen in audit that the Department had established (2003-04) a Quality Control laboratory at Tadong, Gangtok at a cost of ₹ 7.32 lakh with the objective of carrying out quality tests on materials. The laboratory had equipment and facility for carrying out tests such as (i) tests to determine CBR of soils, (ii) Aggregate impact value test, (iii) Los Angeles Abrasion test, (iv) Cube test to determine compressive strength of cement concrete, (v) Swell test to determine the soil index / expansion ratio, (vi) test to determine quality of cement, (vii) test to determine quality of bitumen, etc. Audit noticed that the Department had not attached due importance to management of the laboratory despite the fact that the laboratory played key role in ensuring quality control aspects as evidenced from the following:

- The Assistant Engineer in-charge of the Departmental stores at Gangtok was assigned additional responsibility of looking after the activities of the laboratory. He was basically a mechanical engineer with no training for undertaking quality tests relating to civil works. The lab was actually manned by three staff appointed on Muster Roll basis. Two of the three staff had attended a rudimentary ten day course at the Jalpaiguri Engineering College, in relation to carrying out some tests in the laboratory while the third staff was untrained.
- Barring a few tests carried out perfunctorily in the lab, the facility remained largely idle for want of enthusiasm on the part of the Department to make it fully functional. Out of 231 works which were sanctioned and in progress during 2005-10, tests were done in respect of only 20 works during 2008-10 in the laboratory. Even for these 20 works, neither all the specified tests were carried out nor the prescribed frequency adhered to. Cube test to determine compressive strength of concrete had been done in respect of only seven works, aggregate impact test in respect of 12 works only, Los Angeles abrasion test in respect of nine works and sieve analysis of sand in respect of



seven works only. Audit scrutiny of test results of cube test to determine compressive strength of concrete revealed that the samples tested in the lab had failed to meet the prescribed quality specification. No action was evident on records to rectify the work on the basis of failure of the samples to meet the quality requirement.

- Mandatory tests like test to determine CBR of soil, swell test to determine swell index / expansion ratio, tests to determine quality of cement and bitumen were never carried out although facilities for carrying out such tests were available in the lab. This indicated that the orientation of the Department was more towards expenditure intensive works in the field than on carrying out quality checks to ensure quality execution of works.

### **3.1.12 Human Resources Management**

Proper management of the human capital employed by the Department was essential to ensure optimum work output, quality finish of works and efficiency in implementation of the projects. Human Resource management was, however, a neglected area in the Department as evidenced by the following:

- The Department had not taken up any systematic and scientific management of its human resources. The requirement of manpower with different skills required for running the various activities of the Department was never analysed. The staffing requirement under the various wings of the Department was never assessed. The deployment of manpower under various sections was not in conformity to the work load under each Section. No formal allocation of duties and responsibilities was fixed for the officers and staff under the Department. This fact led to difficulty in fixing responsibility and accountability in case of any default or dereliction of duty by any officer / staff. The principle of right man for the right job in the right place was never given prominence.
- The State Government has been laying considerable stress on capacity building and skill development of the people of the State with a view to make them capable and skillful for effectively handling various professional responsibilities and for providing useful service and value addition to the service sector. The Roads and Bridges Department had tremendous responsibility of planning, constructing and maintaining the road networks and bridges and also for overseeing the entire road communication system in the State. For this purpose, it was necessary to have a team of well equipped, trained, skillful, technically qualified and capable manpower. Audit of the Department revealed the following facts:
  - Although the Department was primarily concerned with planning, designing, construction and maintenance of roads and bridges, there was not a single officer in the Department who had done specialisation in road pavement design / construction or specialisation on structural designing of bridges.
  - There was no incentive, whatsoever, for the engineers of the Department either in



the avenues of career advancement or otherwise for specialisation in any area of civil engineering. Due to this fact, no individual evinced interest on their own in attaining a higher level of qualification / specialisation which was essential for the State which aspired to be the best in the country in all areas of development.

- Little emphasis was laid by the Department to enhance the capacity and skill level of its engineers by regularly sending them for specialised training in different aspects of road and bridges design and construction in renowned institutes of the country. Training of personnel in prominent training institutes like CRRI (Central Road Research Institute) and NITHE (National Institute for Training of Highway Engineers) to introduce and acquaint engineers with the latest technology in highway planning, design, construction and maintenance was never done. Even when renowned Institutes in the country invited working professionals for attending training courses to update their knowledge, the Department's approach was discouraging. Two Institutes<sup>12</sup> invited (September 2006 / October 2007) engineers from the Department to attend training course in (i) Seismic Design of Bridges and (ii) Construction and Quality Management of Roads & Bridges, dispute resolution in construction contracts and green and intelligent building construction technology. Although the subject matter concerned the Department, no officer was nominated for attending the training courses on the plea that the Department could not provide the course fee. In another case, the Department nominated two officers<sup>13</sup> to attend (June 2007) an International study tour to Australia on the theme – 'ADB's Technical Assistance for development of road agencies in North Eastern States'. The training programme covered the subjects of road network planning & management, road and bridge maintenance management, management & maintenance of hill roads, etc. Soon after the completion of training course, both these officers were transferred away from the Department. Thus, the training programme attended by these officers did not yield any benefit to the State as the knowledge gained could not be applied.
- As the Department had no officers with specialisation in bridge designing, all the designing and DPRs of construction / rehabilitation of large Bridges were done by the contractors through consultants arranged from the market for the construction / rehabilitation projects. The Department had no technical expertise to verify the appropriateness of the designs prepared by the consultants and therefore to effectively supervise and monitor the execution of bridge works which called for technical knowledge of a high order.

### 3.1.13 Monitoring, supervision and internal controls

A Planning and Monitoring (P&M) Circle was put in place in the Departmental

<sup>12</sup> (i) IIT, Kanpur; (ii) Construction Industry Development Council set up under Planning Commission, Government of India.

<sup>13</sup> Sh. C.P. Tongden (S.E./South) & Sh. Shital Pradhan (S.E./North/East)



headquarters under a Superintending Engineer. However, terms of reference of the monitoring activities to be undertaken by the P&M circle was not defined. Due to this reason, the aspect of monitoring various activities of the Department remained poor and virtually non-existent, as indicated below:

- No monitoring mechanism was laid down to prevent unlawful utilisation / occupation of the road reserves and landed property of the Department.
- The Department prepared a Monthly Progress Report (MPR) of works which was periodically submitted to the Chief Minister's office and also furnished to other authorities desirous of knowing the status of progress of various works and projects in the Department. The MPR was however, found to be incomplete and inaccurate as it did not indicate original cost vis-à-vis revised cost while the status of physical and financial progress reflected in the report was often inaccurate.
- No system had been laid down for monitoring usage of appropriate quality and quantity of labour in road works. Consumption statement of labour was never prepared. Labour details were never submitted with bills, hence actual usage of the skilled and unskilled labours could not be ascertained.
- In terms of clause 19 D of the General Directions and Conditions of Contract, every contractor is required to submit by the 4<sup>th</sup> and 19<sup>th</sup> of every month, to the Engineer-in-Charge a true statement showing, in respect of the second half of the preceding month and first half of the current month, respectively (1) the number of labourers employed by him on the work, (2) their working hours, (3) the wages paid by them, (4) the accidents that occurred during the said fortnight showing the circumstances under which they happened and the extent of damage and injury caused by them, (5) the number of female workers who were allowed maternity benefits like grant of leave, leave pay, etc. Despite this requirement, the contractors never submitted the details of labourers employed by them. Due to non-compliance to the terms of contract mentioned above, there was no control by the Department over the use of appropriate number of skilled / unskilled labourers, engagement of minors, payment of fair wages, etc. by the contractors.
- No system for monitoring usage of road rollers was laid down for road works. Statement of consumption of road roller was neither prescribed nor followed. Hence, the appropriate usage of road rollers for obtaining the right degree of compaction in road works could not be ascertained.
- Quality control checks and supervision was virtually non-existent.
- Although the GOI time and again instructed the Department to monitor the project execution with management tools like PERT (Programme Evaluation Review Technique) and CPM (Critical Path Method), this was not followed in the State.
- Physical access control was very poor in the Department. Anybody and everybody



could enter the departmental premises, loiter around, enter any room without any check or verification of credentials. There was no surveillance or monitoring mechanism to restrict entry of unwanted elements within the office premises. The safety and security of the office was thus at stake due to this free movement of unverified elements.

- The Department failed to safeguard land belonging to it and the unauthorised construction, digging, etc. along the highways by other agencies and individuals. No legal framework in the form of Act and Rules had been laid down to regulate usage of land belonging to the Department and the road reserves for various purposes by other agencies and no monitoring and supervisory mechanism had been prescribed to prevent unlawful use of the Department's assets.
- The Department did not possess in proper and complete shape ownership documents of the land over which the roads were laid and buildings, rest houses and workshops constructed. Transferring the title deeds and ownership of the land in the name of the Department was a neglected activity as no rules had been framed for the purpose till date. The Department also in one case handed over land (located at Lumsey, Tadong) belonging to it to the Urban Development & Housing Department which ended up being allotted to private individuals for their personal use. The parting of land by the Department was short-sighted as it constrained expansion of the Department's activities in future in conformity to the mission of the Government for building world class infrastructure.
- The Department was not maintaining any systematic Assets or Inventory register of the Road network and the Bridges created by it upto the year 2007-08. Register was being maintained for assets created since the year 2008-09. The history of any road or bridge under the Department created before 2008-09 was therefore not known. The date of creation, cost of construction, date of subsequent repairs undertaken, cost of such repairs, details of subsequent up-gradation / improvement undertaken was not recorded. In the absence of proper Inventory of complete Assets under the Department, regular repair and maintenance and subsequent upgradation / improvement could not be monitored.

#### **3.1.14 Impact Assessment**

The Department had not conducted any study to assess the impact of construction of roads and bridges over the years on the socio-economic condition of the people of the State. Construction of roads in the mountainous terrain of the State also entailed considerable degradation of the fragile land mass – the State being located in the young Himalayan belt with high rainfall (3,800 mm per annum), fragile landscape and high seismicity (being located in Zone IV in terms of the seismic zoning map of India). No study had been conducted so far to assess the damage caused to the environment and to arrest the distress caused to the fragile land mass due to the substantial construction activities undertaken by the Department.



### 3.1.15 Acknowledgement

The Office of the Accountant General, Sikkim expresses its gratefulness to the officers and staff of the Roads and Bridges Department for their cooperation in the successful conclusion of the audit.

### 3.1.16 Conclusion

*The Department was yet to orient its functioning in accordance to the mission of the State Government to transform Sikkim into one of the best in the country. It had neither formulated the State Road Policy till date nor demarcated the area of its operations for overall planning and future expansion. The Department also failed to guard its assets as it did not even possess title deeds of the land acquired by it at substantial public expenditure. There was no perspective planning which led to unplanned growth and wasteful expenditure. Works were sanctioned and awarded to contractors despite non-availability of funds in the State plan sector. Contractors were empanelled without fulfilling qualifying criteria. Competitiveness in the bidding process was rare despite existence of a huge contingent of contractors. Transparency in award of works was scarce as advertisement for tenders were not published in national papers and in the net although the Department had a dedicated site in the State Government's website. Quality control was virtually non-existent.*

*Unless the Department woke up to its responsibilities of engendering an efficient and effective transportation and communication system in the State by streamlining its activities and improving its functioning, the fulfillment of the mission of the Government towards transforming Sikkim into a well governed and economically developed State comparable to the best in the country appeared grim.*

### 3.1.17 Recommendation

- The State road policy and a master plan of communication for the entire State as envisaged in the mandate of the Department may be formulated at the earliest;
- More time and resources may be applied for conducting timely survey, investigation and preparation of DPRs to avoid change of scope of work and delay in completion of projects;
- The Department may sensitise the Government about the ill-effects of unrestrained sanction of projects and the consequent huge committed liabilities owing to inability of the Department to make payments to the contractors in time;
- The empanelment of contractors may be strictly monitored to register only the serious and *bona fide* contractors;
- Quality control and regular quality checks may be strengthened to ensure quality finish of works;
- Executing authorities may be trained on latest construction technology, project management tools and strategies, national and international best practices.



# CHAPTER – IV

## Revenue Receipts







## CHAPTER – IV

### REVENUE RECEIPTS

#### 4.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of Sikkim during the year 2009-10, the State's share of net proceeds of divisible Union taxes and duties assigned to States and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below.

Table – 4.1

(₹ in crore)

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1.	<b>Revenue raised by the State Government</b>					
	· Tax revenue	147.23	173.18	197.86	199.19	223.65
	· Non-tax revenue	990.10	1,085.04	1,413.74	1,205.31	1,356.44
	<b>Total</b>	1,137.33	1,258.22	1,611.60	1,404.50	1,580.09
2.	<b>Receipts from the Government of India</b>					
	· Share of net proceeds of divisible Union taxes and duties	182.13	222.78	345.12	364.20	374.68
	· Grants-in-aid	644.90	635.54	742.71	902.55	1,299.62
	<b>Total</b>	827.03	858.32	1,087.83	1,266.75	1,674.30
3.	<b>Total receipts of the State Government (1 and 2)</b>	1,964.36	2,116.54	2,699.43	2,671.25	3,254.39
4.	<b>Percentage of 1 to 3</b>	<b>58</b>	<b>59</b>	<b>60</b>	<b>53</b>	<b>49</b>

The above table indicates that during the year 2009-10, the revenue raised by the State Government (₹ 1,580.09) was 49 *per cent* of the total revenue receipts against 53 *per cent* in the preceding year. The balance 51 *per cent* of receipts during 2009-10 was from the Government of India.



#### 4.1.1 Tax revenue

The following table presents the details of tax revenue raised during the period from 2005-06 to 2009-10:

Table – 4.2

(₹ in crore)

Sl. No.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+)/decrease (-) in 2009-10 over 2008-09
1.	Sales tax/VAT	56.65	74.66	81.32	101.14	121.07	(+) 19.71
2.	Taxes on income other than corporation tax	47.82	46.71	49.10	16.16	2.84	(-) 82.43
3.	State excise	32.96	33.31	37.94	46.47	57.27	(+) 23.24
4.	Stamps and registration fees	2.27	2.52	4.26	4.35	4.48	(+) 2.99
5.	Taxes on vehicles	4.24	5.95	6.22	6.94	7.88	(+) 13.54
6.	Other taxes and duties on commodities and services	2.68	9.25	16.26	22.18	27.39	(+) 23.49
7.	Land revenue	0.61	0.78	2.75	1.95	2.71	(+) 38.97
	<b>Total</b>	<b>147.23</b>	<b>173.18</b>	<b>197.85</b>	<b>199.19</b>	<b>223.64</b>	<b>(+) 12.27</b>

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

**Sales Tax/VAT:** The increase was due to improvement in mode of payment of tax by introducing clearance through private/public banks and improvement in monitoring mechanism.

**Taxes on income other than corporation tax:** The reason for variation in Income tax was due to less realisation of taxes on income levied under State law due to implementation of Central Income Tax Act 1961.

**State Excise:** The increase was due to more realisation on Country Liquor Fees and other receipts and better management of revenue collection

The other departments did not inform (October 2010) the reasons for variation, despite being requested (May 2010 and August 2010).

#### 4.1.2 Non-tax revenue

The following table presents the details of non-tax revenue raised during the period from 2005-06 to 2009-10:



Table – 4.3

(₹ in crore)

Sl. No.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+)/decrease (-) in 2009-10 over 2008-09
1.	Interest receipts	6.31	5.34	15.10	25.94	44.18	(+)70.32
2.	Road transport	13.67	14.86	15.62	17.64	20.29	(+)15.02
3.	Plantations	2.01	1.95	2.10	2.35	1.80	(-)23.40
4.	Dividends & profits	1.14	0.76	0.68	1.31	0.46	(-)64.89
5.	Forestry and wild life	9.97	9.50	10.95	11.26	8.79	(-)21.94
6.	Tourism	0.81	0.87	1.18	2.11	1.62	(-)23.22
7.	Crop husbandry	0.36	0.50	1.64	0.71	0.40	(-)43.66
8.	Power	28.00	58.16	97.66	154.74	285.83	(+)84.72
9.	Printing & stationery	1.65	1.69	1.98	1.50	2.27	(+)51.33
10.	Medical and public health	0.91	0.60	1.14	0.96	1.02	(+)6.25
11.	Village & small industries	0.14	0.10	0.23	0.08	0.09	(+)12.50
12.	Public works	3.09	3.74	4.32	4.97	2.89	(-)41.85
13.	Police	14.14	13.90	14.64	11.68	14.52	(+)24.32
14.	Animal husbandry	0.41	0.39	0.43	0.30	0.32	(+)6.67
15.	Industries	0.19	0.02	0.01	0.25	0.18	(-)28.00
16.	State lotteries	898.35 (22.19)	963.30 (50.01)	1,232.55 (30.84)	957.00 (54.46)	949.92 (40.90)	(-)0.74
17.	Others	8.95	9.36	13.51	12.51	21.86	(+)74.74
	<b>Total</b>	<b>990.10</b>	<b>1,085.04</b>	<b>1,413.74</b>	<b>1,205.31</b>	<b>1,356.44</b>	<b>(+)12.54</b>

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

**Interest Receipts:** The increase was due to more realisations under interest on GPF and GIS.

**Road Transport:** The increase was due to increase in traffic flow at the later part of the year, for which the collections of supervision charges rose up.

**Forestry and Wildlife:** The decrease was due to less receipts from sericulture activities.

**Crop Husbandry:** The decrease was due to discontinuance of practice of collection of farmers' contributions.

**Power:** The increase was due to more receipts on sale of Power.

**Printing & Stationary:** The increase was due to realisation of outstanding dues from Finance, Revenue & Expenditure Department and Home Department and advance received from Information & Public Relations Department and Health Care, Human Services and Family Welfare Department.

**Police:** The increase was due to reimbursement of actual expenditure incurred on deployment of IRBn personnel by Delhi Police and NHPC and more realisations on miscellaneous receipts and Police Check Post.

The other departments did not inform (October 2010) the reasons for variation, despite

<sup>1</sup>Figures in brackets represent net receipts.



being requested (May 2010 and August 2010).

#### 4.1.3 Variations between the budget estimates and actuals

The variations between the budget estimates (BE) and actual of revenue receipts for the year 2009-10 in respect of the principal heads of tax and non-tax revenue are mentioned below:

**Table – 4.4: Budget estimates and actual**

(₹ in crore)

Sl. No.	Head of revenue	BE	Actuals	Variations excess (+) shortfall(-)	Percentage of variation
A	Tax revenue				
1	Sales tax (including VAT)	96.50	121.07	(+)24.57	(+)25.46
2	State excise	47.60	57.27	(+)9.67	(+)20.32
3	Other taxes and duties on commodities and services	16.62	27.39	(+)10.77	(+)64.80
4	Taxes on vehicles	7.80	7.88	(+)0.08	(+)1.03
5	Stamps and registration	3.54	4.48	(+)0.94	(+)26.55
6	Taxes on income other than corporation tax.	1.67	2.84	(+)1.17	(+)70.06
7	Land Revenue	3.45	2.71	(-)0.74	(-)21.45
B	Non-tax revenue				
8	Miscellaneous general services	30.00	41.90	(+)11.90	(+)39.67
9	Power	165.00	285.83	(+)120.83	(+)73.23
10	Police	17.90	14.52	(-)3.38	(-)18.88
11	Road transport	15.35	20.29	(+)4.94	(+)32.18
12	Forestry and wildlife	8.10	8.79	(+)0.69	(+)8.52
13	Interest receipts	3.08	44.18	(+)41.10	(+)1,334.42
14	Public works	3.65	2.89	(-)0.76	(-)20.82
15	Other administrative services	2.53	4.42	(+)1.89	(+)74.70
16	Water supply and sanitation	2.60	2.61	(+)0.01	(+)0.38
17	Public Service Commission	0.00	0	0	
18	Medical and Public Health	0.55	1.02	(+)0.47	(+)85.45
19	Tourism	1.30	1.62	(+)0.32	(+)24.62
20	Dividends and profits	0.75	0.46	(-)0.29	(-)38.67
21	Urban Development	0.94	3.04	(+)2.10	(+)223.40
22	Education, Sports, Art and Culture	0.85	1.57	(+)0.72	(+)84.71
23	Contributions and recoveries towards pension	0.02	5.19	(+)5.17	(+)25,850.00
24	Housing	0.36	0.27	(-)0.09	(-)25.00
25	Information and Publicity	0.09	0.20	(+)0.11	(+)122.22
26	Other Social Services	0.03	0.04	(+)0.01	(+)33.33
27	Crop Husbandry	0.34	0.40	(+)0.06	(+)17.65
28	Animal Husbandry	0.45	0.32	(-)0.13	(-)28.89
29	Fisheries	0.02	0.02	0	0.00
30	Plantations	2.50	1.80	(-)0.70	(-)28.00
31	Food storage and warehousing	0.06	0.08	(+)0.02	(+)33.33
32	Cooperation	0.00	0.01	(+)0.01	-
33	Other Rural Development Programme	0.10	2.55	(+)2.45	(+)2,450.00
34	Minor Irrigation	0.12	0.36	(+)0.24	(+)200.00
35	Village and Small Industries	0.25	0.09	(-)0.16	(-)64.00
36	Labour and Employment	0.10	0.25	(+)0.15	(+)150.00
37	Industries	0.17	0.18	(+)0.01	(+)5.88
38	Stationery and Printing	1.51	2.27	(+)0.76	(+)50.33
39	Non-Ferrous, Mining & Metallurgical Industries	0.08	0.13	(+)0.05	(+)62.50
40	Other Social Security and Welfare Programme.	0.01	0.01	0.00	0.00
41	Other General Economic Services	0.07	0.11	(+)0.04	(+)57.14



The following reasons for variations between BE and actuals were reported by the concerned departments.

**Sales tax (including VAT):** (i) Improvement in mode of payment of tax by introducing clearance through private/public banks, and (ii) Improvement in monitoring mechanism.

**State Excise:** Better management of revenue.

**Police:** The variation was due to (i) receipt of reimbursement of actual expenditure incurred on deployment of IRBn personnel by NHPC, (ii) Receipts from renewal of Arms licence as per actual, and (iii) reimbursement of expenditure incurred on police check posts by Government of India for the period 1 April 2007 to 31 March 2008.

**Road transport:** The revenue increased due to rise in collection of supervision charges as a result of increased traffic flow at the later part of the year.

**Tourism:** Leasing out of new properties.

**Urban Development:** (i) Better renewal initiative and new licences, (ii) Credit of tender collection of 2010-11, (iii) Regularisation of collection of mobile towers, (iv) enhanced collection from added assets in respect of rent from premises, and (v) collection as per MOU in respect of Ropeway.

**Animal Husbandry:** Tax collection of the Department decreased due to exemption given to the co-operatives by the Government while importing livestock and birds from outside the State.

**Other Rural Development Programme:** Sanction of new schemes.

**Minor Irrigation:** Excess was due to transfer of five *per cent* storage charges accumulated in Stock Suspense head to revenue head.

**Labour and Employment:** (i) Implementation of Sikkim Labour Protection Act 2005, and (ii) Increase in number of shops and commercial establishments.

**Stationery and Printing:** Realisation of old dues and advance receipt form IPR and Health Care, Human Services and Family Welfare Department.

**Non-Ferrous, Mining & Metallurgical Industries:** Receipt of more applications from public for stability report.

The other departments did not inform (October 2010) the reasons for variation despite being requested (May and August 2010).

The fact remains that the very large variations under most of the heads point to the need for framing of budget estimates on a realistic basis.



#### 4.1.4 Analysis of collection

The break-up of total collection at the pre-assessment stage and after regular assessment of the year 2009-10 and the corresponding figures for the preceding two years as furnished by the departments is as follows:

Table – 4.5

(₹ in crore)

Head of Revenue	Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	Percentage of 3 to 7
1	2	3	4	5	6	7	8
<b>Sales</b>	2007-08	1.63	1.72	1.25	Nil	4.60	35.43
<b>Tax/</b>	2008-09	1.91	1.99	1.35	1.24	4.01	47.63
<b>VAT</b>	2009-10	36.79	0.64	0.21	0.75	36.88	99.76

#### 4.1.5 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2007-08, 2008-09 and 2009-10 along with the relevant all India average percentage of expenditure on collection to gross collection for 2008-09 was as follows:

Table – 4.6

(₹ in crore)

Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2008-09
<b>Sales</b>	2007-08	81.32	1.72	2.12	0.88
<b>Tax/VAT</b>	2008-09	101.14	1.95	1.93	
	2009-10	121.07	3.75	3.08	
<b>State</b>	2007-08	37.94	1.97	5.19	3.66
<b>Excise</b>	2008-09	46.46	2.36	5.08	
	2009-10	57.27	3.62	6.32	
<b>Motor</b>	2007-08	6.22	0.60	9.65	2.93
<b>Vehicles</b>	2008-09	6.94	0.77	11.10	
<b>Tax</b>	2009-10	7.88	1.34	17.00	

Thus, percentage of expenditure on collection during 2009-10 as compared to the corresponding all India average percentage for 2008-09 was high in all the taxes which the Government needs to look into. The reasons for higher percentage of expenditure than all India average as informed by the respective departments were as follows:

**Sales Tax/VAT:** Abnormal rise of expenditure in 2009-10 due to release of arrear salary in pursuance of pay scale revision with effect from 1 January 2006.

**State Excise:** Extensive touring and training of Excise personnel for collection of revenue.



**Motor Vehicle Tax:** Intensive tour in connection with checking of vehicles plying on different routes and to attend meetings outside Sikkim.

#### 4.1.6 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2010 in respect of some principal heads of revenues as furnished by the Department amounted to ₹ 36.70 crore out of which ₹ 10.92 crore was outstanding for more than five years as mentioned in the following table.

Table – 4.7

(₹ in crore)

Sl. No.	Head of Revenue	Amount outstanding as on 31 March 2010	Amount outstanding for more than five years as on 31 March 2010
1	Sales Tax/VAT	0.44	0.31
2	Income tax	7.49	7.49
3	Road Transport	1.73	Nil
4	Non-Ferrous Mining & Metallurgical Industries	3.30	2.55
5	Animal Husbandry	0.57	0.57
6	Police	23.17	Nil
	<b>Total</b>	<b>36.70</b>	<b>10.92</b>

#### 4.1.7 Arrears in assessment

The details of pending assessment cases at the beginning of the year, cases becoming due for assessment during the year, cases disposed off during the year and number of cases pending at the end of 2009-10 as furnished by the Department in respect of Sales tax/VAT was as under:

Table – 4.8

Opening balance	New case due for assessment during 2009-10	Total assessments due	Cases disposed off during 2009-10	Balance at the end of the year	Arrears in percentage against total cases
296	211	507	192	315	62.13

It was stated (October – November 2010) by the Department that under the Sikkim Value Added Tax Act 2005, it is not prescribed to frame assessment of each dealer every year. Cases due for assessment have been calculated on the basis of numbers of dealers selected for framing assessment.

#### 4.1.8 Evasion of tax

No case of evasion of tax was intimated by the Finance, Revenue and Expenditure Department in respect of Sales tax/VAT during the year.

#### 4.1.9 Write off and waiver of revenue

No information about cases of write off and waiver of revenue was furnished by any of the departments.



#### 4.1.10 Refunds

The number of refund cases pending at the beginning of the year 2009-10, claims received during the year, refunds allowed during the year and cases pending at the close of the year, as reported by the departments are mentioned below:

Table – 4.9

(₹ in lakh)

Sl. No.	Particulars	State Excise		Sales Tax/VAT		Income Tax	
		No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
1	Claims outstanding at the beginning of the year	Nil		Nil		Nil	
2	Claims received during the year	1	9.12	NA	75.53	1	0.50
3	Refunds made during the year	1	9.12	NA	75.53	1	0.50
4	Balance outstanding at the end of the year	Nil		Nil		Nil	

#### 4.1.11 Compliance with the earlier Audit Reports

During the years from 2004-05 to 2008-09, the departments/Government accepted audit observations involving ₹ 98.47 crore of which only ₹ 0.50 lakh had been recovered till March 2010 as mentioned below.

Table – 4.10

(₹ in crore)

Year of Audit Report	Total money value	Accepted money value	Recovery made
2004-05	85.71	85.71	0.02
2005-06	9.95	6.80	0.48
2006-07	22.31	5.39	—
2007-08	1.33	0.32	—
2008-09	8.48	0.25	—
<b>Total</b>	<b>127.78</b>	<b>98.47</b>	<b>0.50</b>

The fact that only 0.51 *per cent* of the accepted amount has been recovered, points to the need for the Government to take concerted action in this regard.

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

The Accountant General (Audit) (AG), Sikkim 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 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 copies to the next higher authorities for taking prompt



corrective action. The heads of 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 issue of the IRs. Serious financial irregularities are reported to the heads of the Departments and the Government.

Inspection reports issued upto December 2009 disclosed that 245 paragraphs involving ₹ 511.41 crore relating to 100 IRs remained outstanding at the end of June 2010 as mentioned below.

The Department-wise details of the IRs and audit observations outstanding as on 30 June 2010 and the amounts involved are mentioned below.

Table – 4.11

(₹ in crore)

Sl. No.	Name of the Department	Nature of Receipts	Number of outstanding IRs	Number of outstanding audit objections	Money value involved (₹ in crore)
1.	Finance, Revenue and Expenditure	State lotteries	06	12	136.87
		Sales tax/VAT	09	44	88.53
		Income tax	12	54	34.78
2.	Mines, Minerals and Geology	Mines, Minerals and Geology	02	02	3.31
3.	Urban development and housing	Urban development and housing	08	19	2.47
4.	Motor vehicles	Motor vehicles	02	06	0.16
5.	Forest	Forest	32	54	46.10
6.	Excise (Abkari)	State excise	05	12	1.89
7.	Land Revenue and Disaster Management	Land revenue	15	16	0.64
8.	Energy and power	Energy and power	09	26	196.66
<b>Total</b>			<b>100</b>	<b>245</b>	<b>511.41</b>

Even the first replies required to be received from the heads of offices within one month from the date of issue of the IRs were not received for five IRs issued upto December 2009. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and heads of the departments failed to initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

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



#### **4.1.13 Departmental Audit Committee Meetings**

During 2009-10, two Audit Committee meetings were held and 15 IRs and 57 paragraphs were discussed out of which 10 IRs and 20 paragraphs were settled.

#### **4.1.14 Response of the Departments to the draft audit paragraphs**

Draft audit paragraphs are issued to the concerned heads of the departments with a copy to the Finance, Revenue and Expenditure Department, the replies to which are to be communicated to the Accountant General within six weeks of the date of their receipt.

Five draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended March 2010 were forwarded to the Secretaries of the respective departments between May 2010 and June 2010 through demi-official letters. The administrative secretaries (including Director in case of State Lotteries) responded to four paragraphs featuring in this chapter.

#### **4.1.15 Follow up on Audit Reports – summarised position**

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

As at the end of 2009-10, Audit Reports for the period upto the year 2006-07 were discussed and recommendations made and Audit Report 2007-08 was under discussion.

#### **4.1.16 Results of audit**

Test check of the records of 16 units of income and commercial tax, state excise, transport, state lotteries, mines & geology, urban development and housing, forest department and other departmental offices conducted during the year 2009-10 revealed under-assessments/short levy/loss of revenue aggregating ₹ 101.45 crore in 35 cases. During the course of the year, the departments concerned accepted under-assessments and other deficiencies of ₹ 0.15 crore involved in seven cases, all of the 35 cases were pointed out in audit during 2009-10.

This chapter contains five paragraphs relating to loss/non-realisation of revenue and extension of undue financial benefit, involving financial effect of ₹ 7.08 crore. The departments/ Government have accepted audit observations involving ₹ 0.15 crore. In case of other observations the Department has justified its action which has been contested in audit.



## FINANCE, REVENUE & EXPENDITURE DEPARTMENT (INCOME TAX AND COMMERCIAL TAX DIVISION)

### 4.2 Short levy of tax

**Assessment of income tax at rates lower than the applicable ones resulted in underassessment of tax and consequential short levy of ₹ 6.83 crore.**

The Sikkim Income Tax Manual 1948 provides the framework for levying and collecting income tax in Sikkim. Accordingly, income tax on the gross sale proceeds of the previous year at prescribed rate is required to be charged from all persons engaged in business. The Finance Minister of Sikkim approved (May 1998) a slab rate of taxation in respect of commission agents and distributors. Against the statutory rate of three *per cent* per annum leviable on gross sale proceeds beyond ₹ 10 lakh (₹ 23,230 on sales up to ₹ 10 lakh) of the previous year, the slab approved prescribed rate of tax as three *per cent* for gross turnover of up to ₹ 30 lakh, two *per cent* for gross turnover up to ₹ one crore and one *per cent* for gross turnover above ₹ one crore for commission agents and distributors. Mention was made in the Audit Report 2000-01 about the irregular approval and adoption of slab rates not permitted under the law.

Test check of records (April and December 2009) of the office of the Joint Commissioner, Income Tax and Commercial Tax Divisions, Jorethang revealed that income tax for the periods from April 1999 to March 2007 of a dealer (M/s Yuksom Breweries Ltd., Melli, South Sikkim) engaged in manufacturing beer was assessed to ₹ 3.77 crore on its turnover of ₹ 374 crore on the basis of reduced rates of tax applicable for commission agents and distributors. The dealer being a manufacturer, not commission agent or distributor, was liable to be taxed under the provisions of Sikkim Income Tax Manual i.e., at the flat rate of three *per cent* on the gross sales turnover. Thus, irregular adoption of slab rates not applicable for the dealer resulted in short levy of income tax to the tune of ₹ 6.83 crore (**Appendix – 4.1**). It was further seen that while the dealer did not submit any return for assessment of income tax for the accounting year 2007-08, the Department also did not obtain the books of accounts from the dealer to ascertain the turnover for assessment of tax.

On this being pointed in audit, the Assistant Commissioner, Jorethang Division stated (April 2009) that the dealer was being assessed since inception, after getting approval from the higher authorities, on the basis of slab rates for commission agents/wholesalers. The reply is not tenable in view of the relevant provisions of the Manual as well as the fact that the dealer was a manufacturing unit and not a commission agent. Besides, similar dealers (M/s Sikkim Distilleries Limited, Rangpo, East Sikkim) engaged in manufacturing of liquors were being assessed and tax realised at the prescribed rate of Sikkim Income Tax Manual 1948.

The matter was referred to the Department/Government (May 2010); their reply has not been received (August 2010).



## FINANCE, REVENUE & EXPENDITURE DEPARTMENT (DIRECTORATE OF STATE LOTTERIES)

### 4.3 Loss of assured revenue

**Reduction of assured revenue on frivolous ground of a marketing agent about the decline in sales turnover, without any verification thereto by the Department, resulted in a loss of ₹ 15.18 crore.**

The Department entered into an agreement (May 2005) with a marketing agent (MA, M/s Sugul and Damani) for marketing of online computerised lottery for a period of 7 years. According to the agreement, the MA would pay (a) one *per cent* of the turnover up to ₹ 1,000 crore or ₹ 10 crore per annum whichever is higher and (b) on additional turnover over and above ₹ 1,000 crore, 0.50 *per cent* of the additional turnover to the State Government.

Scrutiny of the records revealed (November 2009) that after completion of two years from the date of agreement, the MA requested for reduction of assured revenue on the ground of considerable decline in the sale of online lottery due to ban of lottery in Karnataka and imposition of Lottery Tax in Maharashtra. On the basis of request from the MA, without any verification of the factual position, the Department entered into (March 2008) another agreement reducing the assured revenue of 0.50 *per cent* to 0.25 *per cent* on the additional turnover over and above ₹ 1,000 crore.

Scrutiny of the statement of sale proceeds submitted to the Department by the MA itself revealed that there was consistent increase over the period in the sale of lottery tickets as well as the corresponding turnover which increased from ₹ 47.34 crore in February 2008 to ₹ 466.52 crore in September 2009. It was further seen that the Department had no mechanism of its own to verify the sale of tickets and corresponding turnover for which it had to rely fully upon the statement submitted by the MA which was fraught with the risk of understatement/ concealment of turnover and consequential loss of revenue. Scrutiny of records revealed that in atleast two years i.e. 2006-07 and 2008-09, the turnover of the lottery receipts had exceeded ₹ 1,000 crore. Thus, while the plea of the MA was not based on facts, the Department irregularly reduced assured revenue without any verification of the factual position which resulted in a loss of ₹ 15.18 crore during the period from May 2008 to August 2009.

In reply, the Department stated (June 2010) that the request of the MA was accepted to give them additional incentives for marketing the Sikkim online lottery more effectively to enhance sales volumes. It was further stated that due to market dynamics, the volume of sales of online lottery picked up dramatically with the increase of revenue to the Government. The reply is not tenable as the reduction in the rate of assured revenue on the plea of decline in the sale of online lottery was not based on facts and the Department allowed the additional incentives without verification of factual position with the net



result of loss of assured revenue.

#### 4.4 Extension of undue financial benefit

**Defective agreement with marketing agent resulted in a loss of ₹ 5.19 crore towards non-imposition of penal interest, besides delay and non-realisation of sale proceeds of ₹ 66.73 crore with consequential extension of undue financial benefit.**

The Government of Sikkim entered into (August 2001) an agreement with a marketing agent (MA)<sup>2</sup> for a period of seven years for the operation, maintenance and marketing of the State's online lottery. The requirement of monthly deposit of the sale proceeds in the Government account as mentioned in the original agreement was revised in the supplementary agreement (December 2003) to deposit sale proceeds within 15 days from the dates of draws.

Scrutiny (February 2009) of the records of the Director, Sikkim State Lotteries revealed that although the Department was considering (November 2002) for inclusion of a penal provision against the delay in deposit of the sale proceeds in the supplementary agreement, the same was not incorporated in the agreement signed in December 2003. It was further seen that in the cases of agreements drawn with the other marketing agents<sup>3</sup>, the penal clauses i.e., imposition of interest at 12 *per cent* against default in payment or terms of agreements were inserted in the agreements.

The MA did not deposit sale proceeds ranging from ₹ 1.04 crore to ₹ 17.45 crore in respect of 16 draws held during August 2006 to August 2008 within 15 days of the draws, the delay in deposit ranged from 42 days to 604 days. There being no provision in either of the original and supplementary agreements to safeguard the Government's interest against delay in payment of sale proceeds, the Department could not take any action against the MA. Thus, the defective agreement resulted into undue financial benefit to the MA and the Government suffered a loss of ₹ 5.19 crore<sup>4</sup> towards interest on delayed remittances as detailed in the **Appendix – 4.2**.

After this was pointed out, the Director, State Lotteries while accepting the facts stated (March, June 2009 and July 2010) that there being no clause in the Agreement for charging interest on delayed payment, it was not possible for the Department to charge the interest as calculated by Audit. The fact remains that Government revenue was not safeguarded while drawing Agreement or subsequently by amending the Agreement, resulting in undue retention of Government money by the MA and loss of interest to Government.

<sup>2</sup> M/s Tashi Delek Gamin Solutions Pvt. Ltd., Mumbai.

<sup>3</sup> with M/s Martin Lottery Agencies Ltd. in February 2001, October 2004 and with M/s Sugul & Damani in May 2005

<sup>4</sup> Calculated at 12 *per cent per annum* stipulated in agreements drawn with other marketing agents.



#### 4.5 Loss of State revenue

##### **Failure of the Department to realize prize money in time from the marketing agent led to the loss of revenue of ₹ 49.46 lakh.**

In accordance with the Government notification dated 5 February 1974, winning from lottery and commission from the sale of such lottery on the amount of ₹ 10,000 and above will be assessed to Income Tax (Sikkim Income Tax) as per rates prescribed under the notification issued in April 1970.

As per clause 4 of the agreement (9 December 2003) executed between the State Government and Marketing Agent<sup>5</sup>, the latter shall deposit the sale proceeds with the Government within 15 days of the date of the draw. Scrutiny of the records revealed (February 2009) that in respect of three draws held from June to November 2007, the Marketing Agent remitted the sale proceeds in October 2008 and January 2009. In the meantime, Central Income Tax was implemented in the State from 16 June 2008. Due to delay in remittance of sale proceeds by the Marketing Agent, while making payment to the prize winners by the Lottery Department after 16 June 2008, the amount of tax against payment of prize money had to be collected under Central Income Tax. This resulted in loss of State revenue of ₹ 49.46 lakh as detailed below:

Table - 4.12

(In rupees)

Name of the scheme	Draw no.	Date of draw	Prize money	Due date of remittance/ prize money	Date of remittance	Delay in remittance (In days) (Col. 6 – 5)	Amount of State Income Tax (In rupees)
1	2	3	4	5	6	7	8
Thunder Ball	258	26-06-07	2,61,82,571	10-07-07	06-10-08	454	26,17,345
Easy Lotto	48	26-10-07	1,29,00,000	09-11-07	24-10-08	350	12,89,088
Easy Lotto	53	09-11-07	1,04,00,000	23-11-07	07-01-09	411	10,39,088
						<b>Total</b>	<b>49,45,521</b>

In reply (March and June 2009) the Director, State Lotteries stated that due to poor market condition of the lottery, the Marketing Agent could not release the amount in time. Further, with the implementation of Central Income Tax Act 1961 in Sikkim from June 2008, the agent deducted income tax under Central Income Tax Act 1961, the rate of which is three times more than those under Sikkim Income Tax Manual for which there was no loss of revenue to the Government. Reply of the Director is not tenable as the delay beyond 15 days in realising prize money was against the contractual agreement and has unduly benefitted the Marketing Agent towards deferment in payment of Government dues for a period ranging from 350 to 454 days. Timely compliance of the contractual terms would have enabled the State Government to realise income tax revenues under the State Act.

<sup>5</sup> M/s Tashi Delek Gaming Solutions Private Limited, Mumbai



## RURAL MANAGEMENT AND DEVELOPMENT DEPARTMENT

### 4.6 Non-realisation of cess from contractors' bills

**Failure of the Department to levy environment cess on payments towards work bills resulted in non-realisation of Government revenue to the tune of ₹ 25.18 lakh.**

Under the provisions of Sikkim Ecology Fund and Environment Cess Act 2005 and notification issued thereunder (March 2007, effective from 1 April 2007), the departments of the State Government are required to levy environment cess at 0.50 *per cent* on the gross value of work bills.

Scrutiny of the records revealed that the Rural Management and Development Department (RMDD) was not realising any cess against the payments made to the contractors towards work bills. This resulted in non-realisation of Government revenue to the tune of ₹ 25.18 lakh as detailed in the **Appendix – 4.3**.

While accepting the observation, the Department stated (June 2010) that the amount as pointed out in Audit would be deducted from the subsequent running account bills of the contractors. Fact remained that the amount, though promised for recovery at the instance of Audit, has not yet been recovered (November 2010).



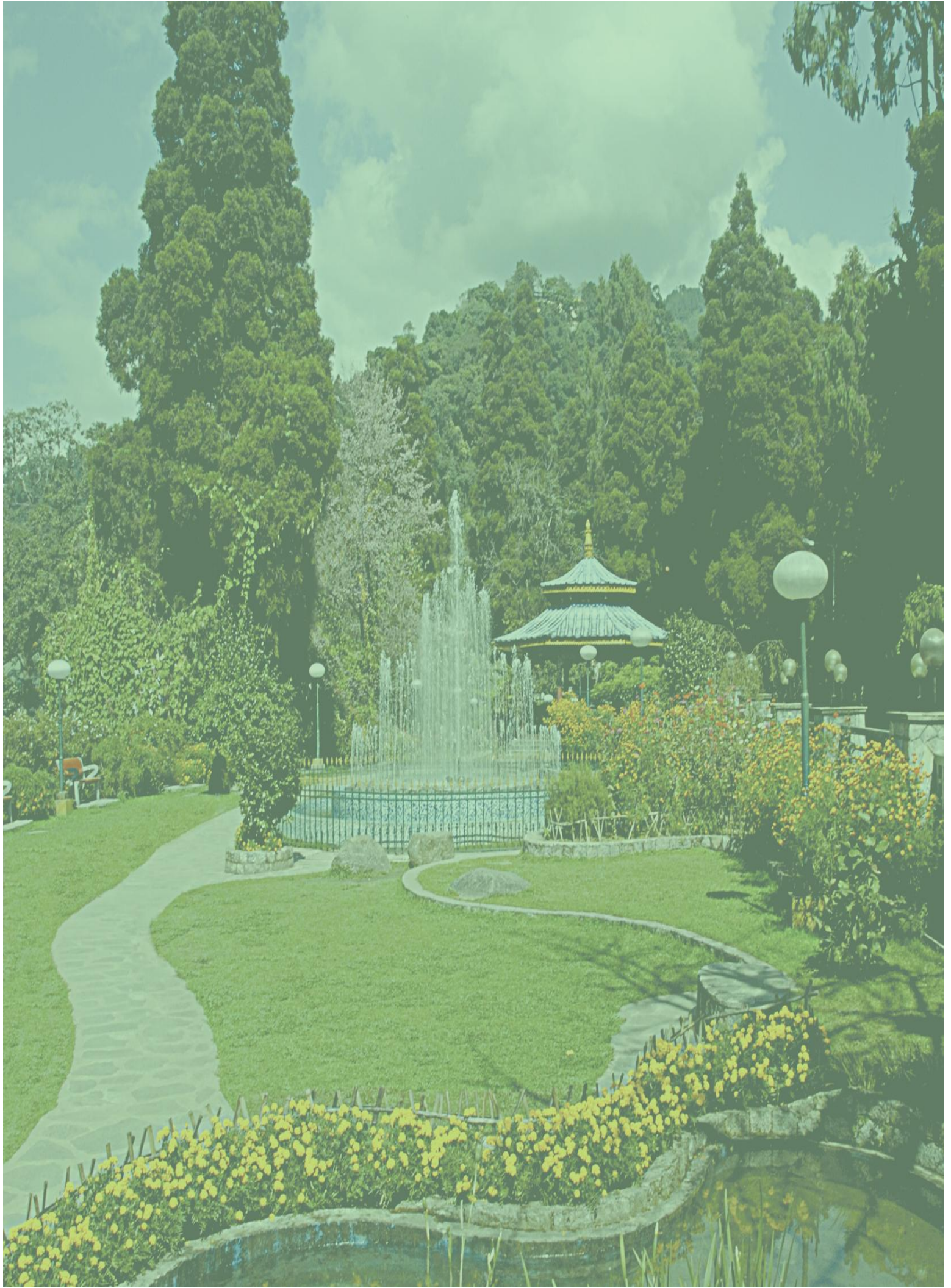




# CHAPTER – V

## Government Commercial and Trading Activities







## CHAPTER – V

### GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

#### 5.1 Overview of State Public Sector Undertakings

##### Introduction

**5.1.1** The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Sikkim, the State PSUs occupy an insignificant place in the State economy. The State PSUs registered a turnover of ₹ 42.74 crore for 2009-10 as per their latest finalised accounts as of September 2010. This turnover of PSUs was equal to 1.64 *per cent* of State Gross Domestic Product (GDP) for 2009-10<sup>1</sup>. Major activities of Sikkim State PSUs are concentrated in manufacturing, infrastructure, finance and power sectors. The State PSUs incurred a loss of ₹ 1.38 crore<sup>2</sup> in the aggregate for 2009-10 as per their latest finalised accounts. They had employed 880 employees as of 31 March 2010. The State PSUs do not include two<sup>3</sup> Departmental Undertakings (DUs) and one<sup>4</sup> Co-operative Bank, which carry out commercial operations but are a part of Government departments.

**5.1.2** As on 31 March 2010, there were 15 PSUs as per the details given below. None of these companies were listed on the stock exchange(s).

**Table - 5.1**

Type of PSUs	Working PSUs	Non-working PSUs <sup>5</sup>	Total
Government Companies	9	3	12
Statutory Corporations	2	1	3
<b>Total</b>	<b>11</b>	<b>4</b>	<b>15</b>

##### Audit Mandate

**5.1.3** The Companies Act, 1956 is not extended to the State of Sikkim. The Government Companies in Sikkim are registered under the 'Registration of Companies Act, Sikkim 1961'. The accounts of these companies are audited by Statutory Auditors (Chartered Accountants) who are directly appointed by the Board of Directors (BoDs) of the respective companies. Besides the statutory audit, audit of these companies had also been taken up by the Comptroller and Auditor General of India (CAG) on the

<sup>1</sup>As the State GDP for 2009-10 is not available, figures for 2008-09 are retained provisionally.

<sup>2</sup>Appendix 5.2

<sup>3</sup>Government Fruit Preservation factory and Temi Tea Estate

<sup>4</sup>Sikkim State Co-operative Bank Ltd.

<sup>5</sup>Non-working PSUs are those which have ceased to carry on their operations.



request of the Governor of the State under Section 20(1) / 20(2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

**5.1.4** There are three Statutory Corporations in the State *viz.* Sikkim Mining Corporation (SMC), State Bank of Sikkim (SBS) and State Trading Corporation of Sikkim (STCS) established under the proclamations of the erstwhile Chogyal (King) of Sikkim. The accounts of these Corporations are audited by the Chartered Accountants, directly appointed by the BODs of the respective corporations. Audit of these corporations was taken up by CAG under Section 19(3) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 on the request of the State Government.

### Investment in State PSUs

**5.1.5** As on 31 March 2010, the investment (capital and long-term loans) in 15 PSUs was ₹ 560.72 crore as per details given below.

Table - 5.2

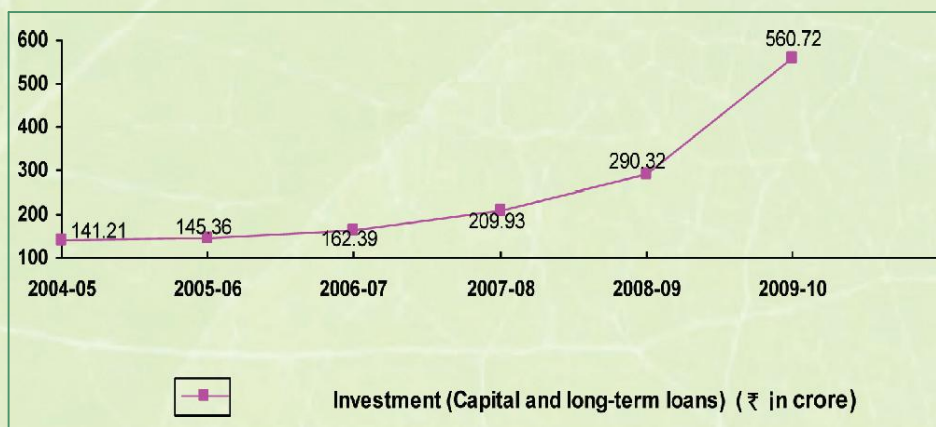
(₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	79.84	462.73	542.57	2.19	-	2.19	544.76
Non-working PSUs	3.43	0.03	3.46	12.50	-	12.50	15.96
Total	83.27	462.76	546.03	14.69	-	14.69	560.72

A summarised position of Government investment in State PSUs is detailed in **Appendix-5.1**.

**5.1.6** As on 31 March 2010, of the total investment in State PSUs, 97.15 *per cent* was in working PSUs and the remaining 2.85 *per cent* in non-working PSUs. This total investment consisted of 17.47 *per cent* towards capital and 82.53 *per cent* in long-term loans. The investment has grown by 297.08 *per cent* from ₹ 141.21 crore in 2004-05 to ₹ 560.72 crore in 2009-10 as shown in the graph below.

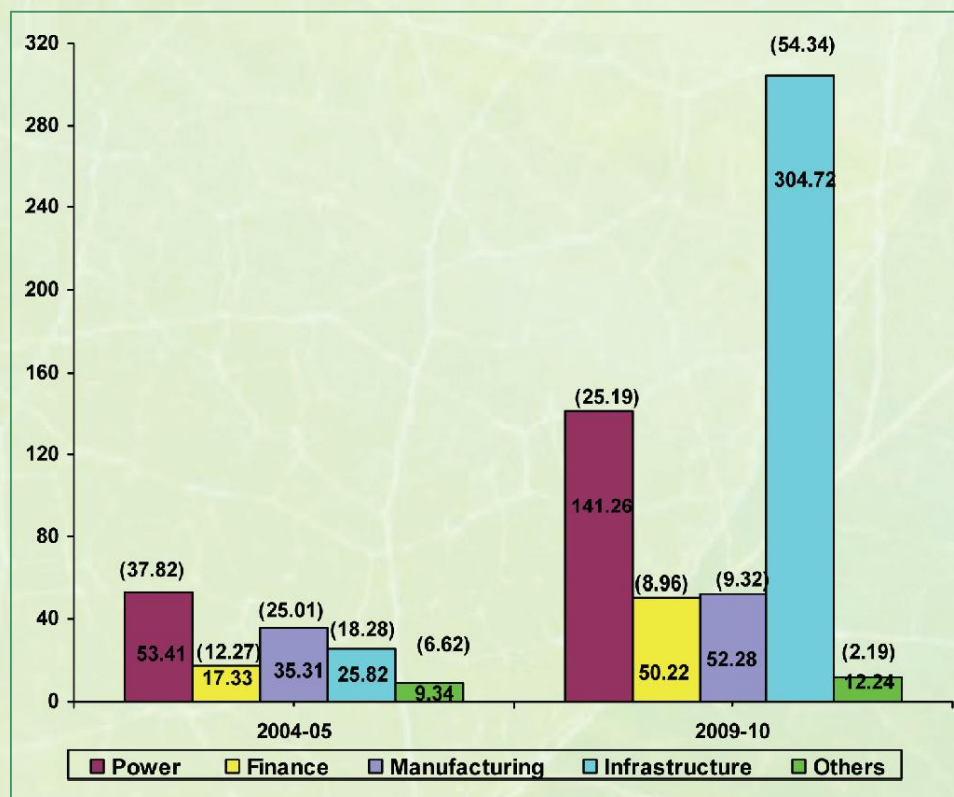
Chart - 5.1





**5.1.7** The total investment in various sectors and percentage thereof at the end of 31 March 2005 and 31 March 2010 are indicated below in the bar chart.

**Chart - 5.2**



[Figures in brackets show the percentage of total investment (₹ in crore)]

**5.1.8** The thrust of PSUs investment was mainly in finance and power sectors during the five years 2004-05 to 2009-10. The investment in finance sector has grown by 189.79 *per cent* from ₹ 17.33 crore in 2004-05 to ₹ 50.22 crore in 2009-10. The power sector had also registered increase by 164.48 *per cent* from ₹ 53.41 crore in 2004-05 to ₹ 141.26 crore in 2009-10. The increase shown in infrastructure sector during the year 2009-10 was due to loan of ₹ 285.55 crore given to Sikkim Industrial Development and Investment Corporation Ltd. (SIDICO) to facilitate the development of infrastructure including the acquisition and development of area around the upcoming airport in Sikkim.

#### Budgetary outgo, grants/subsidies, guarantees and loans

**5.1.9** The details regarding budgetary outgo towards equity, grants / subsidies, guarantees issued and interest waived in respect of State PSUs are given in **Appendix-5.3**. The summarised details are given below for three years ended 31 March 2010.



Table - 5.3

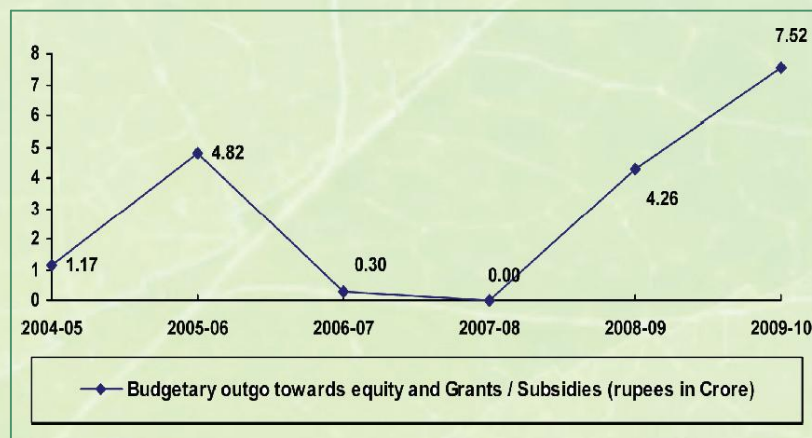
(₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	-	-	5	3.05	4	2.10
2.	Grants / Subsidy received	-	-	3	1.21	2	3.22
3.	Total Outgo (1+2)	-	-	8	4.26	6	5.32
4.	Loans written off	-	-	1	113.40	-	-
5.	Interest/Penal interest written off	1	0.56	2	12.99	1	0.17
6.	Total Waiver (6+7)	1	0.56	2	126.39	1	0.17
7.	Guarantees issued	-	-	1	9.52	2	290.44
8.	Guarantee Commitment	2	75.00	2	85.10	3	187.05

**5.1.10** Sikkim Poultry Development Corporation Ltd. (SPDCL) and Sikkim Mining Corporation (SMC) had received Grant/ Subsidy to the extent of ₹ 2.25 crore and ₹ 0.97 crore respectively during the year 2009-10. Further, the waiver of dues, however, increased from nil in 2004-05 to ₹ 0.17 crore in 2009-10 due to penal interest waived off in respect of SIDICO.

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

Chart - 5.3



**5.1.12** The guarantee commitment at the end of year has increased from ₹ 85.10 crore in 2008-09 to ₹ 187.05 crore in 2009-10. As on 31 March 2010, guarantee amounting to ₹ 50.01 crore, ₹ 37.04 crore and ₹ 100 crore were outstanding against Sikkim Power Development Corporation (SPDC), Scheduled Tribe/Scheduled Caste & Other Backward Classes Development Corporation Limited (SABCCO) and SIDICO respectively. On any guarantee given to a public body, a guarantee commission at the rate of one per cent is charged by the State Government. An amount of ₹ 2.85 crore only was paid in July 2010 by SIDICO. No guarantee commission was paid by other concerned PSUs.



### Reconciliation with Finance Accounts

**5.1.13** The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2010 is stated below.

**Table - 5.4**

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	72.58	81.28	8.70
Loans	37.03	2.03	35.00
Guarantees	75.00	187.05	112.05

**5.1.14** Audit observed that the differences occurred in respect of seven PSUs and some of the differences were pending reconciliation since 2004-05. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

### Performance of PSUs

**5.1.15** The financial results of PSUs, financial position and working results of working Statutory Corporations are detailed in **Appendices 5.2, 5.5 and 5.6** respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSU turnover and State GDP for the period 2004-05 to 2009-10.

**Table - 5.5**

(₹ in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Turnover <sup>a</sup>	35.73	34.26	45.80	44.44	31.34	41.98
State GDP	1,602.17	1,830.00	2,038.54	2,297.86 <sup>b</sup>	2,612.10 <sup>c</sup>	2,612.10
Percentage of Turnover to State GDP	2.23	1.87	2.25	1.93	1.20	1.61

<sup>a</sup>Turnover as per the latest finalised accounts as of 30 September.

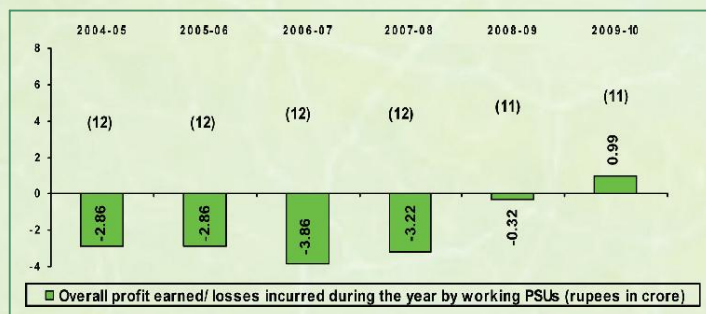
<sup>b</sup>Quick Estimate

<sup>c</sup>Advance estimate



**5.1.16** Profit earned/ Losses<sup>9</sup> incurred by the State working PSUs during 2004-05 to 2009-10 are given below in the bar chart.

**Chart - 5.4**



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

As per finalised accounts, out of 11 working PSUs, six PSUs<sup>10</sup> incurred a loss of ₹ 2.62 crore whereas four PSUs<sup>11</sup> earned a profit of ₹ 3.61 crore during the year 2009-10. One Company, SPDC did not prepare a Profit & Loss Account as its projects were under construction. The major profit was earned by SBS, STCS and SIDICO, i.e. ₹ 1.30 crore, ₹ 0.62 crore and ₹ 1.52 crore respectively.

**5.1.17** The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the State working PSUs incurred losses to the tune of ₹ 13.47 crore and infructuous investment of ₹ 2.58 crore which were controllable with better management. Year wise details from Audit Reports are stated below:

**Table - 5.6**

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	Total
Net profit / (loss)	(3.22)	(0.32)	0.99	(2.55)
Controllable losses as per CAG's Audit Report	12.95	0.42	0.24	13.61
Infructuous Investment	-	-	2.58	2.58

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

<sup>9</sup>Figures are as per the latest finalised accounts during the respective years.

<sup>10</sup>Sikkim Poultry Development Corporation, Sikkim Hatcheries Limited, Scheduled Tribe/Scheduled Caste & Other Backward Classes Development Corporation Limited, Sikkim Jewels Limited, Sikkim Times Corporation Limited and Sikkim Precision Limited.

<sup>11</sup>Sikkim Industrial Development & Investment Corporation Limited, Sikkim Tourism Development Corporation Limited, State Bank of Sikkim and State Trading Corporation of Sikkim.



**5.1.19** Some other key parameters pertaining to State PSUs are given below:

**Table - 5.7**

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
Return on Capital Employed ( <i>per cent</i> )	1.13	0.74	0.81	1.80	3.38
Debt	65.51	77.07	124.61	194.46	462.76
Turnover <sup>12</sup>	35.65	45.80	44.44	31.34	41.98
Debt/ Turnover Ratio	1.84:1	1.68:1	2.80:1	6.20:1	11.02:1
Interest Payments	18.97	16.46	29.68	5.52	7.33
Accumulated losses	57.39	58.35	58.06	66.86	68.62

(Above figures pertain to all PSUs except for turnover which is for working PSUs).

**5.1.20** There was marginal increase in turnover while there was relatively higher increase in debts during the year 2009-10. This has increased the debt turnover ratio from 6.20:1 in 2008-09 to 11.02:1 in 2009-10, due to substantial increase in loan amount to SIDICO. Further, the increase in *per cent* return on capital employed during the year 2009-10 was due to increase in return on capital employed mainly in respect of SIDICO and SBS.

**5.1.21** The State Government had not formulated (September 2010) any dividend policy under which PSUs are required to pay a minimum return on their paid up share capital. As per their latest finalised accounts, four PSUs earned an aggregate profit of ₹ 3.61 crore but none of the PSUs declared any dividend. The State Government may frame a dividend policy to ensure that a minimum return is received on its investment.

### Arrears in finalisation of accounts

**5.1.22** The Companies Act, 1956 is not extended to the State of Sikkim. The Government companies in Sikkim are registered under 'The Registration of Companies Act, 1961' and the Statutory Corporations are governed under the proclamation of the erstwhile Chogyal (King) of Sikkim. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2010.

**Table - 5.8**

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10
1.	Number of Working PSUs	12	12	11	11
2.	Number of accounts finalised during the year	05	19	24	10
3.	Number of accounts in arrears	38	31	18	19
4.	Average arrears per PSU (3/1)	3.17	2.58	1.64	1.73
5.	Number of Working PSUs with arrears in accounts	12	12	11	11
6.	Extent of arrears (in years)	2 to 5	1 to 4	1 to 4	1 to 4

**5.1.23** It can be seen from table above that the PSUs were able to finalise and gradually reduce the backlog arrears of accounts with exception of three<sup>13</sup> PSUs which had not

<sup>12</sup> Turnover of working PSUs as per the latest finalised accounts as of 30 September.

<sup>13</sup> State Bank of Sikkim, State Trading Corporation of Sikkim and Sikkim Precision Industries Ltd.



finalised the accounts for earlier years. None of the working PSUs finalised their accounts for the year 2009-10. The delay in finalisation of accounts is due to delay in compilation/ adoption of accounts by the BoDs of the respective PSUs.

**5.1.24** In addition to above, there were arrears in finalisation of accounts by non-working PSUs. The four non-working PSUs had arrears of accounts ranging from two to 15 years.

**5.1.25** The State Government had invested ₹ 6.85 crore (Equity: ₹ 3.60 crore and Grants: ₹ 3.25 crore) in seven working PSUs during the years for which accounts have not been finalised as detailed in **Appendix- 5.4**. In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved. Government's investments in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money.

**5.1.26** The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed by Audit, of the arrears in finalisation of accounts, majority of the PSUs failed to finalise their accounts in time. As a result, the net worth of these PSUs could not be assessed in audit.

**In view of above state of arrears, it is recommended that the Government may impress upon respective PSUs to expedite the process of finalisation of accounts and bring them upto date.**

#### Winding up of non-working PSUs

**5.1.27** There were four non-working PSUs (three Companies and one Statutory Corporation) as on 31 March 2010. None of the PSUs have commenced liquidation process. The numbers of non-working Companies at the end of each year during past five years are given below.

**Table - 5.9**

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
No. of non-working Companies	3	3	3	3	3
No. of non-working Corporations	-	-	-	1	1
<b>Total</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>4</b>	<b>4</b>

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose. During 2009-10, one non-working PSUs (SMC) incurred an expenditure of ₹ 23.06 lakh towards salaries of its employees which was financed by the State Government.



**5.1.28** The stages of closure in respect of non-working PSUs are given below.

**Table - 5.10**

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of non-working PSUs	3	1	4
2	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started.	2 <sup>14</sup>	1 <sup>15</sup>	3

**5.1.29** During the year 2009-10, no Company/Corporation was wound up. The Government may make a decision regarding winding up of these three non-working PSUs. The Government may consider setting up a cell to expedite closing down its non-working PSUs.

### Accounts Comments and Internal Audit

**5.1.30** Eight working Companies forwarded their eight audited accounts to the Accountant General during the year 2009-10<sup>16</sup>. Out of these, six accounts of six Companies were selected for supplementary audit. Also three accounts of two Companies received during the earlier years were selected for supplementary audit. The audit reports of statutory auditors and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

**Table - 5.11**

(₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Increase in loss	14	1.74	02	1.13	-	-
2.	Increase in profit	-	-	-	-	1	0.03
3.	Non-disclosure of material facts	02	0.71	-	-	2	-
4.	Errors of classification	-	-	03	9.89	2	0.06
		<b>16</b>	<b>2.45</b>	<b>05</b>	<b>11.02</b>	<b>5</b>	<b>0.09</b>

**5.1.31** During the year, the statutory auditors had given unqualified certificates for six accounts and qualified certificates for two accounts. Additionally, CAG also qualified two accounts during the supplementary audit. The compliance of Companies with the Accounting Standards remained poor. There were three instances of non-compliance in two accounts during the year.

**5.1.32** Some of the important comments in respect of accounts of Companies finalised during 2009-10 are stated below.

<sup>14</sup>Sikkim Flour Mills Limited and Chandmari Workshop and Automobiles Limited.

<sup>15</sup>Sikkim Mining Corporation

<sup>16</sup>During the period October 2008 to September 2009



***Sikkim Industrial Development and Investment Corporation Limited (2008-09)***

- Excess provision of the non-performing assets resulted in understatement of Loans and Advances account and profit for the year by ₹ 11.26 lakh.
- Non-classification of unrecovered loans for more than five years under the head non-performing assets resulted in overstatement of profit by ₹ 4.26 lakh with corresponding overstatement of Loans and Advances by same amount.

**5.1.33** None of the working Statutory Corporation forwarded its accounts to the Accountant General for the year 2009-10.

**Recoveries at the instance of audit**

**5.1.34** During the course of propriety audit in 2009-10, recoveries of ₹ 36.83 crore were pointed out to the Management of various PSUs, of which, an amount of ₹ 8.82 crore was recovered during the year 2009-10.

**Disinvestment, Privatisation and Restructuring of PSUs**

**5.1.35** During the year 2009-10, there had been no privatisation (partial or complete) of any activity of these Companies or Corporations, and the Government had also not contemplated for disinvestments of shares in any Company/Corporation.

**Reforms in Power Sector**

**5.1.36** The State Government targeted the setting up of State Electricity Regulatory Commission (SERC) by May 2003. In terms of the Electricity Act 2003, the State Government was also required to constitute a three member Selection Committee for purpose of selecting members of the SERC.

While the State Government constituted (November 2004) the Selection Committee, the SERC could not be set up (September 2010) as the names proposed by the Committee are yet to be approved by the State Government.

A Memorandum of Understanding (MoU) was signed in (December 2002) between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below:



Table - 5.12

Sl. No.	Milestone	Achievement as at March 2010 <sup>17</sup>
1.	Setting up of SERC.	Yet to be set up.
2.	100 per cent metering of all consumers.	As on date out of 77,000 consumers, 68,725 consumers were metered (September 2009).
3.	100 per cent metering and energy audit and accounting for each 11 KV feeder.	The State Government had completed the metering of all 11KV feeder.
4.	Mandatory installation of capacitor for consumers of more than 10 HP.	Only 24 per cent of the total 10 HP consumers were metered as on date. (September 2009)
5.	Computerised billing and Management Information System (MIS).	Out of 22 revenue sub-divisions, computerised billing and MIS prevails in only 7 sub-divisions (September 2009).
6.	Consumer indexing.	Out of 22 revenue sub-divisions, consumer indexing has been completed only in 3 sub-divisions (September 2009).

## SIKKIM POWER DEVELOPMENT CORPORATION LIMITED

### 5.2 Deficient execution of Power Projects

**Unplanned execution and lack of monitoring mechanism in implementation of the power projects resulted in unfruitful expenditure of ₹ 8.96 crore besides cost overrun of ₹ 7.73 crore, blockage of funds ₹ 14.53 crore and irregular diversion of project funds of ₹ 16.17 crore.**

In Sikkim, power generation is carried out by Energy & Power Department (EPD). Sikkim Power Development Corporation Limited (SPDCL), a State Government undertaking incorporated in December 1998 has also been entrusted with the development of 11 hydro projects (November 2005). Of these 11 projects, 4 projects<sup>18</sup> were taken up for implementation, out of which two projects<sup>19</sup> were completed till March 2010 with delays ranging between 25 to 32 months. In the other two projects, one was abandoned and the other is under construction.

We audited four projects with the objective of assessing whether the goals set for construction of these projects were met and also the cost estimates were adhered to.

We noticed (April 2010) the following deficiencies during the execution of these four Hydro Projects (HPs).

#### 5.2.1 MANGLEYHYDRO PROJECT

##### 5.2.1.1 Unfruitful Expenditure

The State Government sanctioned (January 1998) construction of 1 MW Mangley

<sup>17</sup> Position as on 31 March 2010 not yet furnished

<sup>18</sup> Mangley, Lachung, Rongli and Rellichu

<sup>19</sup> Mangley and Lachung HP completed in June 2008 and January 2009 respectively.



Hydel Project, South Sikkim, at a project cost of ₹ 6.96 crore after conducting a detailed project analysis by the EPD.

Midway during the course of execution of civil construction work, the EPD felt that sufficient discharge of water was available for generation of more than 1MW. Accordingly, with the approval of Government, EPD approached Ministry of Non-Renewable Energy Sources (MNES) for consultation for enhancement of installed capacity to 2 MW. Alternator Hydro Energy Centre (AHEC), Roorkee was assigned task of preparation of DPR (January 2003) for 2 MW enhanced capacity project. The project was re-approved by the State Government (April 2003) in a time frame of three years at a cost of ₹ 15.92 crore.

Generation Reports for the period June 2008 to March 2010 revealed that the actual generation never crossed 0.92 MW except during November 2008 to January 2009 when it ranged between 1.08 MW and 1.19 MW. The Executive Engineer, Mangley Project, stated (March 2010) that the reason for less generation of energy was decrease in discharge in the river due to less rainfall.

We observed that while preparing the DPR for enhancement of installed capacity to 2 MW, AHEC should have considered at least past 10 years rainfall/discharge data as per the MNES guidelines to ascertain the optimum flow of water but took into account the data of river flow for the two years, 2001 & 2002 only. During these two years there was high rainfall in Sikkim and the river flow so estimated was not dependable discharge to consider it for enhancement of capacity.

Hence, enhancement of capacity to 2 MW was not justified and expenditure of ₹ 8.96 crore (₹ 15.92 crore - ₹ 6.96 crore) failed to generate revenue and proved unfruitful.

The company accepted the audit observation and stated (July 2010) that SPDCL is still examining the issue.

#### **5.2.1.2 Cost overrun**

The project was completed (June 2008) at a cost of ₹ 23.65 crore with a cost overrun of ₹ 7.73 crore. This was mainly due to payment on account of price escalation due to delay in completion and execution of additional item of works not envisaged in the DPR (₹ 3.72 crore). We noticed that the DPRs were deficient and did not account for full scope of civil works of the project and Electrical & Mechanical equipments and needed revision.

The Department stated (July 2010) that EPD started the work, but due to paucity of funds could not proceed after a certain point which ultimately led to cost overrun in completion of the project. After the projects were transferred to SPDCL, they were completed by resorting to market borrowing. The fact, however, remains that due to lack of proper planning and prudent financial management, the department could not complete the work and handed over to SPDCL.



### 5.2.1.3 *Non-realisation of revenue*

As per the Power Purchase Agreement (PPA) entered (December 2005) into by the SPDCL with the EPD, energy transmitted to the State Grid was to be billed at ₹ 2.50 per unit for the first year and further enhanced at the rate of five *per cent* per annum over the base tariff over the next corresponding years.

We observed that SPDCL could not recover revenue for energy transmitted from Mangley HP to the State Grid from July 2008 to March 2010 amounting to ₹ 2.25 crore. The non-recovery of outstanding energy bills had adversely affected the schedule of repayment of loan component to that extent.

SPDCL also failed to bill tariff at enhanced rate for the period June 2009 to March 2010 as per the agreement for energy transmitted from the Mangley project which amounted to ₹ 23 lakh.

## 5.2.2 **RELICHU HYDRO PROJECT**

### 5.2.2.1 *Blockage of funds due to closure of project*

Rellichu HP was planned with a capacity of 6 MW and work started by EPD in October 2002. The DPR was revised (September 2006) to a capacity of 12 MW to be executed with a cost of ₹ 111.81 crore and work started (September 2006). In September 2008, the Government of Sikkim ordered stoppage of work on project and directed the SPDCL to find a Joint Venture (JV) partner to complete the project. By August 2009, when the project was completely abandoned, SPDCL had achieved physical progress of 25 *per cent* to 40 *per cent* in respect of civil works and had incurred an expenditure of ₹ 14.53 crore.

We feel that expenditure of ₹ 14.53 crore incurred on the project has been blocked since October 2008 with consequential loss of interest of ₹ 2.32 crore up to March 2010.

SPDCL replied (July 2010) that once the JV partner is identified, the expenditure made so far and the assets created shall be ascertained which will decide factors like equity participation by Government / SPDCL.

### 5.2.2.2 *Diversion of Project Funds*

For utilisation of total available fund of ₹ 44.75 crore (State fund: ₹ 4.46 crore; MNES: ₹ 7.46 crore and PFC loan: ₹ 32.83 crore) for development of Rellichu HP, the expenditure incurred on the execution of infrastructure (as stated in paragraph 5.2.2.1) was ₹ 14.53 crore (including land compensation: ₹ 1.50 crore) and ₹ 16.17 crore were diverted for payment of advances, repayment of Bonds, payment of interest, expenditure towards other projects, etc. The details of utilisation of balance fund of ₹ 14.05 crore were not available.



### **5.2.2.3 Avoidable payment of interest due to non-returning of loan to PFC**

We observed that the SPDCL availed (September 2008) loan of ₹ 32.83 crore from PFC for Rellichu HP. As per the terms and conditions of the PFC, SPDCL shall not sell / transfer or abandon the project at any stage in any manner whatsoever without the prior written consent of the PFC. However, SPDCL violated the terms and conditions of the agreement by not intimating the decision to close down the project to PFC. SPDCL did not remit back the loan amounting to ₹ 32.83 crore at the time of closure of the project to Power Finance Corporation (PFC) which resulted in incurring an interest burden of ₹ 5.81 crore up to January 2010.

The Department / SPDCL accepted the audit observation and stated (July 2010) that SPDCL has been exploring the possibility of getting a Joint Venture partner for Rellichu.

### **5.2.3 LACHUNG HYDRO PROJECT**

The Lachung HP with capacity of 3 MW was sanctioned in the year 1998 by the State Government at the cost of ₹ 18.14 crore. The work started in the year 2000. Since there were many deficiencies in project cost, a revised DPR was prepared in March 2003 with estimated cost of ₹ 25.91 crore and a completion period of three years. A part of the cost of the project was to be met through subsidy to be made available by MNES.

#### **5.2.3.1 Failure to utilise the benefit of subsidy from MNES**

The subsidy scheme announced (July 2003) by the MNES Government of India (GOI), envisaged release of subsidy in installments as per following pattern:

- Award of Work Order for the HP & furnishing copies thereof in proof: 25 per cent.
- Progressive release after demonstration of at least 1/3<sup>rd</sup> of physical and financial progress: 20 per cent.
- Progressive release after demonstration of at least 2/3<sup>rd</sup> of physical and financial progress: 30 per cent.
- After successful installation of hydel project & submission of final report: 25 per cent.

We noticed that out of total available subsidy of ₹ 13.50 crore, SPDCL obtained subsidy from MNES of ₹ 12.83 crore only. SPDCL was not able to obtain the balance ₹ 0.67 crore due to non-submission of project closure report and delayed benefit of subsidy claims (October 2010).

### **5.2.4 RONGLI HYDRO PROJECT**

The Rongli HP with capacity of 5 MW was sanctioned by the State Government in January 2002 at an estimated cost of ₹ 56.10 crore.



#### 5.2.4.1 Failure to utilise the benefit of subsidy from MNES

As per the subsidy scheme of GOI, the SPDCL was eligible to claim subsidy for the project on installment basis as referred to in paragraph 5.2.3.1. However, due to non-completion of the project since November 2005, it could avail only ₹ 15.72 crore out of ₹ 17.47 crore. Thus, SPDCL could not claim the balance subsidy of ₹ 1.75 crore till date (October 2010).

The Corporation accepted the audit observation and stated (July 2010) that SPDCL has decided to change course in the execution pattern of the project and steps shall be taken to avail balance subsidy from MNES.

### SIKKIM STATE CO-OPERATIVE BANK LIMITED

#### 5.3 Irregular waiver of loan

##### **Irregular waiver of loan amounting to ₹ 13.54 lakh under Agricultural Debt Waiver and Debt Relief (ADWDR) Scheme, 2008**

The Government of India (GOI) introduced “Agricultural Debt Waiver and Debt Relief (ADWDR) Scheme, 2008” to help the farmers by waiving their outstanding dues and enabling them to be eligible for availing fresh loans to sustain their livelihood. The scheme covered direct agricultural loans, short term production loans, investment loans for direct agricultural activities and for other allied activities by Scheduled commercial banks, Regional Rural banks, Cooperative Credit institutions and local area banks.

Clauses 3.5 to 3.7 of ADWDR scheme stipulates the criteria for classification of the farmers as marginal farmers, small farmers and other farmers with a land holding upto one hectare (2.5 acres), more than one hectare and up to two hectares (five acres) and more than two hectares (more than five acres) respectively. The classification of eligible farmers as per the above land holding criteria under the scheme would be based on the total extent of land owned by the farmer either singly or as joint holder (in case of an owner farmer) at the time of sanction of the loan, irrespective of any subsequent changes in ownership or possession. As per clause 5.1, in case of a small or marginal farmer the entire eligible amount shall be waived and as per clause 6.1, in the case of other farmers there will be a one time settlement (OTS) Scheme under which the farmer will be given a rebate of 25 *per cent* of the eligible amount subject to the condition that the farmer pays the balance of 75 *per cent* of the eligible amount.

Sikkim State Co-operative Bank Limited (SISCO) while implementing the scheme identified 529 farmers under 'Small / Marginal farmers' and 10 farmers under 'Other Farmers'.



We noticed (August 2009) that in one particular case a farmer<sup>20</sup> was sanctioned (March 2002) a loan of ₹ 15 lakh. The documents submitted for sanction of loan included the original land parcha<sup>21</sup> of land showing 9.68 acres of land jointly held by him and his brother, out of which a land measuring 4.62 acres was mortgaged (June 2003) by SISCO. While extending the benefit of scheme, the farmer was included under the list 'small / marginal farmers' instead of 'other farmers' contrary to the provisions of the scheme which made him eligible for waiver of his total outstanding dues amounting to ₹ 13.54 lakh (₹ 10.50 lakh as principal and ₹ 3.04 lakh as interest) as on 31<sup>st</sup> December 2007 which was unpaid till February 2008. As the joint land holding of the loanee at the time of sanction of loan exceeded the maximum limit of five acres, he was not eligible for waiver of loan under 'small / marginal farmers'. This irregular waiver of loan led to passing off an undue favour to the loanee of ₹ 13.54 lakh.

The Company replied (July 2010) that the farmer was placed under category of small farmer as per the land holding of 4.62 acres held by him at the time of sanction of loan. The Company's reply was not correct as the Company was well aware of the fact of joint holding of 9.68 acres of land of the farmer at the time of sanction of loan based on the 'land parcha' submitted by him which did not merit his inclusion under the 'small / marginal' farmers category as per the clause 3.7(1) of the scheme for debt waiver.

The matter was reported to Government (June 2010); its reply was awaited (September 2010).

## SCHEDULED CASTES / SCHEDULED TRIBES & OTHER BACKWARD CLASSES DEVELOPMENT CORPORATION

### 5.4 Avoidable liability

**Lack of effective mechanism in identifying the beneficiaries and delayed utilisation of funds received from National Backward Classes Finance & Development Corporation (NBCFDC) and National Scheduled Castes Finance & Development Corporation (NSFDC) resulted in an avoidable liability towards penal interest to the tune of ₹ 13.27 lakh.**

The Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation (SABCCO) is a State channelising agency (SCA) to provide financial assistance for the economic empowerment to SCs, STs, OBCs and handicapped persons living below the poverty line by way of loan at low rate of interest. Based on its Annual Action Plans (AAPs), it obtains low cost (one *per cent* to three *per cent*) refinance support from the Central apex bodies<sup>22</sup>.

<sup>20</sup> Shri S. D. Lepcha

<sup>21</sup> Land parcha defines the holding of the land as per the land records.

<sup>22</sup> National Scheduled Castes Finance & Development Corporation (NSFDC), National Backward Classes Finance & Development Corporation (NBCFDC), National Scheduled Tribes Finance & Development Corporation (NSTFDC) and National Handicapped Finance & Development Corporation (NHFDC).



We observed (September 2009) that during 2007-09 the SABCCO submitted AAPs in respect of SCs and OBCs to the respective Apex bodies for disbursement of loans to 1,681 beneficiaries involving ₹ 16.27 crore against which it received only ₹ 6.14 crore during the period August 2007 to March 2009. Out of ₹ 6.14 crore received (2007-09), the actual disbursed amount was ₹ 5.93 crore covering only 339 beneficiaries. The Company did not have any proper system in place for conducting survey and identifying the beneficiaries while preparing AAPs. This led to management preparing inflated AAPs resulting in under utilisation of funds amounting to ₹ 0.21 crore which was subsequently refunded (February 2009).

Further, the funds were to be utilised within 90 days of its receipt from the Apex bodies. The period of 90 days allowed for fund utilisation was to be treated as moratorium period and the fund unutilised within 90 days from the date of release by Apex bodies attracted a higher rate of interest<sup>23</sup>. We noticed that the SABCCO failed to utilise the funds within the stipulated period of time and there was delay in utilisation of funds ranging between 108 days to 386 days which resulted in an avoidable liability towards penal interest to the extent of ₹ 13.27 lakh.

The Company stated (October 2010) that only one Apex body viz. NBCFDC charges penal interest. However, we observed that terms and conditions of lending policy of other Apex bodies also contain clauses enabling them to levy higher rate of interest on delayed utilisation of funds.

This delayed utilisation of funds resulted in an avoidable liability towards penal interest to the extent of ₹ 13.27 lakh.

The matter was reported to Government (August 2010); its reply was awaited (October 2010).

## SIKKIM TIME CORPORATION LIMITED

### 5.5 Infertuous expenditure on idle manpower

**Due to lack of effective management, an amount of ₹ 2.58 crore received as share capital from the Department became unfruitful.**

The Company was established (October 1976) to carry on the business of manufacturing and trading of semi-conductor, assembling mechanical watches, black and white television speakers. In the Report of Comptroller and Auditor General of India (Civil) for the year ended 31 March 2007 (paragraph 7.16), mention was made about the loss making Government companies / corporations in the State. Audit analysis on the

<sup>23</sup> Rate of interest has been calculated at the prevailing rates during 2007-09 in respect of NBCFDC: 1-90 days: 3 %, 91-180 days: 6 % & beyond 180 days: 8 %



reasons for losses in Sikkim Time Corporation Limited (SITCO) indicated that losses were due to unfruitful investment, decrease in sales / revenue income, closure of projects and increase in employee cost, etc. As per the latest accounts finalised, the accumulated losses in the company mounted to ₹ 16.72 crore till 31 March 2009. The Company also received share capital of ₹ 2.58 crore during the period February 2006 to March 2010 which was utilised towards repayment of loan and making payments of salaries to its employees.

The management neither ascertained the financial position of the company which was persistently incurring losses nor took any initiative to address the reasons for losses. We observed that during past 10 years the management closed down the following units due to reasons given below:

- Unfruitful investment of ₹ 2.28 crore in speaker project which was abandoned in March 2005 due to non-incorporation of a buy back arrangement clause in the agreement entered into with BPL.
- The Corporation stopped production of digital watches during 2003-04 as the HMT (a central public sector undertaking) stopped outsourcing the work which resulted in decrease in revenue income of assembly charges by 79.92 per cent as compared to 2001-02.
- Closure of crown project in 2002-03 due to uneconomical operations.

Although, the Company closed down these three units but it failed to rationalise the staff deployed in these units who remained idle resulting in increase in establishment cost which attributed towards recurring losses. Further, the Company did not utilise the idle manpower either by venturing out for new sustainable projects or entering into joint venture with private entrepreneurs.

We also noticed that the watches manufactured by SITCO had become outdated due to degradation of the mechanism and high competition in the market which rendered them useless. The prices have come down drastically; the ageing factor has set in the watches as these watches were over ten years old which led to accumulation of idle stock valuing ₹ 0.36 crore till date (September 2010). The accumulated idle stock had become obsolete /useless hence disposal of these watches was difficult in spite of deep discount offer. The Company failed to initiate any action either to revive the company or minimise the overhead cost which affects the profitability of the Company.

In interim reply, the Department stated (September 2009) that the Company is Government undertaking and hence is the policy of the Government to invest in it as the Government is not always concerned about profit or loss but rather is service oriented.

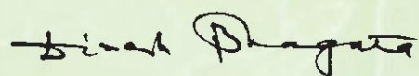
The reply of the Government is not convincing as investment in this venture cannot be



termed as service oriented as no social or service objective was being met and the aim of the venture and the investment was commercial. The public money invested in this unit by way of share capital ₹ 2.58 crore proved unfruitful.

The matter was reported to the Government (October 2010); its reply was awaited (October 2010).

Gangtok  
The



(Dinesh Bhagata)  
Accountant General (Audit), Sikkim

Countersigned

New Delhi  
The



(Vinod Rai)  
Comptroller and Auditor General of India







# APPENDICES







**Appendix-1.1**  
**Burden of subsidy to the State Government**  
*(Referred to in paragraph 1.2.23, Page 37)*

(In ₹)

Period	Quantity lifted (in quintal)	RIP fixed by GOI per quintal	Price per quintal	Rate charged to the customer	Subsidy released per quintal	Differential cost to the consumers	Burden of subsidy to the State Government
4/05 to 2/06	31580	1350.00	1425	1425	0	23,68,500	
3/06 to 4/06	7820	1445.45	1792	1425	367	(-) 1,59,919	28,69,940
5/06 to 3/07	27310	1445.45	1800	1800	0	96,82,761	
4/07 to 3/08	5910	1445.45	1800	1800	0	20,95,391	
4/08 to 3/09	10820	1445.45	1800	1800	0	38,36,231	
4/09 to 3/10	46920	1445.45	1950	1950	0	24,63,300	

**Appendix-1.2**  
**Delay in release of fund by the Government of India and the Department**  
*(Referred to in paragraph 1.3.8.1, Page 48)*

(₹ in lakh)

Year	Amount released by the GOI	Date of release	Delay in release	Amount released by the Department to Districts	Date of release	Delay
<b>2005-06</b>	408.80	18-05-05	<b>17</b>		<b>31-03-06</b>	<b>303</b>
	102.20	30-06-05	<b>60</b>			<b>288</b>
	160.00	29-09-05	No delay			<b>166</b>
	40.00	29-09-05	No delay			<b>166</b>
	568.80	23-12-05	No delay			<b>82</b>
	142.20	23-12-05	No delay			<b>82</b>
<b>Total</b>	<b>1422.00</b>			<b>359.05</b>		
<b>2006-07</b>	1104.00	8-05-06	<b>07</b>		<b>31-03-07</b>	<b>311</b>
	703.00	14-11-06	No delay			<b>121</b>
	193.00	19-12-06	No delay			<b>85</b>
<b>Total</b>	<b>2000.00</b>			<b>295.33</b>		
<b>2007-08</b>	960.00	15-05-07	<b>15</b>		<b>31-03-07</b>	<b>303</b>
	240.00	16-05-07	<b>14</b>			<b>302</b>
	227.09	27-12-07	No delay			<b>78</b>
	908.37	27-12-07	No delay			<b>78</b>
<b>Total</b>	<b>2335.46</b>			<b>533.44</b>		
<b>2008-09</b>	1348.56	19-05-07	<b>17</b>		<b>31-03-09</b>	<b>330</b>
	410.44	28-11-08	No delay			<b>108</b>
	91.00	28-11-08	No delay			<b>108</b>
<b>Total</b>	<b>1850.00</b>			<b>637.43</b>		
<b>2009-10</b>	925.00	17-07-09	<b>77</b>		<b>31-03-10</b>	<b>240</b>
	820.54	1-12-09	No delay			<b>104</b>
<b>Total</b>	<b>1745.54</b>			<b>635.23</b>		
<b>G total</b>	<b>9353.00</b>			<b>2460.48</b>		



**Appendix-1.3**  
**Area and Production**

*(Referred to in paragraph 1.3.9.1, Page 53)*

*(Area in '000' hectare, production in '000 MT', yield in Kg per hectare)*

Crops	Particulars	Year				
		2005-06	2006-07	2007-08	2008-09	2009-10
Cereals						
Rice	Area	14.74	14.15	14.00	13.00	12.00
	Production	22.69	21.45	22.85	22.23	20.40
	Yield	1539.35	1515.90	1632.14	1709.23	1700.00
Wheat	Area	5.74	6.38	4.45	3.90	5.20
	Production	9.20	10.36	4.46	3.50	5.85
	Yield	<b>1602.79</b>	1623.82	1002.25	874.43	<b>1125.00</b>
Maize	Area	36.70	40.85	39.10	39.20	39.50
	Production	61.10	64.89	62.56	65.74	59.25
	Yield	<b>1664.85</b>	1588.49	1600	1677.04	<b>1500.00</b>
Finger Millet	Area	4.15	4.14	3.76	3.76	4.25
	Production	3.78	3.90	3.53	3.53	4.75
	Yield	910.84	942.03	938.83	940.00	1117.65
Barley	Area	1.23	1.15	0.71	0.50	1.00
	Production	1.59	1.27	0.66	0.47	1.15
	Yield	<b>1292.68</b>	1104.35	929.58	930.00	<b>1150</b>
Buck wheat	Area	2.01	2.04	2.04	5.54	5.54
	Production	1.64	1.79	1.79	5.35	5.35
	Yield	815.92	877.45	877.45	965.52	965.70
Pulses						
Urd	Area	<b>3.87</b>	3.55	3.55	3.22	<b>3.60</b>
	Production	2.98	2.78	3.11	2.82	3.30
	Yield	769.07	783.10	876.06	880.00	916.67
Other Pulses	Area	2.93	2.41	2.51	2.68	2.90
	Production	3.78	2.67	2.78	2.97	3.00
	Yield	<b>1290.10</b>	1107.88	1107.57	1110.00	<b>1034.48</b>
Oils Seeds						
Rapeseed & Mustard	Area	6.00	5.28	5.00	5.30	5.80
	Production	4.50	4.06	4.32	4.45	5.05
	Yield	750.00	768.94	864	840.00	870.69
Soya beans	Area	3.89	3.69	3.60	3.60	4.20
	Production	3.40	3.23	3.15	3.16	4.00
	Yield	874.04	875.33	875	880.00	952.38
Other oil seeds	Area	0.06	00	00	00	
	Production	0.05	00	00	00	00
	Yield	833.33	00	00	00	00

*Source: Annual Progress Reports of the Department*



**Appendix-1.4**  
**Achievement of physical & financial target under RVP**  
*(Referred to in paragraph 1.3.9.5, Page 60)*

Name of the Watersheds and commencement of the Project	Approved cost (₹ in lakh)	Schedule date of completion	Financial Achievement (₹ in lakh)					Physical target	Physical Achievement (Area in hectare)					Total
			2005-06	2006-07	2007-08	2008-09	2009-10		2005-06	2006-07	2007-08	2008-09	2009-10	
Tb3g Reshi Khola Watersheds West Sikkim 2003-04	338.47	2007-08	75.05	56.51	96.00	6.03	6.94	3424	670	315	1370	75	00	2430 +462 2892 (84) i.e 16% short
Tb4c Bhutey Khola Watersheds West Sikkim 2006-07	232.50	2010-11	NA	NA	61.20	69.81	53.46	2268	NA	NA	790	430	253	1473 (65) i.e 35% short
Ta3a Khani Khola Watersheds East Sikkim 2007-08	240.69	2011-12	NA	NA	NA	60.58	51.50	2244	NA	NA	NA	543	210	753 (34) i.e 66% short
Tb4f Changay Khola Watersheds West Sikkim 2008-09	201.16	2012-13	NA	NA	NA	57.06	57.46	1924	NA	NA	NA	411	280	691 (36) i.e 64% short

Source: Approved sanction order & figure from RVP Division

(i) ₹ 54.20 and 462 hectare are Financial & Physical progress up to 2004-05 NA = Not applicable

(ii) Figure in the bracket represents percentage



**Appendix-2.1**  
**Statement showing loss on payment of interest free advances**  
*(Referred to in paragraph 2.2, Page 69)*

(In ₹)

Sl. No	Particulars	Advance amount	Cheque No.	Date	Adjustment amount	Vr.No.	Date	No of days	10% interest
1	M/s J.P. Enterprise	19500000	301292	18/04/08	7705908	Jr-616-21	4/08/08	108	228010.4
		0		18/04/08	7300000	Dr-381	17/09/08	152	304000
		0		18/04/08	447276	Jr-1091-95	27/10/08	192	23527.94
		0		18/04/08	4025115	Jr- 1146-61	12/11/2008	208	229376.4
		7300000	334193	18/07/08	6465690	Jr-1162	12/11/2008	117	207256.4
		7700000	334204	21/07/08	3232845	Jr-1263	24/11/08	126	111599.6
		0		21/07/08	1000000	Dr-555	29/11/08	131	35890.41
		0		22/07/08	3082568	Jr-1499-1501	19/12/08	150	126680.9
		7000000	328493	18/09/08	5159670	Jr-1502	19/12/08	92	130052
		1000000	47590	25/11/08	4080928	Jr-1925-26	28/02/09	95	106215.9
2	M/s J.P.Enterprise	3500000	2756	9/1/2009	3500000	Jr-2385	31/03/09	81	77671.23
3	M/s National Equipment Trading Co.	7500000	301293	18/04/08	7500000	Jr-221	24/06/08	67	137671.2
4	M/s Sushil Sharma	6500000	301294	18/04/08	6500000	Dr-182	24/06/08	67	119315.1
5	M/s Dinesh Enterprise	8000000	334194	18/07/08	8000000	Jr-725	9/9/2008	53	116164.4
6	M/s Kalimpong Store	3900000	334252	1/8/2008	3900000	Jr-2356	31/03/09	242	258575.3
7	M/s Triveni Enterprise	2000000	328498	22/09/08	2000000	Dr-698-99	24/01/09	124	67945.21
8	M/s Calcutta Hardware	2500000	63240	24/01/09	2500000	Jr-2390	31/03/09	66	45205.48
9	M/s Wishcraft Enterprise	1000000	67529	21/02/09	1000000	Dr-394	13/08/09	173	47397.26
10	M/s J.P.Enterprise	2100000	6785	7/3/2009	2100000	Jr-2385	31/03/09	24	13808.22
11	M/s Birla Corporation Ltd.	2580000	2779	17/03/09	2580000	Jr-2419	31/03/09	14	9895.89
12	M/s Nenamma Ent.	1500000	63215	9/1/2009	1500000	0	17/09/09	251	103150.7
13	M/s Rambilash	1000000	63209	8/1/2009	1000000	Dr-76	6/5/2009	118	32328.77
14	M/s S.K.Enterprise	500000	63208	8/1/2009	500000	Dr-75	6/5/2009	118	16164.38
15	M/s Nenamma Ent.	4000000	334257	4/8/2008	4000000	0	17/09/09	409	448219.2
	<b>TOTAL</b>	<b>8,90,80,000</b>							<b>2996122</b>



**Appendix-2.2**  
(Referred to in paragraph 2.3, Page 70)  
**(i) Excess payment in Stone Masonry work**

Sl No	Vr. No.date	Name of Work	Quantity Executed (cum)	Amount actually paid @ ₹ 2012.04	Amount required to be paid @ ₹ 1372.75	Excess payment (Rupees)	R.A. Bill No
1	85/SDt.09.09.09	RCR from Namchi Melli Road	559.56	1125857.00	768136.00	357721	1 <sup>st</sup> .R.A.
2	122/S Dt. 26.09.08	C/O PMGSY road from GLVC road to Peku	2243.16	4513328.00	3079298.00	1434030	2 <sup>nd</sup> . & final bill
3	151/S28.01.09	C/O PMGSY road from Lingmoo to U/ Mamgzing	1183.30	2380847.00	1624375.00	756472	2 <sup>nd</sup> . & final
<b>Total</b>			<b>3986.02</b>	<b>8020032.00</b>	<b>5471809.00</b>	<b>2548223</b>	

**(ii) Excess payment in Reference /Boundary Pillar**

Sl. No	Vr.No& Date	Name of work	Work executed in KM	Amount actually paid @ ₹ 16,785.48	Amount required to be paid @ ₹ 15,933.09	Excess payment	Running Bill no
1.	99/21.10.08	Rc road from Rhenock Bazar to Gumpa Simana	10.75	180444.00	171281.59	9162.41	3 <sup>rd</sup> RA
2.	87/28.07.09	Rc road from Dikchu Makha road to Dungdung	7.63	128073.00	121570.08	6502.92	3 <sup>rd</sup> .
3.	79E 27.02.08	C/o RC road from Upper Syari to Middle Syari	4.2	33404.00	31707.00	1697.00	2 <sup>nd</sup>
4.	82/27.02.08	Rc road from Ranipool to Syari	6.60	100712.88	95599.02	5113.86	2 <sup>nd</sup>
5.	41/22.06.09	Phtuk Paksam to Linzey	7.26	121863.00	115674.81	6188.19	2 <sup>nd</sup>
6.	160/24.09.09	Rc road from SPWD road to Kamrang	5.87	98531.00	93527.70	5003.30	5 <sup>th</sup> .RA
7.	164/25.09.08	C/o road from Maneydara to Rabdong Zingla, East District	3.6	60428.00	57362.14	3065.86	1 <sup>st</sup> .
8.	20/07.04.09	Penlong to Thamidara	2.65	44482.00	42222.90	2259.10	2 <sup>nd</sup>
9.	101/01.10.08	PMGSY Road from Tintek to Chuba to Namring	11	184641.00	175264.87	9376.13	1 <sup>st</sup>
10.	59/17.07.08	Namphory Gumpa to Rakdong tintek	3.17	53210.00	50508.15	2701.85	2 <sup>nd</sup>
11.		Pandim to Kamrey	10	167850.00	159332.00	8518.00	2 <sup>nd</sup>



12.	174/05.03.09	Rc road from U/ Samsing to Changay	5.25	88124.00	83649.14	4474.86	3 <sup>rd</sup> .RA
13.	80/E 27.02.08	C/o of Rc road from Basnet Gaon to Kyonglse East Sikkim	4	67142.00	63732.68	3409.32	1 <sup>st</sup> . & Final
14.	54/E 30.06.09	C/o of Rc road from Basnet Gaon to Knonglse East Sikkim (Balance portion)	1	16785.00	15933.17	852.31	1 <sup>st</sup> . & Final
15.	119/E 31.03.08	Rc road from South Parkha to Noarth Parkha to Paksam	5.51	92488.00	87791.77	4696.23	2 <sup>nd</sup>
16.	110/E 19.03.08	C/o Rc road from Sungdung to Rewlakha East Sikkim	4.11	68988.32	65485.32	3503.00	2 <sup>nd</sup> .
17.	135/31.03.09	Chunbatti to Dokchim	4.9	82249.00	78072.53	4176.47	2 <sup>nd</sup> .
18.	82/27.02.08	Rc road from Bista Gaon to U/Tarpin to Salghari	3.55	59588.00	56562.75	33025.25	2 <sup>nd</sup> .
19.	108/24.01.09	Gairi Gaon to Sudunglakha	5.56	93327.27	88587.98	4739.29	2 <sup>nd</sup> .
20.	93/22.09.09	Reshi Kotarri to Agro Gaon	1	16785.50	15933.17	852.33	2 <sup>nd</sup> .
21.		Tashiding Gerethang 2 <sup>nd</sup> . Mile PWD Rd to L/Chongrong, West	9.25	155265.69	147381.82	7883.87	
22.		Lower Bermi9ok SPWD Road to U/Martam	5.10	85605.95	81259.17	4346.78	
23.		Kaluk Dentam SPWD Road Tadong Jawbari, West	5.96	100041.46	94961.69	5079.77	
24.		Chakung Soreng SPWD Road to Bhasmey	6.15	103230.70	97989.00	5241.70	
25.		Reshi to Zeel Kaluk to Burn	7.83 1.76	160972.75	152799.10	8173.65	
26.		Kutti Dara to Central Zoom	3.12	52370.70	49711.49	2659.21	
27.		L/Ribdi SPWD Rd. to L/Tharpu	1.98 2.98	83255.98	79028.52	4227.46	
28.	138/S22.01.09	Melli Turuk PWD Rd to Panchgharay	4	67142.00	63733.00	3409.00	3 <sup>RA</sup>
29.		Extention of Belling Lungchik	3.76	63113.40	59908.41	3204.99	
30.		L/Namphing to Tshalamthang Namchiphong to Bikmat	4 1.35	89802.32	85242.03	4560.29	
31.	35/S01.07.09	Nagang to Gangla	2.00	33571.00	31866.18	1704.82	2 <sup>nd</sup> . & final



32.		Gyalsing to Lingchom SPWD Rd to L/Bongten	7.65	128408.92	121888.75	6520.17	
33.	324/26.02.08	RC road from upper syari to middle syari	2.99	50190.00	47640.00	2550.00	2 <sup>nd</sup> .
34.		Middle Sanku to Lower Sanku	3	50356.44	47799.51	2556.93	
35.		Extension of Magsabong SPWD Rd to Topung	5.40	90640.78	86039.12	4601.66	
36.		Upper Gelling to Middle Gelling	2.50	41963.70	39832.73	2130.97	
37.		Kamtrang SPWD Rd to Kitchu Dumra Sumbuk PHSC to Shyamdas Village	7.32 & 0.76	135626.69	128739.37	6887.32	
38.	50/S07.09.09	8 <sup>th</sup> . Mile SPWD Rd to Salghari	4	67142.00	63733.00	3409.00	3 <sup>rd</sup> . & final
39.		Sorek Busty to Solophok tourist Centre	5.11	85773.80	81418.09	4355.71	
40.	74/12.08.09	Lower Gom Busty to Kitam PHSC	3.21	53881.00	51145.00	2736.00	3 <sup>rd</sup> . & final
41.		Lower Kitam Busty to Kitam PHSC	3.24	54385.00	51623.00	2762.00	
42.	100/S 22.09.08	Gurung Gaon to Assangthang Tourist Village	3.94	66051.00	62777.00	3274.00	3 <sup>rd</sup> . & final
43.	193/24.03.09	Sadam Sukrabaray to L/Suntalay	9	151069.00	143399.00	7670.00	3 <sup>rd</sup> . & final
44.		Sumbuk Lungchok to L/Sumbuk	2.90	48677.89	46205.96	2471.93	
45.		NHS to Leema NHS to Tiling North	2.10 & 2.73	81073.87	76956.80	4117.05	
46.		Thangu Gumpa to Bhasmay North	5	83927.40	79665.45	4261.95	
47.	133/27.09.09	Barfong PWD Rd to Kyongsha School, Rabongla	6.92	116156.00	110258.00	5898.00	Final Bill
48.	99/S 26.08.09	Rabong-Zarong to Lower & Tashiding Monastery	4.00	67142.00	63733.00	3409.00	3 <sup>rd</sup> . & final
49.		Rabong to U/Devithan	4.06	68149.05	64688.67	3460.38	
50.		Yangthang to Kajel(Srijunga) via Toyong School EC	6	100713.00	95599.00	5114.00	
51.		Sisney to Rock Garden Central Zoom	5.65	94837.96	90021.96	4816.00	
52.		Sungdung(Chujachen) to Rewlakha (via Pam Busty)	4.11	68988.32	65485.00	3503.32	



53.	202/ S 27.03.09	Namchi Gurpisey Rd (Gumpa Golai) to Parbing via phalendara	4.25	67140.00	63733.00	3407.00	2 <sup>nd</sup>
54.	125/S 24.09.09	Denchung to Dong	6	100713.00	95599.00	5114.00	2 <sup>nd</sup> & final
55.	203/S 27.03.09	Temi to Aiphal Tar	7.91	132773.00	126031.00	6742.00	3 <sup>rd</sup>
56.	67/S 12.0809	Upper Namlung to Lower Namlung School	3	50357.00	47800.00	2557.00	
57.	122/S 26.09.08	GLVC Road to Peku (Ben)	4	67142.00	63733.00	3405.00	2 <sup>nd</sup> & final
58.	153/S 29.01.09	Yangyang to Satam	3	50357.00	47800.00	2557.00	2 <sup>nd</sup>
59.	151/S 28.01.09	Lingmoo to U/Mangzing	2.24	37599.00	35690.30	1908.70	2 <sup>nd</sup> & final
60.	124/S 24.09.09	Middle Lingey to Chunarey	9.96	167016.00	158535.00	8481.00	3 <sup>rd</sup> RA
61.	88/S 09.09.08	Re road from Namchi Melli road to Kitam	3.24	54385.00	51623.00	2762.00	1 <sup>st</sup> .RA
62.	95/ S 11.09.08	PMGSY road from Yangyang to Tourist Centre	3.20	53714.00	50986.00	2728.00	1 <sup>st</sup> .RA
63.	13/N 18.09.09	C/o Re road from NSH to Lema at North	2.04	34242.00	32503.50	1738.50	1 <sup>st</sup> .RA
64.	6/N 21.07.09	Re road from Penglong Bazar to Longbooo School	4.62	77549.00	73610.88	3938.12	Final Bill
65.	15/N 24.09.09	Re road from Thangu Gumpa to Banmzey	5.00	83928.00	79665.45	4262.55	3 <sup>rd</sup> .
			<b>326.90</b>	<b>5435557.22</b>	<b>5159637.74</b>	<b>275915.48</b>	

**(iii) Excess payment in providing & laying Boulder apron laid in Wire Crates**

Sl. No	Vr.No & Date	Name of work	Work executed in KM	Amount actually paid @ ₹ 653.84	Amount required to be paid @ ₹ 613.09	Excess payment	Running Bill no
1.	80/E 30.06.09	C/o of Rural connectivity road from Basnet Gaon to Kyongsa in E. Sikkim Phase V	644.036	421090.00	394852.03	26237.97	
2.	22/20.06.09	PMGSY road from Rumtek to Paksam to Linzey	10.08 +852.32	6591.00 +576887.00	528728.82	54749.18	2 <sup>nd</sup> .
3.	44/22.06.09	C/o RC road from U/ Samsing to Changay (Tokchey) East Sikkim Ph V	543.530	355376.00	333232.81	22143.19	3 <sup>rd</sup>
4.	54/E 30.06.09	Patuk Paksam to Linzey	892.40	583477.89	547121.52	36356.37	2 <sup>nd</sup> .
5.	160/24.09.09	SPWD Road to Kamithang Ph V	192.829	126077.00	118221.53	7865.47	5 <sup>th</sup> .



6.	54/E 30.06.09	C/o Rural connectivity road from Basnet Gaon to Kongse in E. Sikkim Phase V	815.360	533107.00	500177.21	32929.79	AC of 1 <sup>st</sup> . & final (balance portion)
7.	79/E 27.02.08	RC road from U/ Syari to Middle Syari	294.61	192624.86	180622.44	12002.42	2 <sup>nd</sup> . RA
8.	96/E 23.09.09	C/o Rc Road from South Parkha to North Parkha in East District	378.30	247344.00	231931.95	15412.05	3 <sup>rd</sup> .
9.	82/27.02.08	PMGSY road from Bista Gaon to U/Tarpin	394.85	258165.00	242078.58	16086.42	1 <sup>st</sup> .RA
10.	99/21.10.08	RC road from Rhenock Bazar to Gumpa Simana	65.43	42780.00	40114.48	2665.52	3 <sup>rd</sup> .. RA
11.	133/31.03.09	C/o RC road from Chunbhatti to Dasshin	360.00	235378.00	22071240	14665.60	2 <sup>nd</sup> .RA
12.	151/S 28.01.09	Lingmoo to U/Mangzing	659.52	431214.00	404345.00	26869.00	1 <sup>st</sup> .RA
13.	88/S 09.09.08	RCR from Namchi Melli Road to Kitam PHSC	30.82	20151.00	18895.00	1256.00	1 <sup>st</sup> .RA
14.	100/S 22.09.08	RCR from Gurung Gaon to Assingthang Tourism Village	1014.25	644860.00	621827.00	23033.00	3 <sup>rd</sup> . RA
15.	203/S 27.03.09	RCR from Temi to Aiphaltar	1556.01	1017412.70	953974.00	63438.70	3 <sup>rd</sup> . RA
16.	113/S 07.09.09	RCR from Berfung PWD road to Kyongsa School	442.00	289339.00	271311.00	18028.00	Final Bill
17.	125/24.09.09	RCR from Denchung to Dong	233.00	152342.00	142850.00	9492.00	2 <sup>nd</sup> . & Final
18.	74/S	RCR from Lower Gom Busty to Kitam PHSC	1665.53	1089170.00	1021304.00	67866.00	3 <sup>rd</sup> . & Final
19.	99/S 26.08.09	RCR from Rabong Zarong to Lower Zarong & Tashiding Monastery	750.76	490869.00	459977.00	30892.00	3 <sup>rd</sup> . & Final
20.	13/N 18.09.09	C/o RC road from NSH to Lema at North	109.25	71430.00	66980.08	4449.92	1 <sup>st</sup> . RA
21.	6/N 21.07.09	Rc road from Penlong Bazar to Longboo School	47.72	31199.00	29256.66	1942.34	Final Bill
22.	15/N 24.09.09	RC road from Thangu Gumpa to Bamzey	132.98	86946.00	81528.71	5417.29	3 <sup>rd</sup> .
23.	52/17.0609	East Pandam to Kamrey	196.33	128366.00	120367.96	7998.04	2 <sup>nd</sup> . RA
24.	20/07.04.09	RC road from Penglong to Thamidara	175.00	114546.00	107290.75	7255.25	2 <sup>nd</sup> .
25.	91/22.09.09	Reshi Kottari to Agrigaon	1112.625	727468.00	682139.00	45329.00	2 <sup>nd</sup> .
			13569.54	8874210.45	8319839.93	554370.52	
	<b>GRAND TOTAL {I)+(II)+(III)}</b>		<b>17882.46</b>	<b>22329799.670</b>	<b>18951286.670</b>	<b>3378509.90</b>	



## Appendix-2.3

**Statement showing the excess payment of land compensation due to erroneous fixation of prevailing market rates in various cases in South and East District**  
(Referred to in paragraph 2.5, Page 71)

Sl No	Name of acquiring deptt.	Name of the project	Area acquired		Market rate @which assessment done	Valuation done by deptt. (₹)	Market rate worked out by audit	Total valuation of land i.e solatium & other compensation worked by audit (₹)	Excess assessment done by the deptt
			In ha	In sft					
I	HRDD	Setting up of Central University at Yangyang	125.0172	13456740.14	₹ 9.37sft.	26,94,92,492	₹ 2.82sft	11,83,14,715	151177777
II	UDHD	Extension of Damthang Bazar	1.646	177173.97	₹ 10.42sft.	28,83,278	₹ 1.76sft.	6,45,163	2238115
III	Tourism	Installation of Ropeway station at Namchi	0.0648	6975.01	₹ 343.96sft	24,06,553	₹ 121.29sft	8,48,611	1557942
IV	Energy & Power	132KV Transmission line from Chujachen HEP to Phongla, Namthang	0.475	51128.57	₹ 16.34sft	13,58,492	₹ 4.16sft	5,48,912	809580
V	RMDD	C/O Stadium cum rural community centre at Gayang	2.448	263500.54	₹ 12.34sft	44,80,853	₹ 5.54sft	21,51,523	2329330
VI	SPDC	C/O approach road etc. for 96MCO Jorethang Loop HP	4.821	518928.15	₹ 18.25sft	1,28,36,449	₹ 10.95sft	79,11,714	4924735
VII	LRDMD	Creation of Land Bank	5.9380	639161.03	₹ 14.18sft	1,24,53,548	₹ 7.93sft	69,18,463	5535085
		<b>TOTAL</b>	<b>140.41</b>	<b>1511360741</b>		<b>305911665</b>		<b>137339101</b>	<b>168572564</b>

## Appendix-3.1

**Year-wise position of creation of road network**  
(Referred to in paragraph 3.1.1, Page 82)

(Roads in kms; bridges in number)

Upto the Year	Length of Roads at the end of each year (Kms)			No. of Bridges at the end of each year				Increase	
	Black topped roads	*WBM, earthen, bridle & other roads	Total	RCC	Steel	Others	Total	Roads	Bridges
2004-05	1005	901	1906					--	Year-wise position of bridges not maintained by the Department
2005-06^	--	--	--					--	
2006-07^	--	--	--					--	
2007-08	1090.64	879.28	1969.92					63.92	
2008-09	1133.24	879.28	2012.52					42.60	
2009-10	1400.86	652.69	2053.55	95	74	29	198	41.03	

Source – Annual Reports of the Department. ^Figures not available. \*WBM - Water Bound Macadam.



**Appendix – 3.2**  
**Statement showing quality tests to be carried out in terms of MORTH Specifications**  
*(Referred to in paragraph 3.1.11.1, Page 100)*

Sl No	Materials / Work to be tested	Nature of Test	Frequency
1	<b>Earthwork for Sub-grade Construction &amp; Cut Formation</b>	Sand Content	2 tests per 3000 cum of soil
		Plasticity test	2 tests per 3000 cum of soil <i>(each type to be tested)</i>
		Density test	2 tests per 3000 cum of soil <i>(each type to be tested)</i>
		Deleterious Content	As and when required by the Engineer
2	<b>Granular Sub-base / base</b>	Gradation	1 test per 200 cum
		Atterberg limits	1 test per 200 cum
		Moisture content prior to compaction	1 test per 250 cum
		Density of compacted layer	1 test per 500 sqm
		Deleterious constituents	As required
		C.B.R.	As required
3	<b>Water Bound Macadam</b>	Aggregate impact value	1 test per 200 cum of aggregate
		Grading	1 test per 100 cum
		Flakiness Index and elongation Index	1 test per 200 cum of aggregate
		Atterberg limits of binding materials	1 test per 25 cum of binding material
		Atterberg limits of portion of aggregates passing 425 micron sieve	1 test per 100 cum of aggregate
4	<b>Prime Coat / Tack Coat</b>	Quality of Binder	Number of samples per lot and test as per as per IS:73, IS:217 and IS:8887 as applicable
		Binder temperature for application	At regular close intervals
		Rate of spread of binder	1 test per 500 sqm and not less than 2 tests per day
5	<b>Seal Coat / Surface Dressing</b>	Quality of binder	Number of samples per lot and test as per as per IS:73, IS:217 and IS:8887 as applicable
		Aggregate Impact Value / Los Angeles Abrasion Value	1 test per 50 cum of aggregate
		Flakiness Index and Elongation Index	1 test per 50 cum of aggregate
		Stripping value of aggregates	Initially one set of 3 representative specimens for each source of supply. Subsequently, when warranted by changes in the quality of aggregates.
		Water absorption of aggregates	-do-
		Water sensitivity of mix	-do-
		Grading of aggregates	1 test per 25 cum of aggregates
		Soundness (Magnesium and Sodium Sulphate)	Initially, one determination by each method for each source of supply, then as warranted by change in the quality of the aggregates.
		Polished stone value	As required
		Temperature of binder at application	At regular close intervals
		Rate of spread of materials	1 test per 500 sqm of work and not less than 2 tests per day
		Percentage of fractured faces	1 test per 50 cum of aggregates



6	<b>Premix Surfacing</b>	Quality of binder	Same as mentioned under SI No 5 above
		Aggregate Impact Value / Los Angeles Abrasion Value	Same as mentioned under SI No 5 above
		Flakiness Index and Elongation Index	Same as mentioned under SI No 5 above
		Stripping value	Same as mentioned under SI No 5 above
		Water absorption of aggregates	Same as mentioned under SI No 5 above
		Water sensitivity of mix	Same as mentioned under SI No 5 above
		Grading of aggregates	Same as mentioned under SI No 5 above
		Soundness (Magnesium and Sodium Sulphate)	Same as mentioned under SI No 5 above
		Polished stone value	Same as mentioned under SI No 5 above
		Temperature of binder at application	Same as mentioned under SI No 5 above
		Percentage of fractured faces	Same as mentioned under SI No 5 above
		Rate of spread of materials	Regular control through checks of layer thickness
		Binder content	1 test per 500 cum and not less than 2 tests per day
7	<b>Dense Bituminous Macadam / Semi Dense Bituminous Concrete</b>	Quality of binder	Same as mentioned under SI No 5 above
		Aggregate Impact Value / Los Angeles Abrasion Value	Same as mentioned under SI No 5 above
		Flakiness Index and Elongation Index	Same as mentioned under SI No 5 above
		Stripping value	Same as mentioned under SI No 5 above
		Water absorption of aggregates	Same as mentioned under SI No 5 above
		Water sensitivity of mix	Same as mentioned under SI No 5 above
		Soundness (Magnesium and Sodium Sulphate)	Same as mentioned under SI No 5 above
		Percentage of fractured faces	Same as mentioned under SI No 5 above
		Polished stone value	As required for SDBC / BC
		Sand equivalent test	As required
		Plasticity index	As required
		Mix Grading	1 set of tests on individual constituents and mixed aggregate from the dryer for each 400 tonnes of mix subject to a minimum of 2 tests per plant per day
		Stability of mix	For each 400 tonnes of mix produced, a set of 3 Marshall specimens to be prepared and tested for stability, flow value, density and void content subject to a minimum of two sets being tested per plant per day.
		Swell test on the mix	As required for the Bituminous Concrete
		Control of temperature of the binder in boiler, aggregate in the dryer and mix at the time of laying and rolling	At regular close intervals
		Control of binder content and grading of the mix	1 test for each 400 tonnes of mix subject to minimum of two tests per day per plant
		Rate of spread of mixed material	Regular control through checks on the weight of mixed material and layer thickness
		Density of compacted layer	1 test per 250 sqm area.



**Appendix – 4.1**  
**Statement showing under-assessment of tax**  
*(Referred to in paragraph 4.2, Page 117)*

Gross Turnover (₹)	Income tax (₹) was to be assessed (indicated in col. 1) as per the Sikkim Income Tax Manual, 1948		Income tax assessed (₹)	Difference (₹)
1	2	3	4	5
Accounting year 1999-2000				
28,93,30,285	On first ₹ 10,00,000 On next @ 3% of ₹ 28,83,30,285	₹ 23,230 ₹ 86,49,909 Total: ₹ 86,73,139	28,93,303	57,79,836
Accounting year 2000-01				
30,95,40,359	On first ₹ 10,00,000 On next @ 3% of ₹ 30,85,40,359	₹ 23,230 ₹ 92,56,211 Total: ₹ 92,79,441	30,95,404	61,84,037
Accounting year 2001-02				
40,82,04,184	On first ₹ 10,00,000 On next @ 3% of ₹ 40,72,04,184	₹ 23,230 ₹ 1,22,16,126 Total: ₹ 1,22,39,356	40,82,042	81,57,314
Accounting year 2002-03				
46,14,00,434	On first ₹ 10,00,000 On next @ 3% of ₹ 46,04,00,434	₹ 23,230 ₹ 1,38,12,013 Total: ₹ 1,38,35,243	46,14,004	92,21,239
Accounting year 2003-04				
53,24,73,271	On first ₹ 10,00,000 On next @ 3% of ₹ 53,14,73,271	₹ 23,230 ₹ 1,59,44,198 Total: ₹ 1,59,67,428	53,24,773	1,06,42,655
Accounting year 2004-05				
54,47,03,558	On first ₹ 10,00,000 On next @ 3% of ₹ 54,37,03,558	₹ 23,230 ₹ 1,63,11,107 Total: ₹ 1,63,34,337	54,47,036	1,08,87,301
Accounting year 2005-06				
62,46,77,511	On first ₹ 10,00,000 On next @ 3% of ₹ 62,36,77,511	₹ 23,230 ₹ 1,87,10,325 Total: ₹ 1,87,33,555	63,76,775	1,23,56,780
Accounting year 2006-07				
56,96,86,757	On first ₹ 10,00,000 On next @ 3% of ₹ 55,86,86,757	₹ 23,230 ₹ 1,67,60,603 Total: ₹ 1,67,83,833	58,26,868	1,12,56,965
<b>G.Total: 374,00,16,359</b>		<b>₹ 11,21,46,332</b>	<b>3,76,60,205</b>	<b>6,83,08,311</b>



**Appendix – 4.2**  
**Statement showing loss of interest**  
*(Referred to in paragraph 4.4, Page 119)*

Name of the scheme	Draw no.	Date of draw	Prize money	Due date of remittance/ prize money	Date of remittance (part payment in bracket)	Delay in remittance (In days)	Interest
			(In rupees)			(Col. 6 – 5)	(In rupees)
1	2	3	4	5	6	7	8
Thunder Ball	258	26-Jun-07	26307571	11-Jul-07	6-Oct-08	453	3918026
Easy Lotto	53	9-Nov-07	10400000	24-Nov-07	7-Jan-08	44	150444
Easy Lotto	48	26-Oct-07	12900000	10-Nov-07	24-Oct-08	349	1480142
Super Lotto	272	7-Jun-07	61654260	22-Jun-07	4-Mar-08	256	5189093
Saturday Super Lotto	104	19-May-07	56798455	3-Jun-07	25-Jan-08	236	4406938
Thunder Ball Jackpot		28-Nov-06	10925050	13-Dec-06	23-Mar-07	100	359180
Thursday Super Lotto Jackpot	241	2-Nov-06	21408228	17-Nov-06	13-Feb-07	88	619372
Thunder Ball		3-Nov-06	39869824	18-Nov-06	5-Jan-07	48	629179
Thursday Super Lotto Jackpot	231	24-Aug-06	21350314	8-Sep-06	17-Nov-06	70	491350
Saturday Super Lotto Jackpot	63	5-Aug-06	20529830	20-Aug-06	14-Nov-06	86	580460
Saturday Super Lotto		8-Jul-06	21452760	23-Jul-06	19-Oct-06	88	620661
Thursday Super Lotto Jackpot	218	25-May-06	174524385	9-Jun-06	21-Jul-06	42	2409871
Tuesday Thunder Ball	299	8-Apr-08	26556940	23-Apr-08	10-Jun-09	413	3605923
					(8800000)		0
					24-Sep-09	519	618817
					(17756940)*		0
Thursday Super Lotto	310	28-Feb-08	60407955	14-Mar-08	27-May-09	439	8718606
					(15000000)		0
					25-Aug-09	529	1343578
					(15000000)		0
					24-Sep-09	559	299914
					(30407955)**		0
							0
Thursday Super Lotto	333	7-Aug-08	33800000***	22-Aug-08	5-May-09	256	2844756
Saturday Super Lotto	166	26-Jul-08	78727818	10-Aug-08	24-Sep-09	410	10612078
					(10000000)		0
					7-Oct-09	423	293741
					(20000000)		0
					25-Feb-10	564	2258835
					(12500000)		0
					6-Apr-10	604	476421
					(36227818)		0
			667317390				<b>51927383</b>

\*Amount due out of a deposit of ₹1,78,56,940/-

\*\* Amount due out of a deposit of ₹3,08,94,015/-

\*\*\* Amount due out of a deposit of ₹3,42,17,180/-



**Appendix – 4.3**  
**Statement showing calculation of CESS**  
*(Referred to in paragraph 4.6, Page 121)*

*(₹ in lakh)*

Name of Work	Name of Contractor	Reference Bill	Value of work done	Amount of Cess @ 0.5% of value of work done as shown in Col. 4
1	2	3	4	5
Construction of cultural centre at Yangang, South Sikkim	M/s Hindustan Steelworks Construction Ltd., Kolkata	4 <sup>th</sup> RA	573.72	2.87
		5 <sup>th</sup> RA	1336.81	6.68
			<b>Total</b>	<b>9.73 (A)</b>
Pilgrimage-cum-Cultural Centre at Solophok, Namehi, South Sikkim	M/s Hindustan Steelworks Construction Ltd., Kolkata	6 <sup>th</sup> RA to 9 <sup>th</sup> RA bills (Value of work done upto 5 <sup>th</sup> RA ₹ 2371.55 lakh and payments made by 20-04-07)	2,940.47	14.70
			<b>Total:</b>	<b>14.70 (B)</b>
Cons. of Rural connectivity road from U/Samsing to Changay (Tokchey), East Sikkim	Shri Roshanlal Ararwal	2 <sup>nd</sup> RA	67.27	0.34
SPWD road to Karmithang	G.M.Gurung	3 <sup>rd</sup> RA	82.82	0.41
			<b>Total</b>	<b>0.75 (C)</b>

*NB: Calculation has been made from the date of publication of notification (16 April 2008).*

**Grand Total: (A) + (B) + (C) = ₹ 25.18 lakh**



**APPENDIX -5.1**  
**Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2010 in respect of Government Companies and Statutory Corporations**  
*(Referred to in paragraph 5.1.5, Page 124)*

*(Figures in column 5 (a) to 6 (c) are ₹ in crore)*

No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital			Loans** outstanding at the close of 2009-10			Debt equity ratio for 2009-10 (Previous year)	Manpower (No. of employees) (as on 31.03.2010)	
(1)	(2)	(3)	(4)	State Govt	Central Govt	Others	Total	State Government	Others	Total	(7)	(8)
A. Working Government Companies												
AGRICULTURE & ALLIED*												
1	Sikkim Poultry Development Corporation (SPDCL)	AH & VS	Mar-91	0	0	0	0	0	0	0	0	4
2	Sikkim Hatcheries Limited (SHL)	AH & VS	Aug-94	0.44***	0	0.02	0.46	0	0	0	0	13
Sector wise total				0.44	0	0.02	0.46	0	0	0		17
FINANCE												
3	Schedule Castes, Schedule Tribes and Other Backward Classes Development Corporation Limited (SABCCO)	WELFARE	Apr-96	9.09	3.51	0	12.60	0	37.04	37.04	2.94:1(2.80:1)	24
Sector wise total				9.09	3.51	0	12.60	0	37.04	37.04		24
INFRASTRUCTURE												
4	Sikkim Industrial development and Investment Corporation Limited (SIDICO)	INDUSTRIES	Mar-77	10.77	0	6.37	17.14	2.03	285.55	287.58	16.78:1(0.16:1)	36
Sector wise total				10.77	0	6.37	17.14	2.03	285.55	287.58		36
MANUFACTURING												
5	Sikkim Jewels Limited (SJL)	INDUSTRIES	Jul-76	13.56	0	0.00	13.56	0	0	0	0 (0.05:1)	107
6	Sikkim Time Corporation Limited (SITCO)	INDUSTRIES	Oct-76	22.13	0	0	22.13	0	0	0	0	109
7	Sikkim Precision Industries Limited (SPIL)	INDUSTRIES	Feb-99	4.09	0	0	4.09	0	0	0	0	71
Sector wise total				39.78	0	0	39.78	0	0	0	0	287
POWER												
8	Sikkim Power Development Corporation (SPDC)	POWER	Dec-98	3.40	0	0	3.40	0	137.86	137.86	40.55:1(45.28:1)	57
Sector wise total				3.40	0	0	3.40	0	137.86	137.86		57



SERVICE		TOURISM	Feb-98	6.46	0	0	6.46	0	0.25	0.25	0.04:1(0:0)	57
9	Sikkim Tourism Development Corporation (STDC)											
Sector wise total				6.46	0	0	6.46	0	0.25	0.25		57
Total A (All sector wise working Government Companies)				69.94	3.51	6.39	79.84	2.03	460.70	462.73		478
<b>B. Working Statutory Corporations</b>												
FINANCE												
10	State Bank of Sikkim (SBS)	FINANCE	Jun-68	0.53	0	0.05	0.58	0	0	0	264	
Sector wise total				0.53	0	0.05	0.58	0	0	0		264
SERVICE												
11	State Trading Corporation of Sikkim (STCS)	FINANCE	Mar-72	1.61	0	0	1.61	0	0	0	88	
Sector wise total				1.61	0	0	1.61	0	0	0		88
Total B (All sector wise working Statutory Corporations)				2.14	0	0.05	2.19	0	0	0		352
Grand Total (A + B)				72.08	3.51	6.44	82.03	2.03	460.70	462.73		830
<b>C. Non working Government Companies</b>												
AGRICULTURE & ALLIED												
12	Sikkim Livestock Processing and Development Corporation (SLPDC)	AH & VS	Apr-88	0.35	0.34	0	0.69	0	0.03	0.03	0.04:1	3
13	Sikkim Flour Mills Limited (SFML)	INDUSTRIES	Jul-76	2.44	0	0	2.44	0	0	0.00		0
Sector wise total				2.79	0.34	0	3.13	0	0.03	0.03		3
SERVICES												
14	Chandmuri Workshop and Automobiles Limited (C.WAL)	TRANSPORT	Apr-88	0.30	0	0	0.30	0	0	0		0
Sector wise total				0.30	0	0	0.30	0	0	0		0
Total C (All sector wise non working Government Companies)				3.09	0.34	0	3.43	0	0.03	0.03		3
<b>D. Non working Statutory Corporations</b>												
MANUFACTURING												
15	Sikkim Mining Corporation (SMC)	MINES & GEO	Feb-60	6.11	6.39	0	12.50	0	0	0		47
Sector wise total				6.11	6.39	0	12.50	0	0	0		47
Total D (All sector wise non working Statutory Corporations)				6.11	6.39	0	12.50	0	0	0		47
Grand Total (A + B + C + D)				81.28	10.24	6.44	97.96	2.03	460.73	462.76		880

\*\* Loans outstanding at the close of 2009-10 represent long-term loans only.

† The paid-up capital of SIL includes rupees 4 crore as Share application money.

\*\*\* Subscription money received from SPDCL.

Source: As furnished by the PSUs



**APPENDIX – 5.2**  
**Summarised financial results of Government Companies and Statutory Corporations for the latest year for which accounts were finalised\***  
*(Referred to in paragraph 5.1.15, Page 127)*

*(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 <sup>d</sup>	Paid up Capital	Accumulated Profit (+)/ Loss (-)	Capital employed <sup>1c</sup>	Return on capital employed <sup>5</sup>	Percentage return on capital employed
(1)	(2)	(3)	(4)	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	5 (d)	(7)	(8)	(9)	(10)	(11)	(12)
<b>A. Working Government Companies</b>													
<b>AGRICULTURE &amp; ALLIED</b>													
1	SPDCL	2008-09	2009-10	-0.07	0	0.01	-0.08	0		-0.73	0.14	-0.08	
2	SHL	2008-09	2009-10	-0.14	0	0.04	-0.18	0.98	0.46	-1.67	0.34	-0.18	
<b>Sector wise total</b>				<b>-0.21</b>	<b>0</b>	<b>0.05</b>	<b>-0.26</b>	<b>0.98</b>	<b>0</b>	<b>-2.40</b>	<b>0.48</b>	<b>-0.26</b>	
<b>FINANCE</b>													
3	SABCCO	2008-09	2010-11	0.73	1.29	0.02	-0.58	1.05	12.55	-5.38	42.59	0.71	1.67
<b>Sector wise total</b>				<b>0.73</b>	<b>1.29</b>	<b>0.02</b>	<b>-0.58</b>	<b>1.05</b>	<b>0</b>	<b>-5.38</b>	<b>42.59</b>	<b>0.71</b>	<b>1.67</b>
<b>INFRASTRUCTURE</b>													
4	SIDICO	2008-09	2010-11	1.60	0.05	0.03	1.52	2.13	17.14	-1.83	17.94	1.57	8.75
<b>Sector wise total</b>				<b>1.60</b>	<b>0.05</b>	<b>0.03</b>	<b>1.52</b>	<b>2.13</b>	<b>17.14</b>	<b>-1.83</b>	<b>17.94</b>	<b>1.57</b>	<b>8.75</b>
<b>MANUFACTURING</b>													
5	SIL	2007-08	2009-10	-0.15	0.02	0.08	-0.25	2.77	11.91	-1.34	2.31	-0.23	
6	SITCO	2008-09	2010-11	-1.24	0	0.17	-1.41	1.26	21.03	-16.72	4.92	-1.41	
7	SPIL	2007-08	2008-09	0.11	0	0.23	-0.12	0.73	3.79	-0.64	3.10	-0.12	
<b>Sector wise total</b>				<b>-1.28</b>	<b>0.02</b>	<b>0.48</b>	<b>-1.78</b>	<b>4.76</b>	<b>36.73</b>	<b>-18.70</b>	<b>10.33</b>	<b>-1.76</b>	
<b>POWER</b>													
8	SPDC	2006-07	2007-08	0	0	0	0	0	3.40	0	78.66	0	
<b>Sector wise total</b>				<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3.40</b>	<b>0</b>	<b>78.66</b>	<b>0</b>	
<b>SERVICE</b>													
9	STDC	2008-09	2010-11	0.48	0	0.31	0.17	1.30	6.46	-1.79	4.67	0.17	3.64
<b>Sector wise total</b>				<b>0.48</b>	<b>0</b>	<b>0.31</b>	<b>0.17</b>	<b>1.30</b>	<b>6.46</b>	<b>-1.79</b>	<b>4.67</b>	<b>0.17</b>	<b>3.64</b>
<b>Total A (All sector wise working Government Companies)</b>				<b>1.32</b>	<b>1.36</b>	<b>0.89</b>	<b>-0.93</b>	<b>10.22</b>	<b>76.74</b>	<b>-30.10</b>	<b>154.67</b>	<b>0.43</b>	



B. Working Statutory Corporations														
FINANCE														
10	SBS	2005-06	2010-11	18.85	17.40	0.15	1.30	20.69		0.58	-33.40	350.76	18.70	5.33
Sector wise total				18.85	17.40	0.15	1.30	20.69	0	0.58	-33.4	350.76	18.70	5.33
SERVICE														
11	STCS	2007-08	2008-09	0.68	0	0.06	0.62	11.07	-0.54	1.11	7.80	8.86	0.62	7.00
Sector wise total				0.68	0	0.06	0.62	11.07	-0.54	1.11	7.80	8.86	0.62	7.00
Total B (All sector wise working Statutory Corporations)				19.53	17.40	0.21	1.92	31.76	-0.54	1.69	-25.60	359.62	19.32	
Grand Total (A + B)				20.85	18.76	1.10	0.99	41.98	-0.62	78.43	-55.70	514.29	19.75	
C. Non working Government Companies														
AGRICULTURE & ALLIED														
12	SLPDC	2006-07	2008-09	-0.01	0	0.05	-0.06	0.01	0	0.69	-0.89	1.20	-0.06	
13	SFML	1994-95	1995	0	0	0	0	0	0	0.60	-0.13	0.85	0	
Sector wise total				-0.01	0	0.05	-0.06	0.01	0	1.29	-1.02	2.05	-0.06	
SERVICES														
14	CWAL	1994-95	1997	-0.10	0	0.04	-0.14	0	0	0	-0.02	0.69	-0.14	
Sector wise total				-0.10	0	0.04	-0.14	0	0	0	-0.02	0.69	-0.14	
Total C (All sector wise non working Government Companies)				-0.11	0	0.09	-0.20	0.01	0	1.29	-1.04	2.74	-0.20	
D. Non working Statutory Corporations														
MANUFACTURING														
15	SMC	2006-07	2007-08	-1.96	0.10	0.11	-2.17	0.75	0	12.50	-11.88	0.66	-2.07	
Sector wise total				-1.96	0.10	0.11	-2.17	0.75	0	12.50	-11.88	0.66	-2.07	
Total D (All sector wise non working Statutory Corporations)				-1.96	0.10	0.11	-2.17	0.75	0	12.50	-11.88	0.66	-2.07	

\* Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit / decrease in losses (-) decrease in profit / increase in losses.

\* Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in case of finance companies/ corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

\* Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

\* Audited accounts by Accountant General office

† Project under construction. No Profit & Loss Account is prepared



## APPENDIX – 5.3

## Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2010

(Referred to in paragraph 5.1.9, Page 125)

(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 <sup>@</sup>		Waiver of dues during the year
		Equity	Central Government	State Government	Total	Received	Commitment	Interest/ penal interest waived
(1)	(2)	(3)	4 (a)	4 (b)	4 (c)	5 (a)	5 (b)	(6)
<b>A. Working Government Companies</b>								
<b>AGRICULTURE &amp; ALLIED</b>								
1	SPDCL	0	0.00	2.25	2.25	0	0	0
2	SHL	0	0.00	0.00	0.00	0	0	0
<b>Sector wise total</b>		<b>0.00</b>	<b>0.00</b>	<b>2.25</b>	<b>2.25</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>FINANCE</b>								
3	SAHCCO	0.05	0	0	0	5.44	37.04	0
<b>Sector wise total</b>		<b>0.05</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>5.44</b>	<b>37.04</b>	<b>0.00</b>
<b>INFRASTRUCTURE</b>								
4	SIDICO	0	2.20	0	2.20	285.00	100.00	0.17
<b>Sector wise total</b>		<b>0.00</b>	<b>2.20</b>	<b>0.00</b>	<b>2.20</b>	<b>285.00</b>	<b>100.00</b>	<b>0.17</b>
<b>MANUFACTURING</b>								
5	SJL	0.80	0	0	0	0	0	0
6	SITCO	1.10	0	0	0	0	0	0
7	SPIL	0.15	0	0	0	0	0	0
<b>Sector wise total</b>		<b>2.05</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>POWER</b>								
8	SPDC	0	0	0	0	0	50.01	0
<b>Sector wise total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>50.01</b>	<b>0</b>
<b>SERVICE</b>								
9	STDC	0	0	0	0	0	0	0
<b>Sector wise total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total A (All sector wise working Government Companies)</b>		<b>2.10</b>	<b>2.20</b>	<b>2.25</b>	<b>4.45</b>	<b>290.44</b>	<b>187.05</b>	<b>0.17</b>
<b>B. Working Statutory Corporations</b>								
<b>FINANCE</b>								
10	SBS	0	0	0	0	0	0	0
<b>Sector wise total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>SERVICE</b>								
11	STCS	0	0	0	0	0	0	0
<b>Sector wise total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total B (All sector wise working Statutory Corporations)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total (A + B)</b>		<b>2.10</b>	<b>2.20</b>	<b>2.25</b>	<b>4.45</b>	<b>290.44</b>	<b>187.05</b>	<b>0.17</b>
<b>C. Non working Government Companies</b>								
<b>AGRICULTURE &amp; ALLIED</b>								
12	SLPDC	0	0	0	0	0	0	0
13	SFML	0	0	0	0	0	0	0
<b>Sector wise total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>SERVICES</b>								
14	CWAL	0	0	0	0	0	0	0
<b>Sector wise total</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total C (All sector wise non working Government Companies)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>D. Non working Statutory Corporations</b>								
<b>MANUFACTURING</b>								
15	SMC	0	0	0.97	0.97			
<b>Sector wise total</b>		<b>0</b>	<b>0</b>	<b>0.97</b>	<b>0.97</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total D (All sector wise non working Statutory Corporations)</b>		<b>0</b>	<b>0</b>	<b>0.97</b>	<b>0.97</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total (A + B + C + D)</b>		<b>2.10</b>	<b>2.20</b>	<b>3.22</b>	<b>5.42</b>	<b>290.44</b>	<b>187.05</b>	<b>0.17</b>

① Figures indicate total guarantees outstanding at the end of the year.



**APPENDIX – 5.4**  
**Statement showing the investments made by the State Government**  
**in working PSUs whose accounts are in arrears**  
*(Referred to in paragraph 5.1.25, Page 130)*

(₹ in crore)

Sl. No	Name of PSU	Year upto which accounts finalised	Paid up capital as per latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears.		
				Year	Equity	Grants
1	SJL	2007-08	11.91	2008-09	0.85	Nil
				2009-10	0.80	Nil
2	SITCO	2008-09	21.03	2009-10	1.10	Nil
3	SPIL	2007-08	3.79	2008-09	0.15	Nil
				2009-10	0.15	Nil
4	SIDICO	2008-09	17.14	2009-10	Nil	Nil
5	SABCCO	2008-09	12.55	2009-10	0.05	Nil
6	STDC	2008-09	6.46	2009-10	Nil	Nil
7	SPDC	2006-07	3.40	2007-08	Nil	Nil
				2008-09	Nil	1.00
				2009-10	Nil	Nil
8	SPDCL	2008-09	0.00	2009-10	Nil	2.25
9	SHL	2008-09	0.46	2009-10	Nil	Nil
10	SBS	2005-06	0.58	2006-07	Nil	Nil
				2007-08	Nil	Nil
				2008-09	Nil	Nil
				2009-10	Nil	Nil
11	STCS	2007-08	1.11	2008-09	0.50	Nil
				2009-10	Nil	Nil
		<b>Total</b>	<b>78.43</b>		<b>3.60</b>	<b>3.25</b>

Source: As per the information furnished by the Government Companies and Statutory Corporations



**APPENDIX – 5.5**  
**Statement showing financial position of Statutory Corporations**  
*(Referred to in paragraph 5.1.15, Page 127)*

(₹ in crore)

<b>1. State Bank of Sikkim</b>		
Particulars	2007-08 (provisional)	2008-09 (provisional)
<b>A. Liabilities</b>		
Paid up Capital	0.58	0.58
Share application money	0.00	0.00
Reserve funds and other reserves and surplus	0.11	12.72
Deposits	725.34	970.79
Borrowings:		
Reserve Bank of India	0.00	0.00
Other Banks	0.14	48.06
Other Institutions and Agencies	0.00	0.00
Other liabilities and provisions	36.18	65.28
<b>TOTAL - A</b>	<b>762.35</b>	<b>1097.43</b>
<b>B. Assets</b>		
Cash and Bank Balances	521.43	725.80
Investments	34.62	44.16
Loans and Advances	167.12	276.54
Net fixed assets	1.41	3.38
Other assets	22.26	38.13
Accumulated loss	15.51	9.42
Miscellaneous expenditure	0.00	0.00
<b>TOTAL - B</b>	<b>762.35</b>	<b>1097.43</b>
C. Capital Employed*	564.28	863.33
<b>2. State Trading Corporation of Sikkim</b>		
Particulars	2007-08	2008-09 (provisional)
<b>A. Liabilities</b>		
Paid up Capital	1.11	1.61
Reserve and surplus	7.80	6.88
Current Liabilities and Provisions	45.73	67.57
<b>TOTAL - A</b>	<b>54.64</b>	<b>76.06</b>
<b>B. Assets</b>		
Net fixed asset	0.57	0.51
Current assets, loans and advances	54.02	75.55
Inter branch transaction	0.05	0.00
<b>TOTAL - B</b>	<b>54.64</b>	<b>76.06</b>
C. Capital Employed**	8.86	8.49
<b>3. Sikkim Mining Corporation</b>		
Particulars	2007-08 (provisional)	2008-09 (provisional)
<b>A. Liabilities</b>		
Paid up Capital	12.50	12.50
Share application money from Government of India	2.51	2.51
Reserve and surplus	0.00	0.00
Borrowings: Government of India	2.13	2.13
Grants for mine closure	0.95	0.95
Other funds for mine closure	0.15	0.38
Trade dues and current Liabilities and Provisions	1.18	1.22
<b>TOTAL - A</b>	<b>19.42</b>	<b>19.69</b>
<b>B. Assets</b>		
Net fixed assets	0.93	0.93
Mine Development expenditure	4.60	4.60
Current assets, loans and advances	1.24	0.78
Accumulated loss	11.88	11.88
Mine closure expenses	0.61	1.33
Value of stock concentrates written off	0.16	0.17
<b>TOTAL - B</b>	<b>19.42</b>	<b>19.69</b>
C. Capital Employed**	0.99	0.49

Source: As per the approved/provisional accounts of the PSUs

Figures for 2009-10 have not been furnished by the PSUs

\* Capital employed represents mean of aggregate of opening and closing balance of paid up capital, free reserves, bonds, deposits and borrowings (including refinance) less accumulated losses.

\*\* Capital employed represents net fixed assets (including capital Work-in-progress) plus working capital.



**APPENDIX – 5.6**  
**Statement showing working results of Statutory Corporations**  
*(Referred to in paragraph 5.1.15, Page 127)*

(₹ in crore)

<b>1. State Bank of Sikkim</b>			
<b>Particulars</b>		<b>2007-08 (Provisional)</b>	<b>2008-09 (Provisional)</b>
1	Income		
	a) Interest on loan	39.53	57.80
	b) Other income	3.86	6.48
	<i>Total - 1</i>	43.39	64.28
2	Expenses		
	a) Interest expended	24.44	47.26
	b) Operating expenses, Provisions and Contingencies	7.10	10.32
	<i>Total - 2</i>	31.54	57.58
3	Profit (+)/Loss (-) before tax (1-2)	11.85	6.69
4	Profit (+)/Loss (-) after tax	11.85	6.69
5	Other appropriation	-	0.61
6	Amount available for dividend	11.85	6.08
7	Total return on Capital employed	36.29	53.95
8	Percentage of return on Capital employed	6.43	6.25
<b>2. State Trading Corporation of Sikkim</b>			
<b>Particulars</b>		<b>2007-08</b>	<b>2008-09 (Provisional)</b>
1	Income		
	a) Sale of trading goods	9.13	11.42
	b) Commission	1.94	2.60
	c) Other income	0.15	0.28
	d) Increase (+)/Decrease (-) in stock	(+) 0.31	(+) 0.22
	<i>Total - 1</i>	11.53	14.52
2	Expenses		
	a) Purchase of Trading Goods	8.44	10.89
	b) Trade Expenses	0.24	0.29
	c) Establishment Expenses	1.60	1.68
	d) Other Expenses	0.51	2.52
	<i>Total - 2</i>	10.79	15.38
3	Profit (+)/Loss (-) before tax (1-2)	0.74	(-) 0.86
4	Provision for tax	0.11	0.00
5	Prior period adjustments	-	(-) 0.04
6	Amount available for dividend	0.63	-
7	Total return on Capital employed	0.63	**
8	Percentage of return on Capital employed	7.11	-

Source: As per the provisional accounts of the PSUs, \*\*negative figures

The figures for 2009-10 have not been furnished by the Statutory Corporations



**APPENDIX – 5.7**  
**Statement showing operational performance of Statutory Corporations**  
*(Referred to in paragraph 5.1.15, Page 127)*

Sl. No.	Particulars	2007-08	2008-09	2009-10
<b>State Bank of Sikkim</b>				
		(provisional)	(provisional)	(provisional)
1	Number of Branches	23	25	25
2	Number of Employees	248	254	264
3	Profit per Employee (₹ in lakh)	4.43	-	-
<b>Deposits (₹ in crore)</b>				
4	(a) Government	60.75	83.34	105.02
	(b) Others	39.15	180.55	295.23
	<b>Total-4</b>	<b>99.90</b>	<b>263.89</b>	<b>400.25</b>
<b>Advances (including bills) (₹ in crore)</b>				
5	Others	162.18	264.46	325.07
	<b>Total-5</b>	<b>162.18</b>	<b>264.46</b>	<b>325.07</b>
6	Debts written off	Nil	Nil	Nil
Sl. No.	Particulars	2007-08	2008-09 (provisional)	2009-10 (provisional)
<b>State Trading Corporation of Sikkim</b>				
1	Actual supply during the year: (₹ in crore)			
	(i) Cement	8.15	4.48	26.20
	(ii) G.C.I Sheet	6.82	21.31	5.66
	(iii) M.S. Rod	5.70	7.63	5.57
	(iv) Others	51.22	63.92	52.74
2	Total no. of employees of STCS as on 31 <sup>st</sup> March of	92	88	88
3	Expenditure during the year on staff salaries/ wages (₹ in lakh)	148.26	157.72	173.07
4	Percentage of expenditure on staff to total sales	2.06%	1.62%	1.92%
5	Outstanding sundry debtors (₹ in crore)			
	(i) less than one year	22.08	24.40	42.62
	(ii) more than one year but less than five years			
6	Commission earned during the year (₹ in crore)	1.78	2.58	2.46
7	Expenditure on other administrative expenses (₹ in lakh)	54.22	83.16	96.89

Source: As per the information furnished by the Statutory Corporations

One Statutory Corporation, Sikkim Mining Corporation, had discontinued mining operations since 2007-08.